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**SURANA & SURANA AND SHAASTRA IITM INTELLECTUAL PROPERTY LAW MOOT COURT**

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**BEFORE THE HIGH COURT OF JUDICATURE AT MUDHIRAS**

(Ordinary Original Jurisdiction)

Injunction Petition filed under Order XXXIX Rule I of Code of Civil Procedure, 1908.

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Application No. 123 of 2017

In

CS (Comm) 199a of 2017

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**GUO INC.**

.....*PETITIONER/ PLAINTIFF*

*Versus*

**BASILTRI TELECOM PVT. LTD.**

.....*RESPONDENT/ DEFENDANT*

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**COUNTER AFFIDAVIT FILED ON BEHALF OF THE RESPONDENT/  
DEFENDANT**

I, ..... son of ....., aged ....., authorised signatory of Basiltri Telecom Pvt. Ltd. do solemnly affirm and state as follows:

I am the duly constituted authority of the Respondent. I have been authorised by the respondent company vide Resolution dated ..... to defend the suit. I am swearing to this affidavit for and on behalf of the Respondent. I am well aware with the facts of the case.

**STATEMENT OF JURISDICTION**

This Respondent has got a branch office at Mudhiras which is within the jurisdiction of this Hon'ble Court. This Court therefore has territorial jurisdiction to entertain the suit.

**STATEMENT OF FACTS**

1. Guo Inc., a widget company and owner of a large portfolio of standard essential patents commenced negotiations with Basiltri Telecom Pvt. Ltd., the largest widget manufacturer in India, with the objective of getting the latter to take a license to its standard essential patents.
2. On January 28, 2017, there was a meeting between the two companies, wherein Guo Inc offered a license to its global portfolio of over 20,000 patents and applications that are essential to widget standards, set by the Widget Standard Organisation, Paris. A sample list of 25 SEPs were shared and Guo Inc. informed Basiltri that they would need to sign a confidentiality agreement, subsequent to which, royalty rates would be disclosed.
3. On March 5, 2017, Basiltri communicates via email to Guo Inc. that they would discuss a license only for Indian patents, subsequent to which, Guo Inc. would have to demonstrate the validity and essentiality of each Indian patent. They expressed their unwillingness to sign a confidentiality agreement, in view of the rates already being public. Guo Inc., however, possesses data to show that Basiltri is exporting to at least China.
4. Basiltri informs that it would like to pay royalty on the price of the components and not the end product, as demanded by Guo Inc. They also want to reduce the duration of the confidentiality agreement and a change of governing law from US to India. Meanwhile, the Managing Director of Basiltri, writes a letter to all widget manufacturers in his capacity as their Association's Chairman where he suggests to convene a meeting at his office on June 20, 2017 to discuss all options, in the wake of, Guo coming after all of them with its patents. He also wishes to discuss on how to increase their exports.
5. Guo is served a show cause notice by the Competition Commission of India, on the basis of information filed by Basiltri, alleging abuse of its dominant position.
6. Basiltri files a revocation petition against Guo's 10 patents, of which two of them were not granted in Japan. Guo is served with notices, in the same.
7. Guo Inc., on August 25, 2017, after Basiltri cancelled its meeting on August 20 at the last minute, files a suit, CS (Comm) 199a of 2017 claiming infringement of Indian patents against Basiltri, before Mudhiras High Court. An application, being application no.123 of 2017 is also filed by Guo seeking interim injunction.

**STATEMENT OF ISSUES**

**I. WHETHER THE PETITIONER HAS MADE OUT A CASE FOR GRANT OF INTERIM INJUNCTION IN THE SUIT, CS (COMM) 199a OF 2017, INSTITUTED BEFORE THE MUDHIRAS HIGH COURT?**



**SUMMARY OF ARGUMENTS****I. WHETHER THE PETITIONER HAS MADE OUT A CASE FOR GRANT OF INTERIM INJUNCTION IN THE SUIT, CS (COMM) 199A OF 2017, INSTITUTED BEFORE THE MUDHIRAS HIGH COURT?**

The instant case is not a fit case for the grant of interim injunction, because

**A. THE PETITIONER HAS NOT MADE OUT A *PRIMA FACIE* CASE**

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The suit instituted by Guo Inc. is barred by the law of Limitation. The validity of the suit patents is itself in question, with proceedings being instituted before the Intellectual Property Appellate Board for revocation of patents. Section 13(4) of the Patents Act, 1970, has been interpreted to mean that no patent which is granted in India enjoys presumptive validity owing to the mere factum of grant. The conduct of the petitioner including its reluctance to license on FRAND terms despite an obligation to do so, non-disclosure of the allegedly infringed patents, its practice of 'patent holdup' and various other factors, for which a complaint has also been filed before the Competition Commission of India, for abuse of dominant position, does not warrant an interim relief.

