

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% Reserved on: 21st July, 2017
Decided on: 12th July, 2018

+ **CS (COMM) 24/2016**

KONINKLIJKE PHILIPS ELECTRONICS N.V. Plaintiff

Represented by: Mr. Pravin Anand, Ms. Vaishali Mittal, Mr. Sidhant Chamola, Ms. Vrinda Gambhir, Ms. Saugat Khurana, Ms. Mrinali Menon, Advs.

versus

RAJESH BANSAL,
SOLE PROPRIETOR, MANGLAM TECHNOLOGY Defendant

Represented by: Mr. Sidharth Aggarwal, Ms. Swathi Sukumar, Ms. Namrata Pahwa, Mr. Nikhil Pillai, Advs. for Defendants.

+ **CS(COMM) 436/2017**

KONINKLIJKE PHILIPS N.V. Plaintiff

Represented by: Mr. Pravin Anand, Ms. Vaishali Mittal, Mr. Sidhant Chamola, Ms. Vrinda Gambhir, Ms. Saugat Khurana, Ms. Mrinali Menon, Advs.

versus

BHAGIRATHI ELECTRONICS AND ORS. Defendants

Represented by: Mr. Sidharth Aggarwal, Ms. Swathi Sukumar, Ms. Namrata Pahwa, Mr. Nikhil Pillai, Advs. for defendant No.1.

CORAM:

HON'BLE MS. JUSTICE MUKTA GUPTA

1. Plaintiff filed two suits being CS(OS) No. 1034/2009 and CS (OS) No.1082/2009 alleging infringement of its **essential DVD Video Player**

patent, in particular Indian Patent registered under No. 184753 seeking the reliefs of permanent injunction, directions to the defendants to provide complete details, delivery, rendition of accounts, damages, etc. In CS(OS) 1034/2009 which was later re-numbered as CS(COMM) 24/2016 the plaintiff initially impleaded K.S. Negi and Manglam Technology as defendant No.1 and 2 respectively and in CS(OS) 1082/2009 which was later re-numbered as CS(COMM) 436/2017 impleaded Bhagirathi Electronics, Big Bazar and Home Solutions Retail (India) Limited as defendant No. 1, 2 and 3 respectively.

2. The case of the plaintiff in the two plaints was that the plaintiff is a company incorporated under the laws of Netherland and was formally known as N.V. Philips Gloeilampenfabrieken prior to changing its name to Philips Electronic N.V., which was further changed to Koninklijke Philips Electronic N.V. in the year 1977. The suits have been filed through the authorized attorney of the plaintiff, Farokh Bhiwandiwala. Plaintiff claims to be a global top electronics corporation providing consumer electronics and domestic appliances, lighting, health care etc. in over 60 countries and a world leader in digital technologies for televisions and displays, video compression and optical storage products. According to the plaintiff, it was investing huge amounts in the research and development. Plaintiff claims to hold approximately 55,000 patent rights, 33,000 trademark registrations, 49,000 design registrations and 26,000 domain name registrations. Plaintiff has been spending substantial amount in advertisement and promotion of its products world over including India.

3. The two suits concern the patent being Indian Patent No. 184753 on Channel (De)coding technology used for DVD Video Playback function in a

DVD Video Player. It is claimed that the plaintiff is the registered proprietor of IN-184753 dated 13th February, 1995 for “*Decoding Device for converting a Modulated Signal to a series of M-Bit Information Words*”. The invention concerns ‘channel modulation’ which involves a coding step that is performed directly before the storage of the data. This coding ensures that the data to be stored on the disk has a particularly suitable structure for storage. The decoding of 16-bit code words to 8-bit information words is performed by “looking ahead” to the next code words. Plaintiff claims that IN-184753 is an essential patent of the plaintiff corresponding to US 5696505 and EP 745254B1 registered in USA and Europe respectively. The essentiality with respect to the said patent has been analyzed declaring the corresponding US and EP patents as essential. The suit patent of the plaintiff being an essential patent, any party interested in manufacture of DVD Video players ought to have sought licenses for all essential patents of the patent pool. It is claimed that the plaintiff offers two types of patent licenses to DVD Video players manufacturers firstly, the PHILIPS ONLY version offering only patents of Philips and secondly the JOINT version offering patents of Philips, Sony, Pioneer and LG.

4. In CS(COMM) 24/2016 it is claimed that defendant No.1/ K.S. Negi is the Unit Head of defendant No.2/Manglam Technology (in short ‘Manglam’) which is an entity having its service centre at Delhi and the defendants are engaged in manufacture, assembly and sale of DVD Video players under various brands one of which is SOYER DVD Video players. It is claimed that the defendant’s DVD Video Players employ Decoders especially meant for decoding contents stored on optical storage media in accordance with the methods described in IN-184753, thus infringing the suit patent. In

CS(COMM) 436/2017 plaintiff had impleaded defendant No.1/ Bhagirathi Electronics (in short 'Bhagirathi') whose sole proprietor is K.K. Bansal, father of Rajesh Bansal proprietor of Manglam. Defendant No.3 Home Solution Retail (India) Limited is the owner of defendant No.2, Big Bazar which is an outlet which offers for sale inter-alia DVD Video players manufactured/ assembled by defendant No.1. In CS(COMM) 24/2016, Rajesh Bansal filed an affidavit that K.S. Negi is no more the representative of Bhagirathi. Vide IA 3034/2010 on 27th July, 2011 this Court allowed the application of the plaintiff and substituted Rajesh Bansal instead of K.S. Negi as the sole defendant being the sole proprietor of Manglam Technology as a sole proprietor firm is not a legal entity in CS(COMM) 24/2016. Thus the contesting defendants in the two suits are Rajesh Bansal in CS(COMM) 24/2016 and Bhagirathi in CS(COMM) 436/2017. Affidavits in both the suits on behalf of the contesting defendants have been filed by Rajesh Bansal. It is claimed by the plaintiff that defendant No.2/ Rajesh Bansal was earlier working with the plaintiff and is a de-facto owner of Manglam and Bhagirathi.

5. In response to CS(COMM) 24/2016 affidavit of Rajesh Bansal was filed as sole proprietor of Manglam. Even in CS(COMM) 436/2017 affidavit on behalf of the defendant No.1 i.e. Bhagirathi whose sole proprietor is his father, has been filed by Rajesh Bansal. In the written statement it is claimed that the major components of the DVD players were procured by the defendants from authorized licensees like Sony, MediaTek, Sanyo, ST Micro etc. from China after due payment of all the taxes and custom duties. Hence the defendants were not indulging in infringement of

the plaintiff's suit patent having purchased the products from the duly authorized licensees of the plaintiff.

6. Both the suits were consolidated and common evidence was led. On the basis of the pleadings of the parties following issues were settled:

- “(i) Whether the plaintiff No.1 is the proprietor of Indian Patent registered under No. 184753? OPP*
- (ii) Whether the plaintiffs are owners of a valid patent? OPP*
- (iii) Whether the defendants have infringed the plaintiffs' Indian Patent No. 184753? OPP*
- (iv) Whether the defendants had knowledge of the plaintiffs' patents in respect of DVDs and the plaintiffs' licensing programs? OPP*
- (v) Whether the plaintiffs along with various other members of the DVD forum are misusing its position with a view to create a monopoly and earn exorbitant profits by creating patent pools? OPD*
- (vi) Whether the impugned suit patent (#184753) is an essential patent in respect of DVD technology and whether the essentiality as claimed is valid under the Indian Law? OPD*
- (vii) Whether the defendant No.2 is liable to pay any license fee to the plaintiffs and if so at what rate? OPD*
- (viii) Whether the plaintiffs are entitled to a decree of damages or any other relief? OPP”*

7. Plaintiff in support of its case examined two witnesses i.e. Farokh Bhiwandiwalla as PW-1 and Ben Liempd as PW-2. Defendants also examined two witnesses i.e. S. Chandra Sekaran as DW-1 and Rajesh Bansal as DW-2. While arguments were being heard it was noticed that there were errors in respect of the onus regarding issue No.(ii) and (vi), thus with the

consent of the parties issues No.(ii) and (vi) were re-settled and both the parties were of the view that no further evidence was required to be led, even if the issues were re-settled. Issue Nos.(ii) and (vi) re-settled vide order dated 12th July, 2017 read as under:

“(ii) *Whether the suit patent of the plaintiff is invalid? OPD*
(vi) *Whether the suit patent is an essential patent in respect of DVD player technology? OPP*”

8. It would be appropriate to deal with issue Nos. (i) and (ii) in the first instance, that is, (i) *Whether the plaintiff No.1 is the proprietor of Indian Patent registered under No. 184753? (OPP)* and (ii) *Whether the suit patent of the plaintiff is invalid? (OPD)*”.

