

(2009) 04 DEL CK 0175
In the Delhi High Court
Case No : C.S. (OS) 1977 of 1987

National Research Development Corpn.	APPELLANT
Vs	
ABS Plastics Limited	RESPONDENT

Date of Decision : 01-04-2009

Acts Referred:

Arbitration Act, 1940 — Section 33
Patents Act, 1970 — Section 68, 69

Citation : (2009) 168 DLT 177 : (2009) 40 PTC 613 : (2010) 8 RCR(Civil) 364

Hon'ble Judges : S.N. Dhingra, J

Bench : Single Bench

Advocate : Ashwini Mata and Rahul Tyagi, for the Appellant; N. Safaya, for the Respondent

Final Decision : Dismissed

Judgement

Shiv Narayan Dhingra, J.—This suit has been filed by the plaintiff for recovery of Rs. 25,34,964.62 as royalty amount under license agreement dated 23rd July 1975 between the parties and interest accrued thereon as well as for rendition of account.

2. plaintiff alleged that under one of its sponsorship schemes of the Council for Scientific and Industrial Research (CSIR), Shri Ram Institute of Industrial Research developed a process for the manufacture of Terpolymers of Acrylonitrile Butadine (ABS Resins) using what was known as emulsion technology. This process was got patented vide Patent Nos. 110090 and 118359 and assigned in favour of the plaintiff by a deed of assignment dated 28th May 1974. The assignment was duly registered with the Controller of Patents and Designs. The plaintiff entered into a deed of license with the defendant on 23rd July 1975 in respect of the above patent. By this license deed, the defendant acquired a non exclusive license for a term of eight years w.e.f. 1st February 1974 for using the knowhow of the two chemical processes covered by the two patents aforesaid. The license comprised of right to use the said invention for manufacture of ABS

Resigns and to sell the products in accordance with the said invention in consideration of the payment of Rs. 60,000/- paid to the plaintiff by the defendant by way of premium at the time of execution of the agreement and a royalty of 1% on the net exfactory sale price of the material manufactured by the defendant in accordance with the said invention. The defendant was liable to pay interest @ 12% per annum in the event of default. The royalty was payable for a minimum period of eight years from the date of start of the manufacture. The defendant filed royalty returns for the period February 1974 to 30th September 1977 showing NIL production and thus no royalty was payable. On 10th February 1979 the defendant filed Royalty Returns for the period ending 30th September 1978 showing the date of commencement of the production to be 23rd June 1978. The royalty of Rs. 2026/- was paid to the plaintiff by way of demand draft. Thereafter, the defendant filed royalty returns for the period up to 31st March 1984 declaring the amounts aggregating over Rs. 16 lac as royalty payable but no amount was paid. The last royalty return was filed on 23rd May 1984 for the period from 1st October 1983 to 31st March 1984. It is submitted that the defendants had been very irregular in submitting the returns and during the period 19th September 1979 to 17th August 1982, a number of letters were written by the plaintiff to the defendants calling upon them for filing the returns and for payment of royalty, some of which evoked only partial response from the defendant. The defendant vide its letter dated 7th April 1984 acknowledged its liability but requested for waiving the royalty payable till 31st March 1983 on the ground that the liquidity of the defendant had completely vanished. Looking into the fact that the defendant was not paying royalty and the plaintiff was suffering losses, plaintiff caused a notice dated 15th October 1984 served upon the defendant. In reply to this notice defendants again acknowledged their readiness and willingness to fulfill their part of the obligation but put a counter claim of Rs. 434.36 lacs against the plaintiff and refused to pay any amount. It is also stated that the defendant has not been rendering the accounts of the goods sold and manufactured so as to calculate the exact royalty figure. The plaintiff invoked the arbitration clause of the agreement vide notice dated 29th April 1985 calling upon the defendants to appoint their arbitrator. The defendants challenged the existence of the Arbitration Agreement and filed a petition u/s 33 of the Arbitration Act before this Court. This Court stayed the proceedings before the Arbitrator vide its order dated 17th September 1986. The arbitration proceedings therefore kept pending before the Arbitrator.

3. The plaintiff filed the present suit on the basis of admissions made by the defendants regarding receiving benefits under the license agreement which it later on claimed to be invalid and filed the present suit claiming principal amount of Rs. 16,08,226 and interest thereon @ 12 % per annum. This suit was filed by the plaintiff on 21st May 1987.