**B. THE BALANCE OF CONVENIENCE IS IN FAVOUR OF THE RESPONDENT**

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Courts generally do not believe in granting injunctive relief when the cost to the respondent to obey the injunction is substantially greater than the objective benefit of the petitioner. If the interim injunction is granted to Guo Inc. and the suit is ultimately decreed in Basiltri's favour, it cannot be compensated for its loss. Decisions by High Courts that have granted injunctions to SEP holders can be distinguished from the facts of the present case.

**C. REFUSAL OF INJUNCTION WOULD NOT RESULT IN ANY IRREPARABLE INJURY TO THE PETITIONER**

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The theory is that an agreement for FRAND licensing carries with it an implied agreement that monetary compensation will be adequate for any use of the SEP by third parties. The Court can always direct the respondent to keep an account of the number of handsets sold, number of handsets exported and statement of accounts. Therefore, there is no 'irreparable' injury to the petitioner if the interim injunction is not awarded.

**- WRITTEN SUBMISSIONS ON BEHALF OF THE RESPONDENT/DEFENDANT -**

## ARGUMENTS

### **I. THE PETITIONER HAS NOT MADE OUT A CASE FOR GRANT OF INTERIM INJUNCTION IN THE SUIT, CS (COMM)199a OF 2017, INSTITUTED BEFORE THE MUDHIRAS HIGH COURT.**

1. A suit, CS (Comm)199a of 2017, has been instituted before the Mudhiras High Court<sup>1</sup> against the defendant, Basiltri Telecom Pvt. Ltd (Hereinafter ‘Basiltri’) claiming infringement of its Indian patents no.2222b, 2222e, 2222f and 2222g. In addition, Guo Inc. also filed an application, being application no.123 of 2017, in CS(Comm) 199a of 2017, seeking interim injunction.
2. The Madras High Court in *Bajaj Auto Ltd. v. TVS Motor Company Ltd.*,<sup>2</sup> held that normally in cases of interlocutory injunction, including any patent action, the principle is the same, viz,
  - (i) The plaintiff must show/prove a *prima facie* case that the patent is valid and infringed.
  - (ii) The balance of convenience is in favour of the plaintiff; and
  - (iii) Irreparable loss that may be caused to the plaintiff by not granting an order of injunction
3. The instant case is not a fit case for the grant of interim injunction, because [A.] The petitioner has not made out a *prima facie* case [B.] The Balance of Convenience is in favour of the respondent [C.] Refusal of Injunction would not result in any irreparable injury to the petitioner.

#### **A. THE PETITIONER HAS NOT MADE OUT A *PRIMA FACIE* CASE.**

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##### **i. EXPIRY OF LIMITATION PERIOD**

4. The statute of Limitation is founded on public policy that an unlimited and perpetual threat of litigation leads to confusion and disorder and creates insecurity and uncertainty. Rules of limitation are meant to see that parties do not resort to dilatory tactics but seek remedy for the redress of the legal injury so suffered.<sup>3</sup>It is enshrined in the maxim, *interest reipublicae ut sit finis litium* which means that it is for the general welfare that a

<sup>1</sup> Clarification 10, Clarifications to Problem Statement.

<sup>2</sup> *Bajaj Auto Ltd. v. TVS Motor Company Ltd* 2008, (36)PTC 417 (Mad).

<sup>3</sup> *N.Balakrishnan v. M.Krishna Murthy*, (1998) 7 SCC 123.

period be part of litigation. *Vigilantibus non dormientibus jura subveniunt*; the law assists the vigilant and not those who sleep over their rights, is relevant here. Section 3 read with Part III of the Schedule under Limitation Act, 1963 provides that the limitation period for declaratory suits is three years from the date of infringement. The present suit has been instituted in August 2017. Basiltri has been using patents of Guo, since it commenced business in 1998-99.<sup>4</sup> Therefore, the present suit is barred by Limitation.