8.1. To prove that the plaintiff is the proprietor of the suit patent, that is, IN-184753, plaintiff’s witnesses PW-1 and PW-2 exhibited the certified copy of the certificate of registration vide Ex.PW-1/3 and certified copy of the complete specification of the suit patent as Ex.PW-2/4. Though learned counsel for the defendants contended that the suit patent is an algorithm, thus not an invention under Section 3(k) of the Patents Act however, there is neither any pleadings nor any evidence led on this count by the defendants. Challenge to the validity of the suit patent under Section 3(k) of the Patents Act based on no pleadings in the written statement cannot be considered. Further vide order dated 20th September, 2010 learned counsel for the defendants had also fairly given up issue No.(ii) for want of pleadings. Thus Issue Nos. (i) and (ii) are decided in favour of the plaintiff and against the defendants.

9. Issue No.(vi) *Whether the suit patent is an essential patent in respect of DVD player technology? (OPP)*.

9.1. To prove that the suit patent is an essential patent in terms of the DVD technology, learned counsel for the plaintiff contends that essentiality of a patent necessarily implies that it is technically not possible to manufacture, sell, lease, etc. the equipment or technology which complies with such standard without making use of the patented technology in question. In other words, it is not possible to comply with the given standard, without infringing the patents which are essential to that standard, as deposed by PW-2 in his evidence by way of affidavit. It is contended that the concept of essentiality of a patent flows from the concept of standardization which standards have been set by the industry for which the role of Standard Setting Organization (SSO) is extremely important. According to the plaintiff DVD Forum Standard sets the standard which document was exhibited as Ex.PW-2/5. It is further contended that the corresponding patents of the plaintiff i.e. US-5696505 and EP-745254B1 have already been granted essentiality certificate exhibited as Ex.PW-2/6, PW-2/6A, PW-2/7 and PW-2/7A respectively and, thus, impliedly the suit patent is also a standard essential patent, as the claim of the suit patent corresponds to those in US-5696505 and EP-745254B1 which is evident on a plain reading of the claim specifications in the three patents. The complete specifications of the three patents IN-184753, US-5696505 and EP-745254B1 were exhibited as Ex.PW-2/4, Ex.DW-1/2 and Ex.DW-1/3 respectively. It is further contended that the correspondence of the three patents is not only proved from the specifications in the three patents but has also been admitted in the evidence by way of affidavit of DW-1. Plaintiff having discharged its onus of proving essentiality of the suit patent, burden shifts to the defendants to disprove the same, which they have failed to discharge. The expert witness of the

defendant i.e. DW-1 merely stated that while the patents are essential in US and Europe, the suit patent in India is not essential because (a) there is no standard in India which corresponds to the impugned standard in the suit relating to DVD technology, and, (b) that such a standard has not been recognized by any government authority in India.

9.2. It is contended that the plea of the defendants that Ex.PW-2/5 having been de-exhibited cannot be used as a piece of evidence, needs to be rejected for the reason the defendants themselves cross-examined plaintiff's witness PW-2 in respect of the said document. Contention of the defendants that Ex.PW-2/5 is merely an internal, private document also deserves to be rejected. DVD Forum Standard (formulated in 1996) was adopted by the independent standard setting body ECMA in April 2001 and was termed as ECMA Standard No. 267, 3rd Edition – April 2001 for 120 mm DVD – Read Only Disc. In 2002, this very standard was further adopted by the International Standard Organization as ISO/IEC 16448:2002– Information Technology – 120 mm DVD – Read Only Disc. That both the standards i.e. ECMA and ISO being in public domain can be easily accessed and can be read in evidence. So no formal proof thereof is required. Objection of the defendants that essentiality report of US patent i.e. Ex.PW-2/6 and Ex.PW-2/6A have not been proved in accordance with law is unmerited. Thus the same were validly exhibited and proved being relevant and admissible in evidence. Similar objection of the defendants in respect of the essentiality report of the European patent Ex.PW-2/7 and Ex.PW-2/7A also deserves to be rejected. Further admission of the defendants that Manglam had taken the license from the plaintiff and Bhagirathi had applied for the license in respect of the suit patent itself proves that that the suit patent is a standard

essential patent. Plaintiff having proved that the suit patent is an essential standard patent Issue No.(vi) is required to be decided in its favour.

9.3. Learned counsel for the defendants submits that the standards cannot be set up by in-house/ internal mechanism and should be by recognized independent bodies. The plaintiff has neither produced nor proved standard of ECMA or any other independent standard organization. Even PW-1 admitted that the standard was set by DVD Forum. It is not an independent body and is largely influenced by the plaintiff. The only document produced in evidence to show the so called standard is Ex.PW-2/5 which was filed without seeking leave of the Court along with the affidavit of PW-2. Since specific objection was taken to the manner of proof of the document, same was not exhibited and the said ruling of the Local Commissioner was not challenged by the plaintiff. Further the ECMA/ISO standards relied upon by the plaintiff during the course of arguments are beyond evidence and cannot be used. Essentiality certificate is required to be issued by an independent evaluator which is an expert body. Though Ex.PW-2/6A is stated to be the certified copy of the Ex.PW-2/6 the US report and Ex.PW-2/7A the certified copy of Ex.PW-2/7, the European report, however, no foundation was laid by the plaintiff to lead secondary evidence before the Court. The originals of Ex.PW-2/6 or Ex.PW-2/7 have never been proved. Since both the US and EP report are physical documents and not electronic records compliance under Section 63, 64 and 65 Indian Evidence Act is mandatory. Further both the reports i.e. US and EP report do not deal with the suit patent. The reports being in the realm of opinion evidence, the same would not be admissible under Section 45 of the Indian Evidence Act if the conditions ancillary thereto are not complied with. No rough notes, reasoning or basis of

conclusion have been tendered in evidence, thus opinion of the so-called experts cannot be read in evidence in the absence of the facts noted by the expert resulting in the opinion. Section 65A and 65B of the Indian Evidence Act have not been complied with; hence the two reports which are computer generated cannot be read in evidence. Both the witnesses of the plaintiff are not experts. Even PW-2 who is claimed to be an expert is only an expert in the claim construction and not the DVD technology. Thus no person competent to prove that the suit patent is an essential standard patent has been examined by the plaintiff.

9.4. A perusal of the record reveals that when the document namely DVD video standard was sought to be exhibited as Ex.PW-2/5 an objection was taken that this document was a fresh document and no leave of the Court was sought, thus the same was de-exhibited by the learned Local Commissioner. However, plaintiff also seeks to prove its case by the US Essentiality Report and the EP Essentiality report running into 9 pages and 5 pages respectively which were tendered as Ex.PW-2/6 and Ex.PW-2/7 respectively and the certified copy of the US report was later tendered as Ex.PW-2/6A and the original of the EP Essentiality Report was tendered as Ex.PW-2/7A as noted in the evidence of PW-2 recorded by the learned Local Commissioner. No objection to the exhibition of Ex.PW-2/7A was taken. When Ex.PW-2/6A was sought to be tendered being the certified copy of the US Essentiality report, learned counsel for the defendant wanted to study the copy of the document and for identification the same was marked as PW-2/6A. In cross-examination by learned counsel for the contesting defendants itself, the said document was exhibited as Ex.PW-2/6A. Thus the two documents having been validly exhibited and the only objection of learned counsel for

defendants at the time of exhibition of the said document in respect of Ex.PW-2/6A being that it wanted to study the document, no further objections can be raised qua the manner of proof of the documents at this stage. Learned counsel for the defendants has also in the alternative stated that the two documents are computer generated documents hence not admissible under Section 65B of the Indian Evidence Act. After this Court concluded hearing in the suit, Hon'ble Supreme Court in the decision reported as 2018 (5) SCC 311 *Shafhi Mohd. vs. State of Himachal Pradesh* clarified that a party is not required to file a certificate under Section 65B of the Indian Evidence Act if the party is not in possession of the device from which the document is proved. The two essentiality reports have not been produced by Proskauer Rose LLP and Cohausz and Florack but by the plaintiff, thus the plaintiff cannot be insisted to issue certificates under Section 65B of the Indian Evidence Act for the same.

