

(2015) 09 DEL CK 0118

In the Delhi High Court

Case No : I.A. No. 17351/2015 in CS (OS) 2501 of 2015

Telefonaktiebolaget LM Ericsson (Publ.)

APPELLANT

Vs

Best IT World (India) Private Limited (iBall)

RESPONDENT

Date of Decision : 02-09-2015

Acts Referred:

Competition Act, 2002 — Section 25, 26(1)

Citation : (2015) 09 DEL CK 0118

Hon'ble Judges : Manmohan Singh, J

Bench : Single Bench

Advocate : C.S. Vaidyanathan, Pratibha M. Singh, Senior Advs., Saya Choudhary and Ashutosh Kumar, for the Appellant; Amit Sibal, Sr. Adv., Dev Robinson, Ajit Warriar, Naval Chopra, Aashish Gupta, Aman Sethi, Jogeshwar Mishra and Shreya Munoth, Advocates for the Resp

Judgement

Manmohan Singh, J—The plaintiff filed the suit for permanent injunction restraining infringement of patents, damages, rendition of accounts, delivery up etc. against the defendant.

2. The suit as well as interim application were listed before Court on 21st August, 2015. I heard the interim application and kept for orders for today. After the arguments addressed by both the parties, learned counsel appearing on behalf of the defendant sought time to take instructions from his client as to whether the defendant is willing to sit with the representative of the plaintiff and discuss the matter about the execution of FRAND agreement.

3. When the matter is taken up today at 12:50 pm, learned counsel for the plaintiff has informed that no communication was received from the defendant for the purpose of discussion of the matter. Therefore, the order be pronounced. It has been informed by the learned counsel appearing on behalf of the defendant that the plaintiff has to provide all the details and documents and satisfy the defendant as to whether these are the standard essential patents and the defendant is guilty of infringement, if any. In the absence thereof, it would be

difficult to sign either NDA or FRAND Agreements. Counsel for the plaintiff is not agreeable for the said suggestion mainly on the reason that all the essential information has already been supplied. Even the defendant is not agreeable to sign the NDA agreement. Therefore, the defendant is merely dragging the proceeding. Left with no option the order will be pronounced after lunch.

4. At this stage counsel for defendant has handed over the written submissions in Court. However, all the submissions mentioned cannot be considered now as order is already finalised by this Court coupled with the fact that in the written submissions additional arguments are mentioned which were not addressed at the time of hearing the interim application. This Court is of the view that the same ought to have been filed earlier.

5. Let me now discuss the matter on the issue of interim order as prayed for.

6. The suit patents relate to three technologies in the field of telecommunications pertaining inter alia to 2G, EDGE and 3G devices (mobile handsets, tablets, dongles etc.), details of which are as under:-

(a) Adaptive Multi-Rate (AMR) speech codec - a feature that conserves use of bandwidth and enhances speech quality; (AMR)

(b) Features in 3G phones - Multi service handling by a Single Mobile Station & A mobile radio for use in a mobile radio communication system; (3G)

(c) Enhanced Data Rates for GSM Evolution (EDGE) - A transceiving unit for block automatic retransmission request; (EDGE)

7. It is alleged in the plaint that the suit patents have corresponding registered patents in several countries of the world. These technologies are essential for mobile devices (handsets, tablets, dongles etc.) to interoperate with network equipment, as per the standards prescribed by international standardization bodies that have been adopted and implemented in India by the Department of Telecommunications (DoT) qua AMR, 3G and EDGE enabled devices. Copies of declarations made by the plaintiff to ETSI have been filed and claim charts mapping the suit patents to concerned technical specifications of relevant standards have been filed in a sealed cover.

8. Prior to the suit, the defendant instituted a complaint before the Competition Commission of India (CCI) alleging that the plaintiff being the owner of Standard Essential Patents (which are necessarily required to be used by any party manufacturing, selling, offering for sale etc. telecommunication devices) has abused its dominant position.

9. On 12th May, 2015, the CCI passed an order under Section 26(1) of the Competition Act, 2002, on the basis of the allegations levelled by the defendant in its complaint, directing its Director General ("D.G") to start investigation against the plaintiff. The said order of the CCI was challenged by the plaintiff by way of a writ petition being W.P(C) No. 5604/2015 filed before this Court inter

alia on the ground that the order passed by the CCI was arbitrary in nature and without jurisdiction. On 27th May, 2015, the Writ Court of this Court was pleased to direct inter alia that whilst the Director General (D.G) of the CCI may call for information from the plaintiff, no final report shall be submitted by the Director General and no final orders shall be passed by the CCI in Case No. 04 of 2015.