## ii. THE SUIT PATENTS ARE SOFTWARE PATENTS

5. In *V. Manicka Thevar v. Messes. Star Plough Works, Melur*<sup>5</sup>, the Madras High Court held that an interim injunction will not be granted if the respondent disputes the validity of the grant. In *Innovative Properties Company & Anr. v. M/S Venus Safety & Health Pvt. Ltd. & Anr.*<sup>6</sup>, the Court held:

*“It is settled law that at an interim stage the Defendant need not prove actual invalidity to show that the claims at issue are vulnerable and that a substantial question of invalidity can be sufficient to defeat the grant of an interim injunction. A mere showing of a substantial question of invalidity is sufficient at this stage.”*

6. It is humbly submitted before this Hon’ble court that the respondent has challenged the validity of suit patents and has also filed revocation petitions before the Intellectual Property Appellate Board (IPAB). It is humbly submitted that the petitioner has to establish the validity of the patent before the infringement petition is considered by the court. It is a settled position that Standard Setting Organizations are only concerned with licensing on FRAND terms and not for the ascertainment of the validity/essentiality of the SEP itself. Therefore, the mere adoption of the standards set by the Widget Standard Organization, Paris, does not mean that it has approved of the validity/essentiality of Guo Inc.’s patents. The petitioner has not even filed the relevant date of grant of suit patents or given any such information to the respondent. The year of grant for the suit patent 2222b is only available with the petitioner.<sup>7</sup> The respondent has not been able to ascertain from the given statements by the petitioner the year of grant of suit patents

<sup>4</sup> Clarification 21, Clarifications to Problem Statement.

<sup>5</sup> *V. Manicka Thevar v. Messes. Star Plough Works, Melur*, AIR 1965 Mad 327.

<sup>6</sup> *Innovative Properties Co. & Anr. v. M/s Venus Safety & Health Pvt. Ltd. & Anr.*, 2014 SCC OnLine Del 3362, ¶57.

<sup>7</sup> Clarification 28, Clarifications to Problem Statement.

2222e, 2222f and 2222g. It is essential to refer to the interpretation of the Hon'ble Supreme Court on Section 13(4) of the Patents Act, 1970, to mean that no patent which is granted in India enjoys presumptive validity owing to the mere factum of grant.<sup>8</sup> The caveat in Section 13 (4) has been interpreted as an obligation on the part of a patentee to establish the validity of his patent in the plaint before he proceeds to address the issue of infringement. The ten revocation petitions have been filed before the IPAB challenging the validity of patents. The petitioner has not disclosed to the Controller that the Patents 2222d and 2222f have not been granted in Japan<sup>9</sup> and they were rejected for the very reason that they are software patents.<sup>10</sup> Such non-disclosure or insufficiency in disclosure is in violation of Section 8 of the Patents Act. The petitioner's suit patents are computer programmes and fall squarely into Section 3(k) of the Patents Act; even assuming such ineligible subject-matter has been granted patent protection, it is the burden of the petitioner to show that the widget handset used by the respondent uses or employs same source code as the petitioner. This burden has not been discharged by the petitioner.

7. The petitioner has denied the respondents the opportunity of looking into the alleged valid patents by using arm twisting tactics to sell invalid technology that the respondent does not require. It should be noted that the petitioner has showed us a sample of patents which expired<sup>11</sup> or which will expire in few months. As a prudent businessman, the respondent has become concerned and the actions of petitioner has cast aspersions on the nature of patents the petitioner is trying to license. The respondent is not an unwilling licensee; they had a productive meeting with the petitioner on 28<sup>th</sup> January 2017 and had asked the petitioner to demonstrate the validity and essentiality of patents that they propose to license to the respondents. They are the unwilling licensor and have denied to act on FRAND terms by insisting on Non-Disclosure Agreement for 15 years.
8. In *Vringo Infrastructure Inc. v. ZTE*<sup>12</sup>, the petitioner's claim for essentiality of its patents for compliance with technology standards, the *prima facie* validity of the patents asserted must be established by the petitioner before establishing *prima facie* infringement on the basis of alleged essentiality. The petitioner cannot rely on the patent granted in foreign jurisdictions in support of Indian Patents, since it goes against the very nature of

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<sup>8</sup> Biswanath Prasad Radhey Shyam vs. Hindustan Metal Industries, AIR 1982 SC 1444.

<sup>9</sup> Problem Statement, p. 6.

<sup>10</sup> Clarification 2, Clarifications to Problem Statement.

<sup>11</sup> Problem Statement, p. 3.

<sup>12</sup> *Vringo Infrastructure v. ZTE*, (2013) EWHC 1591 (Pat), ¶¶ 40-60.

territorial nature of Patent rights. There is no parity in laws of India and other countries where the petitioner has obtained or applied patents.

9. In *Chemtura Corporation v. Union of India*<sup>13</sup>, the court recorded a *prima facie* satisfaction that there had been a failure by the petitioner to comply with the mandatory requirement of Section 8, and held that the interim injunction in favour of the petitioner cannot be continued. In this case, the circumstances merit that the injunction shouldn't be granted.