9.5. No doubt the plaintiff did not produce the corresponding claim in the US patent being US No. 5696505 or the claim in the European patent EP0745254B1 however, the defendants have exhibited the same as Ex.DW-1/2 and Ex.DW-1/3 respectively and also confronted PW-2 with the two patents containing the claims vide Ex.PW-2/D10 and Ex.PW-2/D11 respectively. Thus this Court can compare the three claims, that is, US 5696505 and EP 0745254B1 with the suit patent, that is, Ex.PW-2/4. The suit patent relates to *"Decoding Device for converting a Modulated Signal to a series of M-Bit Information Words"*. A perusal of the claim in the suit patent reveals that the same is equivalent to the claims 33 to 37 of the US No.5696505 and EP 0745254B1.

9.6. Claims 33 to 37 of the EP 0745254B1 read as under:

“33. Decoding device for converting the signal (7) as claimed in one of the Claims 24 to 31 to a series of m-bit information words (1), this device comprising means (110) for converting the signal to a bit string of bits having a first or second logical value, this bit string containing n-bit code words (4) which correspond to the information signal portions (160) and which device comprises converting means (113, 114, 115) for converting the series of code words to a series of information words, one information word being assigned to one code word to be converted and in dependence thereon, characterized in that the converting means (113, 114, 115) are arranged for converting the code word also in dependence on the logical values of bits in the bit string which are located at p predetermined position in a following codeword for distinguishing a respective information word among a plurality of information words represented by a codeword belonging to a group (G2) of the second type.

34. Decoding device as claimed in Claim 33, characterized in that n is equal to 16 and m is equal to 8, and where p is equal to 2.

35. Decoding device as claimed in Claim 34, characterized in that the p predetermined bit positions are the first and thirteenth bit position past the end of the associated code word.

36. Decoding device as claimed in one of the Claims 33 to 35, characterized in that the device comprises detection means (116) for detecting sync words having bit patterns that cannot be formed by the successive code words in the series, or by a part of the sync word in combination with an adjacent code word.

37. Decoding device as claimed in Claim 36, characterized in that the detection means (116) are arranged for detecting 26-bit sync words corresponding to a bit pattern of “10010000000000100000000001” or to a bit pattern of

“00010000000000100000000001”, where “0” represents a first logical value and where “1” represents a second logical value.”

9.7. Claims 33 to 37 of US 5696505 read as under:

“33. A decoding device for converting the signal as claimed in claim 25 to a series of m-bit information words, the device comprising means for converting the signal to a bit string of bits having a first or second logical value, which bit string contains a series of n-bit code words which correspond to the information signal portions, and converting means for converting the series of code words to the series of information words, an information word being assigned to each of the code words to be converted and in dependence thereon, wherein the converting means are arranged for converting a code word to an information word also in dependence on the logical value of bits in the bit string which are located at p predetermined positions relative to the code word.

34. The decoding device as claimed in claim 33, wherein n is equal to 16, m is equal to 8, and p is equal to 2.

35. The decoding device as claimed in claim 34, wherein the p predetermined bit positions are the first and thirteenth bit position past the end of the code word.

36. The decoding device as claimed in claim 33, further comprising detection means for detecting sync words having bit patterns that cannot be formed by the successive code words in the series, or by a part of the sync word in combination with an adjacent code word.

37. The decoding device as claimed in Claim 36, wherein the detection means are arranged for detecting 26-bit sync words corresponding to a bit pattern of “10010000000001000000000001” or to a bit pattern of “00010000000000100000000001”, where “0” represents a

first logical value and where “1” represents a second logical value.”

9.8. Complete specification of suit patent being IN-184753 were duly proved as Ex.PW-2/4 and claim of the plaintiff in the suit patent is as under:

“1. Decoding device for converting a modulated signal (7) to a series of m-bit information words (1), the decoding device comprising means for receiving the modulated signal, means (110) for converting the signal to a bit string of bits having a first or second logical value, the bit string containing n-bit code words (4) which correspond to information signal portions (160), and converting means (113, 114, 115) for converting the series of code words to a series of information words, one information word being assigned to one code word to be converted and in dependence thereon, characterized in that the device comprises a first register (112) and a second register (111) for storing bits of the bit string and in that the converting means (113, 114, 115) are capable of uniquely establishing an information word among a plurality of information words represented by an n-bit code word belonging to a group (G2) of a second type, by converting n bits of the code word from the first register (112) and p predetermined bits in a following code word from the second register (111) into a m-bit information word, in dependence on the logical values detected for said p bits.

2. Decoding device as claimed in Claim 1, characterized in that each code word is 16-bit long, each information word in 8-bit long and p is equal to 2.

3. Decoding device as claimed in Claim 1, characterized in that the p predetermined bit positions are the first and thirteenth bit portion past the end of the associated code word.

4. *Decoding device as claimed in one of the Claims 1 to 3, characterized in that the converting means are connected to detection means (116) for detecting sync words having bit patterns that cannot be formed by the successive code words in the series, or by a part of the sync word in combination with an adjacent code word.*

5. *Decoding device as claimed in Claim 4, characterized in that the detection means (116) are arranged for detecting 26-bit sync words corresponding to a bit pattern of “1001000000000100000000001” or to a bit pattern of “000100000000010000000000” where “0” represents a first logical value and where “1” represents a second logical value.*

6. *Decoding device as claimed in any of the claim 1 to characterized in that the converting means are connected to a reading device for receiving the modulated signal from a record carrier, comprising read head (150) for producing an analog signal of the modulated signal, and detection circuit (152) for converting the analog signal into a binary signal.”*

9.9. On comparison of the three claims it is evident that the claim in IN-184753 are same as claims 33 to 37 of EP-745254B1 and US 5696505.

PW-2 stated that having examined the claims in US counter-part and the Indian counter-part he concludes that the scope of the relevant claims is the same. PW-2 in response to question No.181 to 184 put in cross-examination clarified that the decoding part of the European essential patent corresponded to the Indian suit patent though the European patent had both the coding and decoding claims. In cross-examination PW-2 was confronted with a patent application No.163/CAL/95 and not to the claims in the European patent and the Indian suit patent. Evidence of PW-2 is further supplanted by the

defendant's witness DW-1 who in his evidence by way of affidavit admitted that out of the claims in EP-0745254B1 claims 32 to 38 have been included in the Indian patent application, however also stated that they continue to relate to software/ computer programme per-se. But as noted above there is no challenge to the validity of the suit patent under Section 3 (k) of the Patents Act.

9.10. The two essentiality reports Ex.PW-2/6A and PW-2/7A note that the two corresponding US and EP patents are essential for DVD-Rom, Video Disk and DVD Video play backs. Ex.PW-2/7A is an essentiality report relating to EP patents mentioned in Annexure-A2 to the report for the DVD player and DVD ROM player patent license agreement. The said report evaluates the European patents submitted by Philips Electronics N.V. on the question whether or not those patents are essential for implementing the DVD video player and DVD ROM player standards. As per the report on evaluation qua the essentiality of the European patents mentioned in Annexures submitted by Philips Electronics N.V. with respect to "DVD Specifications for Read-Only Disc, Part 3:., VIDEO SPECIFICATIONS", Version 1.1, December 1997 („DVD Video Standard") and the DVD Specifications for Read-Only Disc, Part 1:., PHYSICAL SPECIFICATIONS", Version 1.01, September 1997 („DVD-ROM Standard") have been concluded to be essential. As per the list Annexure-A2 claim number-33 of EP-0745254 relates to "Decoder converting n-bit information words to m-bit information words; there is one plurality of code words of a first type each uniquely defining an information word; the second type code words are defining different information words; the aim is to suppress DC signal components." The relevant standard operations of the

patent are “DVD-ROM 1.01:1.5.1, 1.5.18, 2.2.3.8.1, 3.2, 3.3, 3.3.3”. According to the report claim No.33 of the EP is a standard essential patent. Claim number 35 of US 5696505 declared as essential vide Ex.PW-2/7A is same as the claim in the Indian suit patent.

