

(2014) 12 DEL CK 0398
In the Delhi High Court
Case No : FAO (OS) 522/2014

Xiaomi Technology and Others

APPELLANT

Vs

Telefonaktiebolaget LM Ericsson (PUBL) and Others

RESPONDENT

Date of Decision : 16-12-2014

Acts Referred:

Civil Procedure Code, 1908 (CPC) — Order 39 Rule 4

Citation : (2015) 1 AD 407 : (2015) 147 DRJ 455 : (2015) 61 PTC 282

Hon'ble Judges : R.K. Gauba, J; Pradeep Nandrajog, J

Bench : Division Bench

Advocate : Kapil Sibal, Chetan Sharma, Sr. Advocates instructed by Ajit Warriar, Nitin Masilamani, Aashish Gupta, Shreya Munoth and Adit Pujari, Advocates for the Appellant; Rajiv Nayar, Pratibha M. Singh, Sr. Advocates instructed by Saya Choudhary Kapur, Ashutosh Kumar, B. Prashant Kumar and Saurav Anand, Advocates for the Respondent

Judgement

Caveat 1112/2014

Respondent No. 1-the caveator appears through counsel as above and hence the caveat is discharged.

CM No. 20650/2014, CM No. 20652/2014, CM No. 20651/2014 and CM No. 20649/2014

Allowed subject to just exceptions.

FAO(OS) 522/2014

1. The first respondent is the plaintiff in the suit. The appellants are defendants No. 1 and 2. The second respondent is defendant No. 3 in the suit. Parties agree that respondent No. 2 would be a proforma party and thus the appeal would be heard for disposal without issuing notice to respondent No. 2.

2. Counsel for respondent No. 1 waives notice.

3. We have heard learned counsel for the parties. We make it clear that the

arguments have been restricted to enable the Court to receive such facts which may be relevant for the purposes of passing a pro tern interim order (as distinct from an ad-interim order which has to be passed after hearing the parties on merits in view of the respective pleadings and keeping in view the principles relating to the grant of an interim injunction). The reason for the pro tern order being passing is the sweeping ex-parte ad-interim injunction order passed by the learned single Judge against the appellants on December 8, 2014 which has throttled the business of the appellants. Needless to state it is for the learned Single Judge to first decide the controversy between the parties keeping in view the pleadings concerning plaintiff's claim for grant of an injunction pending determination of the issues in the suit.

4. The bedrock stone of the suit filed by the first respondent, is patent(s) No. IN2033034, IN203036, IN234157, IN203686, IN213723, IN229632, IN240471 and IN241747. The plaintiff alleges that the appellants are infringing the patent(s). The averments concerning alleged infringement analysis are to be found in paragraph 29 onwards till paragraph 36 of the plaint.

5. The grievance in the appeal is one of suppression of material facts. As per the appellants the chip containing the technology of the patentee i.e. the plaintiff is being sourced by the appellants from a company called "Qualcomm Incorporated". The appellants rely upon a communication sent by e-mail to said company querying whether the said company has a right to, in turn permit the appellants, from using the chip manufactured by the said company as a licensee of the plaintiff. The e-mail dated December 14, 2014 has been placed before us at page 191 and 192 of the appeal paper book. The response thereto is at page 193 of the appeal paper book. The reply of Qualcomm, at page 193 would evince that as per Qualcomm it has a licence under an agreement with the patentee: Ericsson to use its technology for which it has a patent. As per Qualcomm, the 3G standards are CDMA standards or applications under the agreement and accordingly, any implementation of 3G technology by Xiaomi in devices which implement a Qualcomm chipset is a licensed implementation and does not infringe at least Ericsson's 3G related patents.

6. The respondent No. 1 would rely upon an e-mail dated December 16, 2014 received by it from Qualcomm informing as under:

"As you may be aware of Ericsson has taken legal action in India against a company called Xiaomi Technology Co., Ltd. ("Xiaomi"). The suit involves products of Xiaomi incorporating both chipsets of Qualcomm as well as chipsets of third parties (Mediatek). 8 patents have been asserted against Xiaomi relating to e.g. EDGE, AMR for GSM, AMR for WCDMA, WCDMA etc.