**iii. NO PRESUMPTION OF VALIDITY OF PATENTS:**

10. It is a settled law that there is no presumption of validity of patents. The Supreme Court of India in the case of *Biswanath Prasad Radhey Shyam v. Hindustan Metal Industries*<sup>14</sup> rejected the argument that there is a presumption of validity of patent. In *Hoffman La Roche & Anr. v. Cipla Ltd.*<sup>15</sup>, the Delhi High Court held:

*“Given the scheme of Patents Act it appears to this Court that it does contemplate multiple challenges to the validity of a patent. Unlike Section 31 of the Trade Marks Act which raises a prima facie presumption of validity, Section 13(4) of the Patents Act 1970 specifically states that the investigations under Section 12 “shall not be deemed in any way to warrant the validity of any patent.” Section 48 of the Act also is in the form of a negative right preventing third parties, not having the consent of the patent holder, from making, selling or importing the said product or using the patented process for using or offering for sell the product obtained directly by such process. It is also made subject to the other provisions of the Act.”*

11. Moreover, in a catena of judgments, Courts have started disregarding the 6 year rule theory that was earlier followed to determine a *prima facie* validity of patents In *F. Hoffmann-La Roche Ltd. v. Cipla Limited*<sup>16</sup>, the Delhi High Court held:

*“One must confess bafflement at the ‘six-year’ rule preventing courts in India from granting interim injunction. No provision of law or rule was brought to the*

<sup>13</sup> *Chemtura Corporation v. Union of India*, 2009 (41) PTC 260 (Del.).

<sup>14</sup> *Biswanath Prasad Radhey Shyam v. Hindustan Metal Industries*, AIR 1982 SC 1444.

<sup>15</sup> *Hoffman La Roche & Anr. v. Cipla Ltd.*, (2008) 148 DLT 598.

<sup>16</sup> *Id.*

*notice of the court in support of this practice. The six-year rule appears to have crept in Manicka Thevar, and subsequently picked up in other judgments to be developed into a universal rule. The rule can be explained as one cautioning the courts that patent infringement actions stand on a slightly different footing, (from other cases) where the courts should not automatically grant injunction on prima facie satisfaction of infringement, since patents can be challenged, even in defense. It has to be seen as a rule of caution and prudence rather than a rigid, ritualistic formula of mathematical application. In the context of the amended Act, where no less than five layers of scrutiny are inbuilt, what can be said is that the courts should examine the claim for interlocutory injunction with some degree of circumspection, even while applying all the tests that normally have to be satisfied when granting (or refusing) such relief.”*

12. In *Mariappan v. A.R. Safiullah*<sup>17</sup>, the Court held that the 6 year rule has lost its significance in view of the latest development in the field of science and technology. In *Innovative Properties Company & Anr. v. M/s Venus Safety & Health Pvt. Ltd. & Anr.*<sup>18</sup>, the Court held that, if the validity of a patent is challenged in the written statement and by filing of counterclaim, the said period of six years does not give any benefit to the owner of patent, in case court after having gone into material found that the patent is otherwise *prima facie* invalid. Under those circumstances, the interim order may not be passed even if the patent is six years old or more.
13. In the instant case, the respondent is questioning the validity of the suit patents itself, by a counter claim and also by a revocation petition filed before the Intellectual Property Appellate Board (hereinafter IPAB). Hence, there cannot be a presumption of validity of patents either due to the absence of pre-grant or post-grant opposition or by passage of time.

#### **iv. CONDUCT OF THE PETITIONER**

14. In *M/s Gujarat Bottling Co. Ltd. & Ors. v. The Coca Cola Co. & Ors.*<sup>19</sup>, the Court held that under Order 39 of the Code of Civil Procedure, 1908, jurisdiction of the Court to interfere with an order of interlocutory or temporary injunction is purely equitable and,

<sup>17</sup> *Mariappan v. A.R. Safiullah*, 2008 (38) PTC 341 (Mad).

<sup>18</sup> *Innovative Properties Company & Anr. v. M/s Venus Safety & Health Pvt. Ltd. & Anr.*, 2014 SCC OnLine Del 3362.