9.11. Objection of learned counsel for the defendants that since the person who signed the documents Ex.PW-2/6A and Ex.PW-2/7A have not been examined, the documents cannot be read in evidence relates to the mode of proof and ought to have been taken when the documents were exhibited. No objection to the manner of proof of these certificates was taken by the defendants except stating that learned counsel for the defendants wanted to go through Ex.PW-2/6A. Further in cross-examination the defendants sought to impeach the credit worthiness of the two EP and US Essentiality certificates i.e. Ex.PW-2/6A and Ex.PW-2/7A respectively by putting to PW-2 that “Pros Kauer Rose LLP” and “Cohausz and Florack” the concerns which issued the two certificates work for Philips which was denied by PW-2. Ex.PW-2/7A is not a computer generated document but a duly signed document and does not need a certificate under Section 65B of the Indian Evidence Act to make it admissible in evidence. Though the DVD Video standard Ex.PW-2/5 was sought to be exhibited along with certificate under Section 65B of the Indian Evidence Act, the same was not exhibited for the reason it was not filed as a part of document with the plaint or thereafter and without the leave of the Court was placed on record for the first time with the evidence by way of affidavit, however, even in the absence of DVD standard not being proved nor the ECMA or ISO standards being proved by the plaintiff in view of these essentiality reports of the corresponding US and EP

patents the plaintiff has proved that the Indian suit patent is an essential patent with the defendants leading no evidence to rebut the plaintiff's claim.

9.12. Thus issue No.(vi) is decided in favour of the plaintiff and against the defendant and it is held that the suit patent being IN-184753 is a standard essential patent in respect of DVD technology player.

10. Issue No.(iii) *Whether the defendants have infringed the plaintiffs' Indian Patent No. 184753? (OPP).*

10.1. Learned counsel for the plaintiff contends that since the plaintiff owns a standard essential patent thus defendants who manufacture or assemble DVD players must necessarily be infringing the plaintiff's patent. It was in the alternative submitted that assuming this Court concludes that the plaintiff has not been able to prove that it's patent is a standard essential patent, plaintiff has proved infringement independently as well. Leaned counsel for the plaintiff submits that PW-2 in his evidence deposed that he performed, 8 to 14 Modulations (EFM + demodulation techniques). Further PW-2 adopted PW-1's affidavit who deposed regarding the procedural steps of the patent. In the cross-examination essential attack of the defendants was that the patent relates to algorithm, thus not novel. According to the plaintiff, claim in the Indian suit patent is a decoding device which is a physical object and not an algorithm.

10.2. Contention of learned counsel for the defendants is that the plaintiff has failed to plead in the plaint or lead evidence based on "claim vs. product" analysis or on the construction of the claims of the suit patent. According to the defendants the suit patent pertains to the decoding device and each of the six claims of the patent begin with the words 'a decoding device', whereas the specification of the suit patent refers to five devices, that is, coding

device, recording device, record carrier, reading device and decoding device. By referring to the five devices it is only specified that how the five devices work together however, the claims are restricted to the decoding device. It is the claim of the defendants that having accepted that the suit patent is fully embodied in a chip, the plaintiff has failed to prove infringement in the suit patent which is a product patent. The entire claim of the plaintiff is based on the fact that the suit patent is an essential patent and thus it led no evidence to prove infringement. Though affidavit of Ravi Babu was filed however, he never appeared as a witness. Further the testimony of PW-2 does not establish infringement of the suit patent by the defendants. Moreover PW-2 is neither a credible witness nor has independently analyzed the products. PW-2 in his evidence failed to identify which part of the PHILIPS Device is a proprietary. In any case the plaintiff has not proved that taking into account the prevalent technical practices and the state of the art in usage, making, selling, leasing of the DVD player without infringing the plaintiff's patent is not possible. In the alternative it is also claimed that the plaintiff's patent rights cannot be exercised against the defendants on the common law doctrine of exhaustion as the plaintiff has already put its product in the market and therefore, cannot pursue infringement proceedings against third parties. Reliance is placed on the decision of the US Supreme Court reported as *Impression Products, Inc. v. Lexmark International, Inc.* (dated 30th May, 2017-unreported), *Quanta Computer, Inc. v. LG Electronics, Inc.* 553 U.S. 617 (2008) and *U.S. v. Univis Lens Co.*, 316 U.S. 241 (1942).

10.3. It is the claim of the defendants that it assembles DVD players with parts purchased from legitimate sources including the chip and hence are not liable for infringement. They state that the defendants have bought the chips

from MediaTek which chip of MediaTek is also embodied in the plaintiff's product. Hence, the defendants cannot be held to be infringing the suit patent. In any case the plaintiff has not disclosed its relationship with MediaTek which fact is in its exclusive knowledge, thus having failed to discharge the onus under Section 106 of the Indian Evidence Act.

10.4. As per the claim in the suit patent noted in para 9.7 above it is evident that the claim of the plaintiff in IN-184753 is only for a decoding device and not the entire DVD player or other functions. A decoding device is an integral part of a DVD player and in the absence of a decoding device the information embedded by way of the codes cannot be read and transmitted/received. Besides proving that the suit patent is a standard essential patent, plaintiff has also proved infringement independently by the evidence of PW-2 and the cross-examination of defendants' witnesses. Plaintiff has exhibited bill of purchase for PASSION DVD Player vide Ex.PW-1/5 and the user manual thereto vide Ex. PW-1/6. Similarly the plaintiff has also produced bill of purchase of SOYER DVD Player vide Ex. PW-1/13, the user manual thereto vide Ex.PW-1/14 and the warranty card vide Ex.PW-/15. Further plaintiff has proved documents Ex.PW-2/8 and Ex. PW-2/9 respectively to show that the defendants' video players were sold under the brand names SOYER and PASSION besides other brands. The defendants' two DVD video players purchased by PW-1 under the brand names SOYER and PASSION were evaluated by PW-2 who confirmed that the DVD video players used the EFM + Demodulation techniques, thus infringing the suit patent.

10.5. Reply of the plaintiff to the contention of defendants that Ravi Babu was not called as a witness is that Ravi Babu dealt only with the

infringement whereas PW-2 examined by the plaintiff dealt with both the essentiality and infringement. Thus it is the claim of the plaintiff that even dehors having proved that the suit patent is a standard essential patent, it has independently proved infringement.

10.6. In the decision reported as 225 (2015) DLT 391 *Hoffmann-La Roche Ltd. and Ors. vs. Cipla Ltd.* this Court laid down the principles for construction of claim as under:

67. For the above conspectus, pithily put, principles of claim construction could be summarized as under:--

"(i) Claims define the territory or scope of protection (Section 10(4)(c) of the Patents Act, 1970.

(ii) There is no limit to the number of claims except that after ten claims there is an additional fee per claim (1st Schedule of the Act).

(iii) Claims can be independent or dependent.

(iv) The broad structure of set of claims is an inverted pyramid with the broadest at the top and the narrowest at the bottom (Manual of Patents Office - Practice and procedure).

(v) Patent laws of various countries lay down rules for drafting of claims and these rules are used by Courts while interpreting claims.

(vi) One rule is that claims are a single sentence defining an invention or an inventive concept.

(vii) Different claims define different embodiments of same inventive concept.

(viii) The first claim is a parent or mother claim while remaining claims are referred to as subsidiary claims.

(ix) *If subsidiary claims contain an independent inventive concept different from the main claim then the Patent office will insist on the filing of a divisional application.*

(x) *Subject matter of claims can be product, substances, apparatus or articles; alternatively methods or process for producing said products etc. They may be formulations, mixtures of various substance including recipes. Dosage regimes or in some countries methods of use or treatment may also be claimed.*

(xi) *Where claims are 'dependent' it incorporates by reference 'everything in the parent claim, and adds some further statement, limitations or restrictions'. (Landis on Mechanics of Patent Claim Drafting).*

(xii) *Where claims are 'independent' although relating to the same inventive concept this implies that the 'independent claim stands alone, includes all its necessary limitations, and is not dependent upon and does not include limitations from any other claim to make it complete.... An independent Claim can be the broadest scope claim. It has fewer limitations than any dependent claim which is dependent upon it'. (Landis on Mechanics of Patent Claim Drafting)*

(xiii) *For someone wishing to invalidate a patent the said person must invalidate each claim separately and independently as it is quite likely that some claims may be valid even while some are invalid.*

(xiv) *At the beginning of an infringement action the Courts in the United States conduct what is known as a 'Markman hearing' to define the scope of the claims or to throw light on certain ambiguous terms used in the claims. Although this is not technically done in India but functionally most Judges will resort to a similar exercise in trying to understand the scope and meaning of the claims including its terms. "*

In the case of (52 F.3d 967 also 517 US 370) Herbert Markman v. Westview the Courts held that an infringement analysis entails two steps:--

"(a) First step is to determine the meaning and scope of the patent claims asserted to be infringed.

(b) Second step is to compare the properly construed claim with the device accused of infringing.

(xv) The parts of the claim include its preamble, transition phrase and the body. The 'transition phrase' includes terms like:--

(a) Comprising;

(b) Consisting;

(c) Consisting essentially of;

(d) Having;

(e) Wherein;

(f) Characterised by;

Of these terms some are open ended, such as 'comprising' which means that if the claim contains three elements 'A', 'B' and 'C' it would still be an infringement for someone to add a fourth element 'D'.