4. In the written statement the defendant took the stand that there was no jural relation between the parties. The deed of license dated 23rd July 1975 entered into between the parties was an illegal and void document and it did not confer

any right on the plaintiff. The said deed was not enforceable under law. It was claimed that under Chapter XIII of Patents Act, any license in respect of Patent was not valid license unless the same was in writing and an application for its registration (under Section 68 of the said Act) is filed with the Controller in terms of Section 68 of the Act. It is submitted that Section 68 of the Patent Act provided compulsory registration of all the license deeds. The license as alleged by the plaintiff was thus illegal and no claim either under Patents Act or under Contract Act can be raised or filed against the defendant. It was further stated that the patented process was universal and a non-workable process which the defendant had to abandon after incurring heavy losses. No royalty was payable under the agreement to the plaintiff. The agreement was thus non-enforceable and illegal. The defendants prayed for dismissal of the suit of the plaintiff.

5. On the pleadings of parties following issues were framed vide order dated 24th August 2005:

1. Whether the suit is instituted by a duly authorized person? OPP
2. Whether the deed of license dated 23rd July 1975 is invalid and unenforceable in law? OPD
3. If issue No. 2 is answered in favour of the plaintiff; whether the plaintiff is entitled to any amount from the defendant? OPP
4. Whether the defendant is liable to render accounts to the plaintiff? If so, for what period? OPP
5. Relief.

6. Issue No. 1: The present suit has been filed and verified by Mr. N.K. Sharma, Managing Director of the plaintiff corporation. A managing director by the very nature of its office is competent to represent the company and to institute all suits. PW-2 Mr. Desh Raj in his testimony testified that the Board of Directors of plaintiff in a meeting held on 19th June 1982 had delegated powers to Mr. N.K. Sharma to institute, conduct and defend legal proceedings by or against plaintiff. He proved copy of the extracts of Board Resolution showing powers so delegated to Mr. N.K. Sharma as Ex.PW2/A. No evidence has been led contrary to this. I, therefore, hold this issue in favour of the plaintiff and against the defendant.

7. Issue No. 2: plaintiff has pleaded in paragraph 5 of the plaint that the plaintiff got developed under sponsor scheme through Sri Ram Institute of Industrial Research a process for manufacture of Terpolymers of Acrylonitrile Butadiene (ABS Resins) and this patent was got registered in the name of the plaintiff vide patent Nos. 110090 and 118359 by the deed of assignment dated 28th May 1974. The defendant entered into a license deed/ agreement with the plaintiff on 23rd July 1975 and acquired non-exclusive license for a term of eight years from 1st February 1974 comprising the right to use the process which was got patented in the name of the plaintiff, subject to payment of royalty of one percent on net ex-factory sale. It is an undisputed fact that this deed of license/

agreement is an unregistered document. The contention of the defendant is that this document cannot be acted upon in view of Section 68 of the Patents Act, 1970. Section 68 of the Patents Act, 1970 provided for mandatorily registration of an assignment or license or creation of any other interest in a patent with the Registrar of Patents. Section 68 reads as under:

68. Assignments, etc, not to be valid unless in writing and registered

An assignment of a patent or of a share in a patent, a mortgage, license or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and obligations and the application for registration of such document is filed in the prescribed manner with the Controller within six months from the commencement of this Act or the execution of the document, whichever is later or within such further period not exceeding six months in the aggregate as the Controller on application made in the prescribed manner allows: Provided that the document shall, when registered, have effect from the date of its execution.

8. It is apparent from the reading of above Section that where a right under Patent is assigned or a license is accorded in favour of someone, the same is not valid unless the same is in writing between the parties and it has been filed in a prescribed manner with the Controller of Patents within six months from the commencement of the Act or the execution of the documents, whichever is later. The documents when registered has effect from the date of its execution. Section 69 also provides for registration of assignment, license etc. regarding patented matter and provides procedure for registration. It is obvious that since this license agreement between the parties was not a registered agreement, this had no validity in the eyes of law. Counsel for the plaintiff relied upon NRDC v. Silicon Ceramics 1997(2) A. L.R 173 and contended that the agreement between the parties was not an assignment or a patent agreement and, therefore, Section 68 would not be applicable which applies to assignment of patent or creation of an interest therein.

9. A perusal of NRDC's case (supra) would show that in this judgment the Court had considered the validity of an award passed by the Arbitrator and the Court came to conclusion that the agreement relied upon was not an agreement in respect of an assignment of a patent or creation of a license in respect of the patent and there was no patent. This judgment, however, is of no help since the agreement relied upon by the plaintiff in the present case specifically provides for giving license to the defendant for manufacture of products patented in the name of the plaintiff vide patents Nos. 110090 and 118359. The relevant paragraph of the agreement reads as under: "Whereas the Shri Ram Institute for Industrial Research, Delhi under a CSIR Scheme (hereinafter called "the Research Institute") has developed a process for the manufacture of Terpolymers of Acrylonitrile Butadiene (ABS Resins) using emulsion technology which is covered by Indian Patent Nos. 110090 and 118359 and other knowhow given on the

process (hereinafter called ?the said invention) and full rights in the said invention have been assigned to the Corporation. And whereas the Corporation is in possession of and is entitled to full rights in the said invention. And whereas the corporation has agreed to grant to the grantee such license to use the said invention and the process and to manufacture and sell ABS Resins made in accordance with the said invention on the terms and conditions hereinafter contained. NOW THIS DEED WITNESSETH as follows:

1. In consideration of the payment of Rs. 60,000/- (Rupees sixty thousand only) by the Grantee to the Corporation on or before the execution of these presents as and by way of premium and the payment of the royalty hereinafter specified and the observance and performance by the Grantee of the covenants herein contained and on its part to be observed and performed this license is hereby granted for a term of 8 years from the First day of February 1974 and shall comprise the right to use the said invention for the manufacture of ABS Resins covered by Indian Patent No. 110090 and 118350 at the Grantee's own factory; and to sell the products manufactured in accordance with the said invention.

10. It is argued by the counsel for the plaintiff that what has been assigned was an invention and the process. Counsel for the plaintiff tried to emphasize on the word ?process? and stating that the process was different from the patent and what has been assigned was a process and not a patent. I consider that this argument of the counsel for the plaintiff must fail in view of the plethora of documents placed on record by the plaintiff himself. A complete reading of the license agreement dated 23rd July 1975 shows that it was a license agreement in respect of two patents registered in the name of plaintiff vide patent numbers 110090 and 118359. The agreement was for a period of 8 years and it was specifically provided that the license of the invention covered by patent for use of these two patents was being granted for a period of eight years. There was no separate process prescribed in the entire agreement apart from 2 patented inventions. Various admitted documents/ letters relied upon by the plaintiff show that the defendant in documents Ex.P-6, P-8, P-11, P-13, P-15, P-17, P-19 and P-21 categorically mention of Patent Nos.110090 and 118359. Both these patents numbers are mentioned in all these documents and no other process is mentioned in all these documents. I, therefore, consider that both the parties were very well aware that the license was in respect of two patents only. In terms of Section 68, this agreement was required to be registered and it was null and void if it was not a registered agreement. I, therefore, consider that the agreement was not enforceable.

11. Considering from another angle, the patent number 118359 was registered in the name of Council for Scientific Industrial Research with effect from 31st October 1968. The defendant has placed on record the copy of the registration of this patent from the office of Patent's office and the same is Ex.DW1/1. The patent expired on 31st October 1979 as per the register after eleven years of its registration. The entry of registration was made on 3rd January 1974 after

processing the application made by CSIR in 1968. Similarly, the patent in respect of number 110090 was registered with effect from 5th April 1967 and it was closed on 2nd May 1981 as per the register. There is no dispute about the authenticity of these documents. The patents and copyrights are granted for a limited period to the authors so that authors can take exclusive benefit of the inventions and copyright for that period. After the limited period for which the patent is granted, the patent and the copyright material becomes public property and can be used by anyone. I, therefore, consider that the claim of the plaintiff based on a license would not lie after the date of expiry of patent. Even if the plaintiff had granted a valid license to the defendant in respect of a patent which had become public property the license would not be binding on the plaintiff.

12. As per the testimony of PW-3 what was granted under the license agreement Ex.PW1/3 was the license in respect of the two patents. The agreement talks about the invention for manufacture of ABS Resins covered under patent number 110090 and 118359. This witness testified that he was not aware of any other knowhow which was transferred to the defendant. He also agreed that these resins could be produced without patent. He also agreed that assignment of patent involved identification of title, patent number and date and for license one has to indicate the title of the patent, date and the number of the patent. In view of the fact that these two patents had expired in 1979-1981, the agreement even if it had been registered, it lost its significance after 1979 and 1981 i.e. expiry of the patent. Any claim of the plaintiff against the defendant for royalty after expiry of patent would not be maintainable. I, therefore, hold this issue against the plaintiff and in favour of the defendant.

13. Issue Nos. 3 & 4: Since the issue No. 2 has been answered in favour of the defendant, plaintiff is not entitled to any amount from the defendant nor the defendant is liable to render the accounts to the plaintiff. Even otherwise, the suit was filed in the year 1987. The patents right expired in 1981. The suit could have been filed for taking accounts up to the validity of the patent in 1984 only. It is well settled law that there is no estoppel against the statute. Where the statute provides that the patent is allowed only for a limited period, the license of the patent cannot extend beyond that limited period. A license agreement for patents can be valid only during the currency of the patent. Where the patent itself expires, the license of the patent also expires. I, therefore, consider that defendant was not liable to render account to the plaintiff after 1981 and the suit filed in 1987 for rendering the accounts was not maintainable due to lapse of more than three years.

14. Relief: The suit filed by the plaintiff is hereby dismissed. Parties to bear their own costs.