<sup>19</sup> *M/s Gujarat Bottling Co. Ltd. & Ors v. The Coca Cola Co. & Ors.*, 1995 SCC (5) 545.

therefore, the Court, on being approached, will, apart from other considerations, also look into the conduct of the party invoking the jurisdiction of the Court, and may refuse to interfere unless his conduct was free from blame. Since the relief is wholly equitable in nature, the party invoking the jurisdiction of the court has to show that he himself was not at fault and that he himself was not responsible for bringing about the state of things complained of and that he was not unfair or inequitable in his dealings with the party against whom he was seeking relief. His conduct should be fair and honest.

15. The European Commission, in a catena of judgments, while recognising that an injunction is a legitimate remedy has held that because the patent owner has made a voluntary FRAND licence commitment, applying for an injunction may be an abuse of a dominant position where a licensee is willing to enter into a licence agreement on FRAND terms.<sup>20</sup> Further, in *Huawei v. ZTE*<sup>21</sup> the European Court of Justice clarified that in order for the SEP owner to obtain an injunction, it must:

- (i) alert the alleged infringer to the infringement;
- (ii) designate the SEPs concerned; and
- (iii) specify the manner in which they have been infringed.
- (iv) The SEP owner should also make a written licensing offer on FRAND terms, including the proposed royalty rate and the way in which it is calculated.

16. In the instant case, Guo Inc. during negotiations, merely shared a sample list of its patents, mentioning the date of filing and not the date of grant.<sup>22</sup> The respondents requested them to demonstrate the validity and essentiality of each Indian patent<sup>23</sup>; however, the petitioners were adamant that they would disclose the validity and essentiality of not more than three patents<sup>24</sup>. The offer from Guo was for a license to a global portfolio which had over 20,000 patents and applications. However, at no point of time during the negotiations did Guo Inc. reveal as to which are the patents Basiltri is actually infringing.

17. A persistent problem with respect to Standard Essential Patents (hereinafter ‘SEP’) is ‘Patent Holdup’ when an SEP holder realizes his irreplaceability in the market and

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<sup>20</sup> Case AT.39985-Motorola - Enforcement of GPRS standard essential patents, Commission Decision of Apr. 29 2014; Case AT.39939-Samsung - Enforcement of UMTS standard essential patents, Commission Decision of Apr. 29 2014.

<sup>21</sup> *Huawei v. ZTE*, Case C-170/13, [2015] Bus LR 1261.

<sup>22</sup> Problem Statement, p. 3.

<sup>23</sup> Problem Statement, p. 4.

<sup>24</sup> Problem Statement, p. 5.

consequently, causes a rise in the royalty rates in order to unjustly profit from his dominance, thereby burdening the licensee companies. In the cases of Micromax and Intex the CCI<sup>25</sup> noted,

*"hold-up can subvert the competitive process of choosing among technologies and undermine the integrity of standard-setting activities. Ultimately, the high costs of such patents get transferred to the final consumers."*

Another frequent issue is royalty stacking where the companies are forced to pay for all the patents held by the SEP holder, patents that are not even incorporated by them in their products, purely under the coercion by the SEP holders of revoking the license

18. Hence, in order to evade such prejudiced demands of the SEP holders, the concept of FRAND was incorporated. SEP-holders are permitted to license their patents only on fair, reasonable and non-discriminatory terms (FRAND). It is put on record that Guo is a member of the Widget Standard Organization, Paris<sup>26</sup>. It is submitted that as per clause 6.1 of the Widget Standard Organization IPR policy<sup>27</sup>, an IPR owner is required to give irrevocable written undertaking, that it is prepared to grant irrevocable licences on FRAND terms, to be applied fairly and uniformly to similarly placed players.
19. It is submitted that Guo Inc. is abusing its dominant position;
- i. by forcing Basiltri to sign a confidentiality agreement,
  - ii. by claiming royalties based on the price of the end products, and
  - iii. by offering a license only for its global portfolio.

a. *Confidentiality Agreement*

20. Guo informed the respondent that a non-disclosure agreement ('NDA') would have to be entered into before proceeding further in the matter. It is submitted that Guo Inc. had insisted on execution of a confidentiality agreement as a necessary precondition for informing Basiltri of the specifics of essentiality of the patents and the royalty rates.
21. It is submitted that if a confidentiality agreement is signed, it will lead to chances of charging different royalty rates and commercial terms to potential licensees from the same category. The conduct of Guo Inc. is opaque and non-transparent and, in effect, sought to impose unfair and discriminatory terms and prices. Transparency is hallmark of

<sup>25</sup> Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson, Case No 50/2013 (CCI); Intex v. Telefonaktiebolaget LM Ericsson, Case No 76/2013 (CCI).

<sup>26</sup> Problem Statement, p. 3.