Further some terms are close ended such as 'consisting of, i.e. in a claim of three elements, 'A', 'B' and 'C' a defendant would infringe if he has all three elements. In case the defendant adds a fourth element 'D' he would escape infringement.

(xvi) Each claim has a priority date so that in a group of claims in a specification you could have multiple priority dates. This only means that if a patent application with certain priority date and claims was followed by another application with different claims and different priority dates, then if they were consolidated or cognate with another application, each claim would retain the original priority date [Section 11(1)]."

10.7. PW-2 deposed that he independently examined the defendants' products using tests devised specifically for the purpose of determining the presence of EFM(eight to fourteen modulation)+ demodulation technique and confirms that defendants' DVD Video players were using the EFM+ demodulation technique, thus infringing the suit patent. He exhibited the DVD players of the defendants under the SOYER and PASSION brands as Ex.PW-2/A and PW-2/9 respectively. He further deposed that: a) A technical analysis of the channel bit data gives foolproof evidence and confirms that the DVD Video Players being manufactured and sold by the defendants use the EFM+ demodulation technique disclosed in the said patent and employ decoding devices to decode content stored on a DVD Disc using the EFM+ modulation, hence amounting to violation of the Plaintiff's exclusive rights; b) Analysis of grabbed channel bit data clearly establishes whether EFM+ coding has been used on any disc. The next code words, which are used to correctly decode the data stored on the DVD disc to provide the accurate information on the basis of look ahead, are modified by changing the values at bit positions 1 and 13; c) The DVD Video Players play the entire DVD disc used as reference and decodes the EFM+ encoded data stored on the DVD disc without any problems i.e. the audio and video quality is good. This establishes that the DVD-Video Players contain an EFM+ decoding

mechanism, which uses the bit values 1 and 13 of the next code word for decoding the current code word of the second type into the correct data symbol; and d) the DVD Video Players fail to correctly play that portion of channel bit data, wherein the next code words have been modified. This change in the next code words does not allow 'look ahead' of EFM+ decoding mechanism to work. The failure to correctly play the channel bit data with modified next code words is due to the fact that the DVD Video Players does use 'look ahead' mechanism as disclosed and claimed in Indian Patent No.184753. Had the DVD Video Players not been using the EFM+ decoding as suggested by the decoding device of the Plaintiff's Patent No.184753, the DVD Video Players would have been able to play the entire DVD disc with modified channel bit data without any problems.

10.8. Cross-examination of PW-2 conducted by defendants in relation to the deposition of the witness in his examination in chief qua the claim construction and infringement is as under:

“Q.61 Please look at your answer to question No.7 in yesterday's deposition. Can you elaborate what you mean by the terms “relevant claims”?”

Ans. The relevant claims means the claims which refer to a device for decoding, according to the invention.

Q.62 Can you please explain the steps how decoding is done?

Ans. I would like to state that to explain how decoding is done will take about one hour.

Q.63 Please explain broadly.

Ans. May be I can show you a presentation which explains visually and verbally, the decoding process. (The witness is carrying a DVD containing the presentation referred to in his answer). (On the other hand, the learned Counsel; for the defendants states that since the witness is being examined as

an expert, she wants the witness to answer the question rather than putting forth a DVD). (On the other hand, the learned Counsel for the Plaintiff states that he has no objection if the learned Counsel of the Defendant wants an oral answer but since the DVD was produced by the witness in response to the question it would be proper to put it on record). Subject to the aforesaid which is put on record, the DVD is returned to the witness.

Explanation broadly would not be possible. I will explain in detail.

(the witness is referring from the print out of the claims before him). At this stage, the witness is referring to Exh.PW2/4 which is a part of his affidavit. After referring to Exh.PW2/4, I say that the invention relates to a decoding device for converting a modulated signal to a series of m-bit information words, as specified in Claim 1 of the suit Patent, which is detailed in Exh.PW-2/4.

Q.64 From the sketches (figures 8 to 17) annexed to the specification, please point out which is the integrated circuit or chip which you referred to in answer to Q.16 yesterday?

Ans. The figures 8 to 17 you referred to are schematic block diagrams and not a representation of any chip. So I cannot point out to you a chip in these figures.

Q.65 Is the chip represented by means of a block diagrams in these figures?

Ans. Part of the schematic block diagram may be integrated in a chip. I mean to say the function of the part of the schematic diagram may be integrated in a chip.

Q.66 If I understand you correctly, you cannot point out as to which exactly is the hardware, as may be contained in the sketches to your patent specifications which performs the function of conversion of a modulating signal to a series of m-bit information words?

Ans. I can only say that the schematic diagram of figure 11 mainly represents conversion of a modulated signal to a series of m-bit information words.

Q.67 Please see the figures 1 to 4 of the patent specification and tell us if these are the instructions which are given for performing the function which you intend to achieve?

Ans. No they are not.

Q.68 Please tell us what are figures 1 to 4?

Ans. Figures 1 to 4 represent one of the embodiments of the invention, which are not completely practiced in a DVD player.

Q.69 Which part of figures 1 to 4 are practiced in a DVD player of Philips?

Ans. Only figure 1.

Q.70 Why have figures 2 to 4 been included in the present specifications?

Ans. They have been included to illustrate the embodiment I referred to in answer to Q.68.

Q.71 Does Philips manufacture the integrated circuits or chips by itself?

Ans. I do not know.

Q.72 (the witness is being shown a brand new Philips DVD player, serial No.FJ1A1103093103 manufactured by Philips Electronics India Limited, Kolkata, bearing a manufacturing date of January, 2011). (the DVD player is not in a sealed pack. The DVD player is unscrewed in front of the witness to show the inside of the same).

Which according to you is the part of the Philips DVD player which contains the invention which is patented in the suit patent?

Ans. I am not an expert in design of DVD player layouts and printed circuit boards inside thereof. So, I could only guess and I guess this part here (the witness points out to the green

circuit board which has been marked “AAAA” on the instrument, for the purpose of identification).

Q.73 In the portion marked AAAA, the chip in the middle has a name Mediatek?

Ans. That is correct.

Q.74 Does Mediatek manufacture the printed circuit boards of Philips?

Ans. I do not know.

Q.75 Do you know that Mediatek is a licensed manufacturer of Philips of these printed circuit boards?

Ans. I do not know.

Q.76 I am showing you the DVD players branded Onida Atom, Weston DVD 2060, LG and Videocon D2H Satellite DVD (these have been unscrewed) and please look at the printed circuit boards in these players. All these players contain the MT1389QE chip, which is also used in the Philips DVD player shown to you earlier. Is it correct.

(the DVD players are not in a sealed pack. The DVD players are unscrewed in front of the witness to show the inside of the same).

Ans. The Philips player has MT1389QE chip, the LG player has MT1389DE chip, Videocon player has MT1389DE chip, Onida Player has MT1389DE chip and Weston player has MT1389DE chip.

NOTE: The Philips DVD player is marked as Exh.PW2/D1, the Onida as Exh.PW2/D2, Weston DVD Player as Exh.PW2/D3, LG DVD Player as Exh.PW2/D4 and Videocon DVD player as Exh.PW2/D5.

Q.77 Which chip did the DVD players branded PASSION and SOYER have which you claimed to have tested as per para 15 of your affidavit.

Ans. I have not examined this.

Q.78 Please look at the boxes which you claim to have tested namely "PASSION" and "SOYER" which were returned to you yesterday and tell us which are the chips used therein?

(These DVD players are also not in sealed condition). The same are today exhibited as PW2/D6 & PW2/D7. The same are unscrewed to show to the witness the inside of the same).

All the seven DVD players are handed over the Court official for being placed on the suit record.

Ans. I see at least 10 chips in PASSION branded DVD PLAYER. In SOYER, I see at least 8 chips.

Q.79 When you tested these players, did you not think it fit to find out as to who was the manufacturer of the chips in PASSION and SOYER?

Ans. I think it is not relevant.

Q.80 Are you aware that the printed circuit boards like the one contained in the Philips DVD player marked as AAAA is readily available for purchase for any manufacturer of DVD player?

Ans. I am not aware of that, since I am not a purchasing expert.

Q.81 According to you are all the other DVD players which were shown to you apart from the defendant's players, infringing Philips patent?

Ans. If they are manufactured according to the DVD specifications, they are infringing, of course, except for the DVD players which are licensed.