I has come to our knowledge that a legal representative of Qualcomm has confirmed in writing to Xiaomi that the Agreement "covers the 8 patents asserted by Ericsson in the suit against Xiaomi". See e-mail confirmation by John Scott of December 14th. Apart from considering the confidentiality obligations of

Qualcomm in respect of the terms and conditions, the statement made is incorrect and misrepresenting the facts of the agreement in between our companies and could potentially harm Ericsson irreparably.

Please, by immediate return e-mail, withdraw the statement made. Absent such withdrawal, Ericsson will be forced to consider its relevant options under the Agreement, as well as any other legal rights it may have as a consequence."

7. The narrative of the above noted facts would evince that the dispute between the parties concerning the issue of suppression would not warrant any analysis of the infringement data relied upon in the plaint. The limited area of this dispute would be: Whether the use of the chipset sourced by the appellants from Qualcomm would be in terms of the license agreement which Qualcomm has from the patentee i.e. Ericsson. This issue would simply relate to interpreting the agreement between Ericsson and Qualcomm and perhaps the agreement under which the appellants is sourcing the chipsets from Qualcomm.

8. At this stage a word of caution with respect to the intent and purport of the present order needs to be penned.

9. Since we have indicated to the parties that we would be working out a pro tern measure and simultaneously requesting the learned single Judge to decide appellants' application for vacation of the ex-parte ad-interim injunction, concerning suppression of material facts, any other issue relating to the right of the patentee, which would require a prima facie view to be taken with respect to the data analysis of the technology used by the appellants vis-a-vis the technology in which patent rights are claimed by the respondent, would have to wait hearing at a later stage for the purpose of deciding the application seeking an interim measure.

10. Thus, our present order would be restricted only to such devices which the appellants import as are fitted with the chipset manufactured by Qualcomm and no other chipset. To said extent i.e. on the terms of the present order as hereinafter recorded, the impugned order passed by the learned Single Judge would be superseded.

11. We are passing the pro tern order keeping in view the fact that treating the averments in the plaint to be true, the adverse effect upon the first respondent would be the finances which would otherwise flow to the coffers of the first respondent if ultimately it is found that the appellants is infringing the patent of the first respondent. The measure of the infringement would be the amount which the appellants would then have to pay to the first respondent as per policy of the first respondent while granting licenses. It is trite that the measure of damages for infringement of a patent would be the revenue loss to the patentee which it would have got by way of royalty while granting the license.

12. Striking a balance between the right of the appellants, which even as per the plaint, is concededly in business in India since July, 2014, we dispose of the

appeal directing that as a pro tem measure the appellants would be permitted to import and sell the devices containing chipsets sold to it by Qualcomm upon the following terms:

(1) The pro tem measure would be restricted to import and sale of devices in which Qualcomm chipsets are used.

(2) By January 5, 2015, Rs. 100 per device imported would be deposited in the name of the Registrar General of this Court by the appellants, which would be kept in a fixed deposit by the Registrar General; term of the deposit being three months.

(3) Affidavit would be filed by January 5, 2015 disclosing the import of devices in India containing chipset of Qualcomm pursuant to the present order.

(4) Particulars of invoices of purchase of chipsets from Qualcomm shall be disclosed in the affidavit.

(5) Imports made in the month of January, 2015 would likewise be disclosed by way of an affidavit and Rs. 100/- per device deposited in the name of the Registrar General of this Court by February 03, 2015.

13. Upon the appellants filing an application before the learned single Judge under Order 39 Rule 4 of the Code of Civil Procedure, the learned Single Judge would at the first instance consider arguments concerning suppression of relevant facts as alleged by the appellants against the first respondent, and should the appellants raise other issues, the decision thereon for purposes of an interim order would be severed. The application shall be filed by December 20, 2014 and the reply thereto shall be filed by January 03, 2015. The rejoinder would be filed before the next date of hearing before the learned Single Judge which is February 05, 2015, on which date the application shall be listed before Court and the date fixed before the learned Joint Registrar shall be cancelled.

14. Nothing said by us in appeal, in relation to the facts or Rs. 100/- required to be deposited per sale of device imported would not be treated as an expression of merits of the claims of the parties or the quantification of the royalty by the Division Bench. Such facts which we have noted above are necessary to form the backdrop for the pro tem measure we have directed. The appeal is disposed of in terms above without any order as to costs. Dasti under signature of the Court Master to counsel for the parties.

CM No. 20720/2014 (stay)

Since the appeal has been disposed of by passing a pro tem order, the instant application which seeks stay of the operation of the impugned order is disposed of as infructuous.