<sup>27</sup> Clause 6.1, ETSI Intellectual Property Rights Policy.



fairness. Both forcing a party to execute NDA and imposing excessive and unfair royalty rates *prima facie* is abuse of dominance and violation of section 4 of the Competition Act, 2002.

22. In the case of *Intex v. Telefonaktiebolaget LM Ericsson*<sup>28</sup> the CCI had held that,

*“NDA thrust upon the consumers by opposing party strengthens this doubt as after NDA, each of the user of SEPs is unable to know the terms of royalty of other users. This is contrary to the spirit of applying FRAND terms fairly and uniformly to similarly placed players.”*

This was also reiterated in the case of *Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson*<sup>29</sup>.

23. Guo had compelled Basiltri to sign a NDA which contained several onerous clauses including one that compelled it to accept the jurisdiction and governing laws of US as applicable in respect of the NDA. This exposed Basiltri to potentially onerous legal costs. It is submitted that imposing a jurisdiction clause debarring the respondent from getting disputes adjudicated in the country where both parties were in business and vesting jurisdiction in a foreign land *prima facie* was also an abuse of dominance
24. Therefore, it is evident that Guo Inc. has exerted pressure on Basiltri to conclude a Patent Licensing Agreement without providing complete details of the essentiality and validity of the patents and on terms which were alleged to be "*grossly onerous, oppressive, unfair, unreasonable and discriminatory*", by abusing its dominant position.

b. *Royalty based on price of end product*

25. The reasonableness of a royalty amount depends on the correct selection of the royalty base. It is submitted that in this case the royalty rates were based at the end value of the mobile device rather than the components of the device using the patented technology. This means that even if the SEP is used in a single component of a multi component product, the implementer would be liable to pay the royalty on the components which do not include the SEP. It contended that in this manner, Guo Inc. had sought to unfairly appropriate the value created by others in respect of the end-product.

<sup>28</sup> *Intex v. Telefonaktiebolaget LM Ericsson*, Case No 76/2013.

<sup>29</sup> *Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson*, Case No 50/2013.

26. This makes the royalty rates exorbitant and excessive. Therefore, the whole idea of FRAND diminishes as calculating a royalty on the entire product carries a considerable risk that the patentee will be improperly compensated for non-infringing components of that product. CCI in India was of the *prima facie* view that royalties linked with the cost of the end product were contrary to the FRAND obligations<sup>30</sup>. Further, in the case of *Virnetx Inc. v. Cisco Systems*, the US Court of Appeals for the Federal Circuit held that the royalty base must be closely tied to the claimed invention later than the entire value of the product<sup>31</sup>.

c. *License for global portfolio*

27. It is pointed out that Guo had offered a license to a global portfolio which has over 20,000 patents. However, it is evident from the infringement suit filed by Guo that Basiltri has infringed only 4 SEPs. Therefore, Guo Inc. has abused its dominant position by offering its entire pool of patents as a bouquet and by refusing to offer specific royalty rates in respect of each of the SEPs allegedly infringed by Basiltri. This amounts to a practice of bundling and tying, which is prohibited under the Competition Act. It is submitted that Guo Inc. had abused its position of dominance by insisting on Basiltri obtaining licences without disclosing the patents that were alleged to have been infringed by Intex.

28. It is also submitted that Guo is in violation of Section 4(2)(b) by attempting to limit the technical and technological development of mobile phones in India to the prejudice of the Indian consumers by seeking excessive royalties for its technology. Authorities in Europe and the United States have expressed concern that the ability to seek injunctive relief (when negotiation with prospective licensees fails) is likely to harm competition by enabling the SEP owner to extract above-FRAND royalties.

29. In *Franz Xaver Huemer v. New Yash Engineers*<sup>32</sup>, the Court held that a petitioner who has registered a patent in India but has not used them in India cannot in equity seek temporary injunction against the respondent. Guo does not seem to be using its registered patents in India<sup>33</sup>; therefore, should not be granted interim relief.

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<sup>30</sup> *Intex v. Telefonaktiebolaget LM Ericsson*, Case No 76/2013.

<sup>31</sup> *Virnetx Inc. v. Cisco Systems*, 767 F.3d 1308 (Fed. Cir. 2014).

<sup>32</sup> *Franz Xaver Huemer v. New Yash Engineers*, AIR 1997 Delhi 79.

<sup>33</sup> Problem Statement, p.1.