Q.82 In the DVD players that you saw, apart from the defendant's players, which are the licensed players?

Ans. Since I am not the account manager for the DVD player licensing I cannot answer this question reliably, but I can make a guess that the Philips and LG players are licensed.

Q.83 Has Philips take action against the others?

Ans. I cannot answer this question. I do not know.

Q.84 Do you know if Philips has taken any action against Mediatek, Taiwan, which is the manufacturer of the printed circuit boards?

Ans. I do not know, but I can make a guess. Philips for the DVD technology only licenses the end product in the value chain, in this case being a full functional DVD player. That means a DVD player which is able to reproduce the content of a DVD disc which is inserted.

Q.85 If I understand you correctly, you mean to say the manufacturing of the printed circuit board which may contain the patented technology, is not infringement, but using the said board on a DVD player for commercial sale of the same constitutes infringement, according to you?

Ans. I say using the board on the DVD player for commercial sale constitutes infringement. I have not enough information to make a judgment about the first part of your question.

Q.86 Do you know Mr. Jeremy Cohen?

Ans. No.

Q.87 Please look at a print out from the website www.cdrinfo.com (Exh.PW2/D8) wherein Philips has publicly stated that it is not planning to take any legal action against Mediatek, Taiwan. What do you have to say?

(Objected to, as it is not accompanied by an affidavit under Section 65B of The Indian Evidence Act, hence cannot be exhibited).

Ans. As far as I read this print out, I see that another company filed a suit against Mediatek and I assume that there was a speculation that Philips will also file a law suit against Mediatek. Philips just states that they were not aware of any move against Mediatek. So this has nothing to do with Philips.

Q.88 I show you a brand new Philips DVD player, Serial No.FJA1103094201 in a sealed carton (Exh.PW2/D9). (The carton is opened and the DVD player is unscrewed to show to the witness what is inside in the player). Is it correct that the portion marked "BBBB", contains the patented invention?

Ans. If it is the same player as was marked yesterday "AAAA" I repeat my answer to the question No.73.

Q.89 Can you please highlight in this DVD player (Exh.PW2/D9), the portion which contains the patented invention?

Ans. This printed circuit board (marked "BBBB") contains the patented invention according to claim 1 of the patent in suit. However, this printed circuit board on its own cannot work without auxiliary components such as the optical drive next to it.

Q.90 Are the auxiliary components such as optical drive a part of the suit patent.

Ans. The invention cannot work without these components.

Q.91 I put it to you that the suit patent does not claim auxiliary components such as optical drive and no monopoly in respect of the same has been granted in favour of Philips in India?

Ans. That is not correct and I can show you why. I want to by referring to claim 1. (The witness has referred to Exh.PW2/4 from the Court record). Claim 1 reads "decoding device for converting a modulated signal to a series of m-bit information words, the decoding device comprising means for receiving the modulated signal." The last six words are also partly contained in the optical disc drive. It is impossible for the decoder to work without this optical disc drive and convert the modulated signal to a series of m-bit information words.

Q.92 Are you qualified to interpret patent claims?

Ans. Yes I am.

Q.93 I put it to you that your invention as contained in claim 1 starts after the phrase "characterized in that" and all the information contained prior to that is prevalent in public domain?

Ans. The claim should always be interpreted in its entirety. So, I do not agree."

10.9. Thus PW-2 in his deposition and cross-examination clarifies that the suit patent is a hardware and not a software. Moreover the entire cross-examination of the defendants revolved around that the suit patent was embodied in a chip whereas PW-2 in answer to question No.72 clarifies that it was a circuit board which also had a chip inside and that it was not a chip alone. The DVD player of Philips brand produced in the witness box to confront PW-2 was not a sealed parcel and hence no reliance on this evidence can be placed in the absence of any further evidence or admission of the plaintiff.

10.10. Claim of the defendants was that it was purchasing the chip from Shuntak (HK) trading Company and Sheenland Corporation which were the authorized vendors vide documents Ex.DW-2/8 collectively **however, the defendants failed to discharge the onus that both Shuntak and Sheenland were the licensees of the plaintiff and thus the plea of the defendants that there is no infringement by virtue of doctrine of exhaustion needs to be rejected.** DW-2 in his evidence admitted that both Shuntak and Sheenland were suppliers of critical DVD components and that they are associated with mainland China and that Shuntak and Sheenland are registered party of MediaTek, **however, no evidence was led to prove this fact.** It would be further appropriate to note the distinction between the licensee and a vendor. Section 2 (1) (f) of the Patents Act defines the term 'exclusive license' to mean a license from a patentee which confers on the licensee, and persons authorized by him to the exclusion of all other persons any right in respect of patented invention. The defendants have led no evidence to prove that Shuntak and Sheenland were the licensees of the patentee from whom they claim to have purchased the products. Defendants have further taken the

plea that they had purchased the products from authorized licensees. The onus to prove that the defendants purchased the products from authorized licensees was on the defendants which they failed to discharge. In the written statement in CS(COMM) 436/2017 plea was taken that defendant was taking the products from licensees like SONY, SANYO etc. and the documents in this relation were collectively filed as Ex.DW-2/8 which were letters purportedly from Sheenland and Shuntak. These documents are unsigned. The entire plea of the defendant is that it was using the MediaTek chips, however it has neither been proved that the MediaTek was a licensee of the plaintiff and that the hardware sold to defendants by MediaTek was pursuant to a license. The plaintiff has nowhere claimed that MediaTek is a licensee of plaintiff. In the absence of any admission of the plaintiff the onus was on the defendants to prove that it was using the plaintiff's licensed products.

10.11. Defendants having failed to prove that the articles purchased by them were sold by the plaintiff or its licensees, the defence based on the doctrine of exhaustion needs to be rejected as the defendants have failed to prove that the product using the suit patent was sold to the defendants by the plaintiff or its licensee, onus to prove which fact was on the defendants. In Impression Products, Inc. v. Lexmark International, Inc.(supra) the Supreme Court of United States held that Lexmark exhausted its patent rights in the cartridges the moment it sold them. The single-use/no-resale restriction in Lexmark's contracts with customers may have been clear and enforceable under contract law, but they do not entitle Lexmark to retain patent rights in an item that it has elected to sell. It was held:

“The Patent Act grants patentees the “right to exclude others from making, using, offering for sale, or selling [their] invention[s].” 35 U. S. C. §154(a). For over 160 years, the doctrine of patent exhaustion has imposed a limit on that right to exclude. See Bloomer v. McQuewan, 14 How. 539 (1853). The limit functions automatically: When a patentee chooses to sell an item, that product “is no longer within the limits of the monopoly” and instead becomes the “private, individual property” of the purchaser, with the rights and benefits that come along with ownership. A patentee is free to set the price and negotiate contracts with purchasers, but may not, “by virtue of his patent, control the use or disposition” of the product after ownership passes to the purchaser. United States v. Unis Lens Co., 316 U. S. 241, 250 (1942). The sale “terminates all patent rights to that item.” Quanta Computer, Inc. v. LG Electronics, Inc., 553 U. S. 617, 625 (2008). This well-established exhaustion rule marks the point where patent rights yield to the common law principle against restraints on alienation. The Patent Act “promote[s] the progress of science and the useful arts by granting to [inventors] a limited monopoly” that allows them to “secure the financial rewards” for their inventions. Unis, 316 U. S., at 250. But once a patentee sells an item, it has “enjoyed all the rights secured” by that limited monopoly. Keeler v. Standard Folding Bed Co., 157 U. S. 659, 661 (1895). Because “the purpose of the patent law is fulfilled . . . when the patentee has received his reward for the use of his invention,” that law furnishes “no basis for restraining the use and enjoyment of the thing sold.” Unis, 316 U. S., at 251.”

10.12. Having held issue No.(vi) in favour of the plaintiff that the plaintiff has been able to prove that it is the owner of a standard essential patent, thus the defendant’s products if manufactured, sold without license necessarily infringe the suit patent, this Court has further noted the evidence of plaintiff’s witness who has explained the claim in the suit patent and compared the same with the products of the defendants to come to the

conclusion that the defendants are infringing the suit patent by using the plaintiff's patent IN 184753 in the DVD player sold by them.

10.13. Thus Issue No.(iii) is also decided in favour of the plaintiff and against the defendants on both the counts, that is, the plaintiff having proved that the suit patent was a standard essential patent, the use or manufacture by the defendants without a license amounted to infringement. Even otherwise the products of the defendants i.e. the SOYER and the PASSION brand DVD players on the basis of the test carried out by PW-2 infringe the suit patent.