10. The plaintiff submits that due to lack of good faith on part of the defendant, the plaintiff was left with no option but to file the instant suit for permanent injunction against the defendant seeking inter alia to restrain violation and infringement of its rights in its patents being:

(i) IN 203034 titled as "Linear Predictive Analysis by synthesis encoding method and encoder";

(ii) IN 203036 titled as "Apparatus of producing from an original speech signal a plurality of parameters";

(iii) IN 234157 titled as "A method of encoding/decoding multi- codebook fixed bitrate CELP signal block";

(iv) IN 203686 titled as "Method and system for alternating transmission of codec mode information";

(v) IN 213723 titled as "Method and apparatus for generating comfort noise in a speech decoder";

(vi) IN 229632 titled as "Multi service handling by a Single Mobile Station";

(vii) IN 240471 titled as "A mobile radio for use in a mobile radio communication system";

(viii) IN 241747 titled as "A transceiving omit unit for block automatic retransmission request".

11. Mr. Amit Sibal, learned Senior counsel for the defendant submits that no doubt there are meetings and exchange of communications between the parties from 2011 till 2015 but despite of many reminders from time to time, the plaintiff failed to provide relevant details to the defendant so that the defendant be aware about the legal rights of the plaintiff. He says that the plaintiff in the suit has incorrectly mentioned that the defendant is unwilling to execute the FRAND Agreement. It is the obligation of the plaintiff to provide all the necessary details which till today has not been provided before execution of any kind of agreement. Thus, the suit is pre-matured and is not maintainable. He referred to page No. 166 of the complaint wherein the details of such requirement is mentioned by the defendant wherein it is stated that the plaintiff has failed to identify the relevant patents, which it is claiming that iBall has infringed. It has also unable to demonstrate essentiality of the patents it is asserting and to demonstrate any infringement by patent number. It is alleged that the plaintiff is adopting a passive aggressive approach by continuing to insist on signing of an NDA while continuing to ignore concerns of iBall and in fact, the plaintiff is

forcing the defendant to enter into an NDA when it is obligated to offer license on FRAND terms though it requires transparency, the plaintiff in the present matter is refusing to amend the terms of confidentiality under the NDA which prohibits defendant from verifying with the Chinese manufacturing any alleged claims of infringements. The defendant is not the manufacturer, who is merely an importer of the products in question. It is only the Chinese manufacturers who can verify the claims of patent infringement, if any. It is actually the plaintiff who is unwilling to negotiate on the terms of the NDA. The conduct of the plaintiff is thus unfair and onerous.

12. Mr. Sibal, learned Senior counsel submits that unless the defendant is satisfied about the legal rights of the plaintiff, the defendant cannot be blamed that they are unwilling to have the FRAND license. The said details are necessary. The conduct of the plaintiff is in contravention of the criteria as detailed in the Huawei Technologies Co.Ltd. vs. ZTE Corp. & Anr. decision. Unless the requisite details are provided, the suit filed by the plaintiff is premature and cannot be proceeded further.

13. Mr. C.S. Vaidyanathan and Ms. Pratibha M. Singh, learned Senior counsels appearing on behalf of the plaintiff has refuted the arguments of the defendant who stated that the defendant was provided with all the relevant details. Even the defendant is aware about the other sources who being in the business of small trade. Rather it is submitted that the defendant has made many admissions in its complaint about the legal rights of the plaintiff and infringement is not denied by the defendant if the conduct of the defendant is examined so as the averment made in the complaint. The said alleged admission as referred by counsel are as under:-

"....

7. Ericsson is one of the world's largest telecommunication companies with a global market share of 38%. It is one of the largest holders of standard essential patents (SEPs) in the mobile phone and wireless industries and has approximately 33,000 granted patents in 2012, with over 400 of these granted in India. These SEPs are incorporated into various standards and therefore, it must offer licenses to such patents on terms that are fair, reasonable and non-discriminatory (FRAND)."

(Emphasis added).

"It is submitted that all manufacturers of devices or equipment which are 2G, EDGE or 3G compliant would necessarily use the said technology and infringe Ericsson's patents as those patents read on the standards. It is impossible to claim compatibility with a technology without actually infringing the specific patents therefore, the requirement to obtain a license."

14. Another alleged admission made by the defendant in its complaint filed before the CCI is demonstrated as under:-

"....