**v. CONDUCT OF THE RESPONDENT**

30. *Arguendo*, if the SEPs are held to be valid by the IPAB, Basiltri being a willing licensee would procure the license for the SEPs, if the CCI orders for the license to be issued in FRAND terms. It is submitted that Basiltri cannot be termed as an unwilling licensee as it has expressed its willingness to procure the license of Guo Inc., provided it is offered in the FRAND terms. The expression "willing licensee" only means a potential licensee who is willing to accept licence of valid patents on FRAND terms.
31. Further, Basiltri cannot be held to be an unwilling licensee merely on the fact that he has challenged the validity of the SEPs. The term 'willing licensee' does not mean that he is willing to accept a licence for invalid patents and he has to waive his rights to challenge the patents in question<sup>34</sup>. In *Vringo Infrastructure Inc. v. ZTE*<sup>35</sup>, the High Court of England and Wales held that ZTE's stand that the Vringo's patents were invalid and/or not infringed did not mean that ZTE was not a willing licensee. American courts have also taken a stand against firms using injunctions or similar threats against future licensees that are willing to negotiate and accept licenses on FRAND terms. In the *Google / Motorola Mobility case*<sup>36</sup>, the Federal Trade Commission required Google to abide by its commitment to license on FRAND terms and prescribed specific negotiation procedures for the companies to follow. It is, therefore, submitted taking into account all such relevant factors, this is not a fit case to grant interim relief.

**B. THE BALANCE OF CONVENIENCE IS IN FAVOUR OF THE RESPONDENT**

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32. In *Hoffman La Roche & Anr. v. Cipla Ltd*<sup>37</sup>, the Delhi High Court laid down that the following factors need to be looked into, while considering the issue of balance of convenience:
- (i) the extent to which disadvantages to each party would be incapable of being compensated in damages in the event of his succeeding at the trial
  - (ii) the nature of the product and its use
  - (iii) the timing of the action

<sup>34</sup> Telefonaktiebolaget LM Ericsson v. Competition Commission of India, (2016) 232 DLT (CN) 1.

<sup>35</sup> Vringo Infrastructure Inc. v. ZTE, (2013) EWHC 1591 (Pat.).

<sup>36</sup> In the Matter of Motorola Mobility LLC, and Google Inc., Docket No. C-4410 ¶ 1 (July 23, 2013).

<sup>37</sup> Hoffman La Roche & Anr. v. Cipla Ltd., (2008)148 DLT 598.

(iv) if the balance is approximately equal, the Court may consider the relative strength of each party's case only where it is apparent by undisputed evidence that the strength of one party's case is disproportionate to that of the other party

33. The precedent of denying injunctive relief is primarily based on the balance of convenience rule. Injunction should not be granted as there is a potential for abuse by the SEP holders who have the discretion to extract exorbitant royalties and impede the implementation of the standard. Courts generally do not believe in granting injunctive relief when the cost to the respondent to obey the injunction was substantially greater than the objective benefit of the petitioner. The petitioner is only entitled to get royalty on FRAND terms. However, if interim injunction is granted, the respondent will lose out on his profits and his market share. Even if the suit is decreed in its favour, the petitioner is only entitled to royalty; granting or not granting of an interim injunction does not make any difference to the petitioner. Guo Inc. can be adequately compensated. However, if the interim injunction is granted to Guo Inc. and the suit is ultimately decreed in Basiltri's favour, the respondent cannot be compensated for his loss. This is especially, in the light of a revocation petition filed before IPAB by the respondent. . Therefore, the balance of convenience is in favour of the respondent.

**vi. EARLIER DECISIONS BY HIGH COURTS- DISTINGUISHING FEATURES**

34. In *Telefonktiebolaget LM Ericsson (Publ.) v Lava International Ltd.*<sup>38</sup>, though invalidity of patents was raised as a counter-claim, no proceedings were instituted before IPAB for revocation or before the Competition Commission. The petitioner was able to showcase mapping charts to establish essentiality of the suit patents, test reports to indicate compliance with the concerned standards and also to establish infringement by respondent's devices and product specification of respondent's devices wherein such devices claim to be 2G, EDGE, 3G etc. compliant. In the instant case, the petitioner at no stage in the negotiation revealed which patents were actually infringed by the respondent. They were also ready to demonstrate validity and essentiality of only 3 patents, despite offering a global portfolio consisting over 20,000 SEPs.

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<sup>38</sup> Telefonktiebolaget LM Ericsson (Publ.) v. Lava International Ltd., 2016 SCC OnLine Del 3716.