11. Issue No.(iv) *Whether the defendants had knowledge of the plaintiffs' patents in respect of DVDs and the plaintiffs' licensing programs? (OPP).*

11.1. Claim of the plaintiff is that Rajesh Bansal who has filed affidavits in both the suits on behalf of the defendants was earlier working with the plaintiffs and K.K. Bansal Proprietor of defendant No.1 in CS (OS) No.1082/2009 is the father of Rajesh Bansal and that Mukesh Bansal, brother of Rajesh Bansal had also applied for a license of the plaintiff. Thus the defendants were aware of the licensing programme of the plaintiff. However, learned counsel for the defendants contends that merely because K.K. Bansal submitted an application form to the plaintiff on behalf of Manglam Electronics seeking license or that Mukesh Bansal got a license is not sufficient to prove knowledge to the defendants.

11.2. As noted earlier affidavits have been filed by Rajesh Bansal, an ex-employee of the plaintiff on behalf of defendants in both the suits as proprietor of Manglam and Bhagirathi being the sole proprietary concern of his father. Further defendant Nos. 2 and 3 have placed on record documents exhibited as Ex.D2-1 and Ex.D3-1 in CS (Comm.) 436/2017 which are

undertakings given on behalf of defendant No.1 i.e. Bhagirathi to defendant Nos. 2 and 3 that the DVD players supplied by them are “royalty paid”. Rajesh Bansal appeared as DW-2 and in his cross-examination he admitted that DVD player under the brand SOYER were manufactured exclusively for Fenda Audio India Pvt. by Manglam Technology and that for each of these DVD players they have submitted required fee as asked by the Court. Even otherwise because it has been held that the plaintiff is the holder of a standard essential programme and also that the defendants have infringed the suit patent even if the defendants had no knowledge of the licensing programme they were in law bound to take the license from the plaintiff. Hence issue No. (iv) is also decided in favour of the plaintiff and against the defendants.

12. Issue No.(v) *Whether the plaintiffs along with various other members of the DVD forum are misusing its position with a view to create a monopoly and earn exorbitant profits by creating patent pools? (OPD.)*

12.1. Learned counsel for the plaintiff contends that claim of the defendants in the present suit that the manner of fixation of royalty/license fee by the plaintiff and other big players is an anti competitive practice, which issue cannot be decided in the present suit as the same is barred by Section 61 of the Competition Act, 2002 which specifically provides that no civil Court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which is within the domain of Competition Commission or the Appellate Tribunal. Learned counsel for the plaintiff states that mere formation of patent-pools (such as 6C, 3C) and cross-licenses for an essential patent to members of the pool is neither anti competitive nor amounts to abuse of dominance and the royalty is always determined on FRAND (Fair,

reasonable and non-discriminatory) principles, which is a well recognized practice globally. Learned counsel for the plaintiff claims that the plaintiff's decision to offer license to the defendants on a global worldwide basis and for all its patents which form part of standard in question is fair and works for the benefit of any licensee. An offer of license on global basis ensures a greater reach for interested parties, that is, the licensees and diminishes the possibility of infringement of the patents even if the licensee's products are commercialized out of the country.

12.2. Learned counsel for the defendants contends that the plaintiff has demonstrated clear abuse of its dominant position as it is prosecuting the defendants though there are as many as 35 manufacturers of DVD players in India and only 13 are licensed even as per the admission of the plaintiff and that it seeks royalty on the patent pool and not individual patent.

12.3. The issue whether the Competition Commission of India (in short 'CCI') under the Competition Act, 2002 would have jurisdiction to entertain complaints regarding abuse of dominance in view of the specific provisions under the Patents Act enacted to address the issue of abuse of dominance by a patent holder came up for consideration before this Court in the decision reported as 2016 (66) PTC 58 (Del) *Telefonaktiebolaget LM Ericsson (PUBL) vs. Competition Commission of India and Ors.* This Court after an extensive discussion of the various provisions of the Patents Act and the Competition Act held that the remedies as provided under Section 27 of the Competition Act for abuse of dominant position are materially different from the remedy as available under Section 84 of the Patents Act, thus the remedies under the two enactments are not mutually exclusive, in other words grant of one is not destructive to the other. Therefore, it may be open

for a prospective licensee to approach the Controller of Patents for grant of compulsory license in certain cases. The same is not inconsistent with the CCI passing an appropriate order under Section 27 of the Competition Act. This Court also held that there was no irreconcilable repugnancy or conflict between the Competition Act and the Patents Act, and, in absence of any irreconcilable conflict between the two legislations, jurisdiction of CCI to entertain complaints for abuse of dominance in respect of Patent rights could not be ousted. It was further held:

“177. It is apparent from the above that a prospective licensee who applies for a compulsory licence is expected to have made, prior to his application, efforts to obtain a licence on reasonable terms. However, it further specifies that this consideration would not be relevant where the conduct of a patentee is found to be anti-competitive. Mr. Katpalia had contended that the above-quoted proviso to Section 84(6)(iv) also refers to anticompetitive practices adopted by a patentee and such practices could only be established under the provisions of the Competition Act. In my view, the aforesaid proviso to Section 84(6)(iv) cannot be read to mean that a patentee's anti-competitive conduct would have to be first established in proceedings under the Competition Act before the Controller could take that into account. Sub-section (6) of Section 84 only indicates certain factors that would be required to be taken into account by the Controller and the question whether a patentee had adopted anti-competitive practices could also be considered by the Controller. However, if CCI has finally found a patentee's conduct to be anti-competitive and its finding has attained finality, the Controller would also proceed on the said basis and -on the principle akin to issue estoppel - the patentee would be estopped from contending to the contrary.

178. In view of the aforesaid discussion, the contention that the jurisdiction of CCI under the Competition Act is ousted in matters relating to patents cannot be accepted.

12.4. In Telefonaktiebolaget LM Ericsson (PUBL) (supra) it was further held that the question whether there is any abuse of dominance is solely within the scope of the Competition Act and a civil court cannot decide whether an enterprise has abused its dominant position and pass orders as contemplated under Section 27 of the Competition Act. It was held that merely because a set of facts pleaded in a suit may also be relevant for determination whether Section 4 of the Competition Act has been violated, does not mean that a civil court would be adjudicating that issue. An abuse of dominant position under Section 4 of the Competition Act is not a cause that can be made a subject matter of a suit or proceedings before a civil court.

12.5. This Court finds no ground to disagree with the view expressed by the learned Single Judge as noted herein before. Thus whether creating of a patent pool by the bigwigs of the industry getting together amounts to an anti competitive practice being misuse of the dominant position cannot be decided in the present suit. Hence issue No. (v) is held to be beyond the scope of the decision in the present suit.

13. Issue No.(vii) *Whether the defendant No.2 is liable to pay any license fee to the plaintiffs and if so at what rate? (OPD)* and Issue No.(viii) *Whether the plaintiff is entitled to a decree of damages or any other relief? (OPP).*

13.1. Case of the plaintiff is that the license rates offered by the plaintiff vary according to the cooperation and conduct of the licensee. In case an

entity procures the license of the plaintiff's essential patent then it is required to pay as per the FRAND rate also referred to as compliant rate. However, if a party has chosen to infringe the patent of the other party then such licensees are required to pay a slightly higher royalty rate for the period which it had not secured license for the plaintiff's concerned essential patent which is referred to as standard rate. According to the plaintiff despite defendants having infringed the plaintiff's patent, the plaintiff claims license fee only on FRAND terms i.e. at compliant rate. As per the evidence of PW-1 the running royalty rates upto 27th May, 2010 were 4.58 and 3.175 USD for standard rate and compliant rate respectively whereas after 28th May, 2010 it was 2.50 and 1.90 USD for standard rate and compliant rate respectively. Plaintiff further submits that the defendants itself agreed to deposit the royalty of INR 45 per sale of DVD player as noted in the order dated 20th September, 2010. Plaintiff claims both actual and punitive damages. For the actual damages plaintiff refers to the license fee required to be paid by the defendants to the plaintiff in view of their manufacture, assembly and sale of the DVD video player without securing the necessary license and claims that a standard rate of royalty for DVD video functionality is charged by the plaintiff to the other entities amounting to 2.50 USD per DVD video player. As per the plaintiff's calculation based on the sales of the defendants, royalty amount payable by the defendants from July 2008 to December 2013 exhibited vide Ex.DW-2/PR plaintiff claims a license fee payable for the product suit patent from December 2008 to December 2013 to be approximately ₹2.7 crores taking USD rates at INR 45. 13.2. Learned counsel for the defendant submits that the plaintiff's claim of royalty is not in keeping with Fair, Reasonable and Non-discriminatory

(FRAND) principles. Plaintiff has not led any evidence qua determination of the royalty. No evidence has been led to prove the process of negotiation or fixation of rates and what would be apportioned by the plaintiff since it has bundled the licenses together.