140. In light of the above, iBall submits that each SEP held by Ericsson is not substitutable for any other, by virtue of it being essential to comply with a standard. The fact that certain technology is selected to be a standard means that there is no substitutable technology in India, the Department of Telecommunications, Ministry of Communications and Information Technology, Government of India (DoT), has adopted standards such as 2G and 3G and any SEPs which read on such standards cannot be substituted for other patents.

162(i)....

.....

First, the 3GPP GSM/GPRS/EDGE and 3GPP WCDMA/HSPA standards are indispensable for manufactures of mobile infrastructures and communication devices as compliance with these standards are necessary for the devices to work in India.

.....

.....

"Second, due to the adoption of 3GPP GSM/GPRS/EDGE and 3GPP WCDMA/HSPA standards by the DoT in India, and the need of operators and device manufactures to base their services and products on the same air interface technology, so that devices can communicate with the network, industry players are locked into the 3GPP GSM/GPRS/EDGE and 3GPP WCDMA/HSPA technologies.

162(iii).....

It is clear that iBall and similarly placed mobile device vendors have to necessarily adopt standards in which Ericsson has itself declared that it has patents i.e. 3GPP GSM/GPRS/EDGE and 3GPP WCDMA/HSPA standards. As a standard is not substitutable (by virtue of it having been adopted as a standard) any patents that are valid and truly essential to that standard, would by definition require license too. By their very nature, the SEPs are not substitutable with any other technology and mobile device manufactures are reliant on these patents to manufacture standard compliant devices"

(Emphasis added)

15. It is not denied by the defendant that in the present case the plaintiff approached the defendant in November, 2011 and informed them about the factum of its ownership of portfolio of standard essential patents relating to inter alia 2G and 3G technology and disclosed its willingness to discuss a licensing arrangement on FRAND terms, which will be beneficial to both the parties. The plaintiff thereafter asked for a meeting with the defendant to further discuss and negotiate the license agreement. It is alleged that the defendant did not take any step towards approaching the plaintiff for seeking a FRAND license in

contravention of findings of United States International Trade Commission in the matter of Inv. No. 337- TS-868. In its subsequent replies (letters dated 11th May, 2012, 20th September, 2012 etc.), the defendant stated that it is merely a vendor and imports all its telecommunication devices from China and as such is not aware about any such infringement and if there is an infringement, it is only "an innocent infringer".

16. Counsel for the plaintiff submits that the submission made on behalf of the defendant has no relevance in view of the principle laid down by this Court in the matter of Strix Limited Vs. Maharaja Appliances Limited, (2009) ILR Delhi 244 Supp wherein it was held as under:-

"....

27. The contention that the Defendant is not a fly-by-night operator and its business turnover is in several crores or rupees is a contention that should work against the Defendant for the simple reason that the Defendant is not expected to import a product without first checking if the Chinese supplier holds a valid patent.....Therefore, there was an obligation on the defendant, even while it imported the same product from China, to ensure that it was not violating the plaintiff's patent."

(Emphasis added)

17. It appears from the material communication that the plaintiff communicated the defendant to conclude the execution of the NDA so as to enable the parties to initiate commercial discussions and the following information was provided by the plaintiff to the defendant:

(a) Identification of illustrative iBall products that were using Ericsson's standard essential patents;

(b) Illustrative list of Ericsson's standard essential patents;

(c) Presentation about standards and licensing, 2G/3G example patent lists and 8 claim charts;

18. Prima facie it appears that the plaintiff was willing to provide such information and ready to make clarifications. In the claim charts that were shared with the defendant on 3rd March, 2015 - details of the claimed feature along with the relevant portion of the concerned technical specification of a standard was provided. However, Mr. Sibal submits that the claim charts sent by the plaintiff along with this letter do not match with the claim-chart filed by the plaintiff now in the Court. The plaintiff's counsel has denied the argument of the defendant in this regard and submitted that when the claim charts were provided to the defendant, it was stated by the defendant that as the suit patents have been previously asserted against third parties, even the said information was publicly available. Hence, it is now not open to the defendant to argue that it is not aware about the suit patent being essential in nature or the fact that the

same would be infringed by any device claiming to be AMR, EDGE or 3G compliant. It is submitted that the defendant is just raising the objection for the sake of objection in order to gain the time by avoiding execution of FRAND agreement and at the same time infringed the patents of the plaintiff without paying any royalty. Otherwise the defendant is aware about all the claim charts of the plaintiff who could have asked for clarification if necessary.