35. In *Telefonaktiebolaget LM Ericsson v. M/s. Best IT World (India) Private Limited (iBall)*<sup>39</sup>, the respondent was provided with all the relevant details of the patents that it infringed and essentiality. Details of the claimed feature along with the relevant portion of the concerned technical specification of a standard was provided. In its complaint before the Competition Commission of India, the respondent made admissions to the effect that the petitioner's patents were valid.
36. In *Telefonaktiebolaget LM Ericsson v. Intex Technologies (India) Limited*<sup>40</sup>, the respondent had after negotiations gone ahead and signed the non-disclosure agreement with the petitioner. The petitioner provided more information to the respondent and its liability to take license in respect of the petitioner's SEPs. The petitioner thereafter supplied the term sheet to the respondent vide email dated 23<sup>rd</sup> April 2013 prior to their meeting dated 29<sup>th</sup> April, 2013. During the course of another meeting which was held between both the parties on 23<sup>rd</sup> May, 2013, the petitioner explained its SEP portfolio, the standardization process, etc. It was after all this that the respondent instituted multifarious proceedings before the Competition Commission and IPAB. This is not the case in the present scenario as the respondent did not sign any non-disclosure agreement and was not provided any sort of details about the infringement or the patents that Guo. Inc held. Moreover, in the Intex case, there were admissions made by it before the Commission about the validity of the suit patents. They also did not inform the Commission about the IPAB petition.

Therefore, none of these judgments, wherein injunction was awarded will apply to the present case

**C. REFUSAL OF INJUNCTION WOULD NOT RESULT IN ANY IRREPARABLE INJURY  
TO THE PETITIONER**

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37. *Arguendo*, in *M/s. Best Sellers Retail (India) Pvt. Ltd. Vs. M/s. Aditya Birla Nuvo Ltd. & Ors*<sup>41</sup>, the Hon'ble Supreme Court observed that *prima facie* case alone is not sufficient to grant injunction and held that: "Yet, the settled principle of law is that even where *prima facie* case is in favour of the petitioner, the Court will refuse temporary

<sup>39</sup> *Telefonaktiebolaget LM Ericsson v. M/s. Best IT World (India) Private Limited (iBall)*, 2015 SCC OnLine Del 11684.

<sup>40</sup> *Telefonaktiebolaget LM Ericsson v. Intex Technologies (India) Limited*, 2015 (62) PTC 90 9 (Del).

<sup>41</sup> *M/s. Best Sellers Retail (India) Pvt. Ltd. v. M/s. Aditya Birla Nuvo Ltd. & Ors.*, (2012) 6 SCC 792.

injunction if the injury suffered by the petitioner on account of refusal of temporary injunction was not irreparable.”

38. On the issue of irreparable hardship, the Court in *Hoffman case*<sup>42</sup> held:

*“Irreparable hardship is a separate distinct head which the Court of necessity has to examine and be satisfied about, while considering interlocutory applications for injunctions. The crucial aspect here is whether refusal of injunction would cause such irreparable hardship to the plaintiff as cannot be later compensated in mandatory terms.”*

39. The ultimate aim of the petitioner, as a holder of allegedly valid SEP’s is to procure royalty. Therefore, there is no ‘irreparable’ injury to the petitioner if the interim injunction is not awarded. The Court can always direct the respondent to keep an account of the number of handsets sold, number of handsets exported and statement of accounts. The theory is that an agreement to FRAND licensing carries with it an implied agreement that monetary compensation will be adequate for any use of the SEP by third parties. Moreover, identifying SEPs implies that the owner acknowledges that numerous implementers can (and will) use the SEP, which suggests that such use will not cause irreparable harm

40. In fact, in case of Standard Essential Patents the courts should not grant injunctions and rather order expedited trial to determine appropriate royalty rates. In *eBay Inc. v. MercExchange*<sup>43</sup>, the Court said that injunction, in addition to factors like irreparable injury and balance of hardships will not be given when remedies available at law, such as monetary damages, are adequate to compensate the injury. Therefore, no amount of irreparable injury would be caused to the petitioner, if an interim injunction is not granted.

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<sup>42</sup> Hoffman La Roche & Anr. v. Cipla Ltd., (2008)148 DLT 598.

<sup>43</sup> eBay Inc. v. MercExchange, L.L.C., 547 U.S.388(2006).

**PRAYER**

Application No. 123 of 2017

In

CS (Comm) 199a of 2017

IT IS PRAYED THAT THIS HON'BLE COURT WILL BE PLEASED TO

Receive the counter affidavit and for the reasons stated therein, dismiss the interim application with costs.

AND THUS RENDER JUSTICE

Signed on .... day of ..... 2017 at Mudhiras

Sd /-

**COUNSEL FOR THE RESPONDENT/ DEFENDANT**