19. It is stated by the plaintiff that from November, 2011 till date the defendant has refused to even execute a mutually agreeable NDA so that commercial discussions can commence between the parties (despite the fact that the plaintiff has agreed to the defendant's request for change of jurisdiction qua Governing Law and also reduced the time period qua obligation of confidentiality).

20. Having heard the learned counsel for the parties, I am of the prima facie view that the plea of the defendant that it was not aware about the rights claimed by the plaintiff has no force in the light of the averments made in the plaint and documents filed by the plaintiff. The suit filed by the plaintiff is not prematured and is maintainable. The plaint cannot be thrown as alleged by the defendant.

21. Even for the sake of argument if few details are not provided by the plaintiff prior to filing of the suit with regard to standard patents claimed and infringement but admittedly, the plaintiff has now filed an expert affidavit of Mr. Vijay Ghate along with reports of internal tests which were performed on three devices namely:

? iBall Andi Xotic;

? iBall Cobalt Oomph;

? iBall Andi Sparkle

The said testing has confirmed that the aforesaid devices of the defendant use AMR speech codecs as defined in the relevant standard of ETSI for 3G technology and are thus infringing the plaintiff's AMR patents in 3G mode and secondly, that the aforesaid devices of the defendant use AMR functionality in 2G mode as well and are thus infringing the plaintiff's AMR patents even when the said device operates on a 2G network.

22. The plaintiff has also placed on record technical specifications (iBall Andi Sparkle, iBall Andi Xotic and iBall Cobalt Oomph) of inter alia the aforesaid three tested devices indicating that the same are compliant with 2G, EDGE and 3G technology. The plaintiff has also disclosed an illustrative list in para 11 of the plaint of infringing devices that have been or are continued to be sold in India by the defendant. Thus, prima facie, it cannot be said that the suit is false and frivolous in the light of such evidence available in the absence of any contrary evidence placed by the defendant with the plaintiff from 2011 till the date of filing the suit.

23. Thus, prima facie it appears to the Court that the defendant is aware about the claim of the plaintiff's portfolio of standard essential patents related to GSM, GPRS, WCDMA etc. technology for which there is no substitute and which are necessarily used by telecommunication devices claiming to be GSM, GPRS, WCDMA etc. In case the defendant is not infringing the patent, the interim order would not harm the business of the defendant if the technology of the defendant is distinct and not amounting to infringement of plaintiff's rights.

24. The monopoly rights of granting the patent are limited. It takes several years (almost 8-10 years) before a patent is even granted. Under Section 25, the acceptance is opposed by any party at the stage of pre-grant patent and by aggrieved party after post granting patent. Patents rights can be asserted only once they are granted. Unless the patent is sealed, the suit for infringement of patent is not maintainable. Passing off remedy is not available in patent law. If 4-5 years are spent in negotiations, then just about 5 years are left for patent protection. Under these circumstances, it is imperative that patent rights should be determined in one way or the other on urgent basis. In the present case, it is averred in the plaint that the plaintiff have got over 100 agreements licensed to third parties.

25. It is pertinent to mention that this Court in few matters has passed interim directions particularly in CS (OS) No. 2010/2013 vide order dated 22nd October, 2013 and CS (OS) No. 3775/2014 vide order dated 8th December, 2012. Even limited protection is passed in CS (OS) No. 442/2013 by other Bench on 6th March, 2013. Therefore similar order is being passed in the present order.

26. Thus, I am of the view that the plaintiff has made out a prima facie case in its favour and balance of convenience also lies in its favour. If the interim direction/ order is not granted, the plaintiff would suffer irreparable loss and injury because of the reason that the defendant would keep on marketing the mobile devices without the FRAND agreement and without paying any royalty.

27. This Court felt that the defendant has not taken any step or shown any interest for the purpose of execution of the FRAND Agreement as on the one hand the defendant is alleging that it is not infringing the suit patents of the plaintiff and on the other hand the defendant itself has filed the complaint before the CCI wherein certain admissions of the rights of the plaintiff have been made.

28. Under these circumstances, till the next date of hearing, the defendant and its agents/affiliates are restrained from importing of mobiles, handsets, devices, tablets etc. including the models specified in paragraph 13 of the application that are infringing in nature of the plaintiff's registered patents IN 203034, IN 203036, IN 234157, IN 203686, 213723 (THE AMR PATENTS), IN 229632, IN 240471 (THE 3G PATENTS) and IN 241747 (THE EDGE PATENT). The interim order would become operative after one week, i.e. 9th September, 2015.

29. Copy of the order be given dasti under the signatures of the Court Master.