13.3. It is the claim of the plaintiff that the plaintiff is not required to charge license fee only on the value of the suit patent but based on the sale of the DVD player as a whole. Indubitably the claim in the suit patent IN-184753 is restricted to the decoding device, however, the same is an integral part of the DVD player without which decoding device, the DVD player cannot function. This Court has already held that the issue of patent pool amounting to abuse of dominant position cannot be decided in the present suit. Thus claim of the plaintiff to the entire patent pool in the DVD player cannot be said to be unreasonable.

13.4. Plaintiff vide its letter dated 24th January, 2006 exhibited as Ex.PW-1/7A to the defendants regarding infringement and the royalty applicable gave the following options to the defendants:

“DVD VIDEO & ROM PLAYER LICENSE PROGRAMME

<i>For JOINT option</i>		
<i>Entrance fee</i>	<i>:</i>	<i>US\$10,000 (US\$ 5,000 creditable against running royalties)</i>
<i>Sold before 1.7.2002</i>	<i>:</i>	<i>3.5% of NSP with min. of US\$ 5.00</i>
<i>From 1.7.2002</i>	<i>:</i>	<i>Standard Rate-US\$ 5.00 Compliant Rate –US\$ 3.50</i>
<i>For MPEG</i>	<i>:</i>	<i>NIL</i>
<i>For AC-3</i>	<i>:</i>	<i>US\$ 0.20 per audio channel with max. of US\$ 0.60</i>
<i>For DTS</i>	<i>:</i>	<i>US\$ 0.20 per audio channel with max. of US\$ 0.60</i>
<i>For AC-3 & DTS</i>	<i>:</i>	<i>Standard Rate- US\$ 0.40 per audio channel with max of US\$ 1.20 Reward Rate- US\$ 0.25 per audio</i>

		<i>channel with max. of US\$ 0.75</i>
+		
<i>For VCD Playback function</i>	:	
<i>Entrance fee</i>	:	<i>US\$ 5,000</i>
<i>Sold before 1.7.2003</i>	:	<i>US\$ 2.50</i>
<i>From 1.7.2003</i>	:	<i>Standard Rate –US\$ 1.25 Compliant Rate-US\$ 0.75</i>
<i>Generally, the TOTAL maximum royalty (for future use) would be:</i>		
<i>Towards entrance fee</i>	:	<i>US\$15,000 (US\$ 5,000 creditable)</i>
<i>Towards running royalty</i>	:	<i>US\$ 5.00 per DVD player</i>
<i>For PHILIPS only option</i>		
<i>Entrance fee</i>	:	<i>US\$ 10,000 (US\$ 5,000 creditable against running royalties)</i>
<i>Sold before 1.1.2001</i>	:	<i>1.5% of NSP or US\$ 2.5 whichever is higher</i>
<i>Sold from 1.1.2001</i>	:	<i>Standard Rate-US\$ 2.50 Compliant Rate –US\$ 1.90</i>
<i>For MPEG</i>	:	<i>NIL</i>
<i>For AC-3</i>	:	<i>US\$ 0.18 per audio channel with max. of US\$ 0.54</i>
<i>For DTS</i>	:	<i>US\$ 0.18 per audio channel with max. of US\$ 0.54</i>
<i>For AC-3 & DTS</i>	:	<i>Standard Rate- US\$ 0.36 per audio channel with max of US\$ 1.08 Reward Rate- US\$ 0.225 per audio channel with max. of US\$ 0.675</i>
+		
<i>For VCD Playback function</i>	:	
<i>Entrance fee</i>	:	<i>US\$ 5,000</i>
<i>Sold before 1.7.2003</i>	:	<i>US\$ 2.00</i>
<i>From 1.7.2003</i>	:	<i>Standard Rate –US\$ 1.00 Compliant Rate-US\$ 0.60</i>
<i>Generally, the TOTAL maximum royalty (for future use) would be:</i>		
<i>Towards entrance fee</i>	:	<i>US\$15,000 (US\$ 5,000 creditable)</i>
<i>Towards running royalty</i>	:	<i>US\$ 3.175 per DVD player</i>

13.5. Copies of further letters were exhibited as Ex.PW-1/8A and PW-1/9A. An application form applying for DVD video player patent license from the plaintiff on behalf of defendant by K.K. Bansal was duly exhibited as Ex.PW-1/17. Further in cross-examination PW-1 clarified the royalty rates as under:

“Q.58 What according to you is the royalty rate applicable to DVD players in India, as on the date of filing of the suit and as on today?”

Ans. The royalty rates includes a one time lumpsum fee of USD10,000 of which USD 5,000 is adjustable towards past quantities and the running royalty rates are as follows:

<i>Period</i>	<i>Standard Rate (In USD)</i>	<i>Compliant Rate (In USD)</i>
<i>Upto 27.05.2010</i>	<i>4.58</i>	<i>3.175</i>
<i>From 28.05.2010</i>	<i>2.50</i>	<i>1.90</i>

13.6. PW-1 in his evidence by way of affidavit on the sales quantity and the royalty defendants were required to pay deposited as under:

“29. I may however point out that based on an earlier direction from the Court to produce the sales quantities Bhagirathi Electronics had reported a sales of 2,08,712 DVD Video Players and Manglam Technology had reported a sales of 3,23,897 DVD Video Players for a 13-month period from July, 2008 to July, 2009. I also understand that the sales of both Bhagirathi Electronics and Manglam Electronics continues to be in the same range if not higher. It is also an admitted fact that Bhagirathi Electronics was incorporated in 2005 and Manglam Technology in 2007. As such, a very reasonable and conservative estimate (subject to correction on correct details being provided by the Defendants) would indicate that between the said two companies for the period

from 2005 up-to-date they would have sold at least 2 million DVD Video Players.

30. Based on the above reasonable and conservative estimation and the lowest combination of royalties applicable based on the standard rate of US\$ 3.86 per DVD Video Player the Plaintiff estimates that the monetary royalty losses suffered by it on account of sale by the Defendants of the infringing DVD Video Players would be to the tune of at least US\$ 77,22,000 i.e. approx. Rs.34.74 crores (calculated @ Rs.45 per 1 US\$) whereas the loss to its reputation and goodwill are incalculable and will be irreparable.”

13.7. The main challenge of the defendants is that royalty rates are not in compliance with the FRAND terms. As noted in the options given by the plaintiff to the defendants vide its letter Ex.PW-1/7A the defendants had the option of either taking joint licenses or the PHILIPS ONLY licenses and despite infringement the plaintiff has sought royalty only at FRAND rates, that is, USD 3.175 upto 27th May, 2010 and thereafter USD 1.90 and for the PHILIPS ONLY option. Thus it is not a case where patents of the all other patentees were pooled with that of Philips which were used in DVD Video player. The sales figure of Bhagirathi for the period July, 2008 to July, 2009 have been noted as 2,08,712 DVD players and that of Manglam 3,23,897 DVD video players. Plaintiff has also proved that Bhagirathi was incorporated in the year 2005 whereas Manglam in 2007.

13.8. It would also be relevant to note the evidence of DW-2 which shows that the defendants have not given their correct sales figures to this Court, thus the accounts are required to be rendered properly:

“Q.137. The ER-1 Form for Bhagirathi Electronics for the month of September, 2010 shows a closing balance of 20 DVD players. Correct?”

A. It is a matter of record.

Q.138. According to this Form, the assessable value of a DVD player comes to Rs.230/-. Correct?

A. It is a matter of record. The assessable value comes to Rs.490/- per DVD player.

Q.139. I put it to you that dividing the figure 9800300 by 42610 comes to Rs.230/- and not Rs.490/- and that you are therefore giving a false testimony to your knowledge?

A. I actually divided the assessable value 9800.300 (as read by me) with the closing balance of 20 DVD players and thereby arrived at figure of Rs.490/-.

Q.140. So the figure is actually Rs.230/-. Correct?

A. Yes.

Q.141. The opening balance in ER-1 Form for October 2010 is also 20.

A. It is a matter of record.

Q.142. Here also the assessable value of the goods is Rs.230/-.

A. It is a matter of record.

Q.143. You have therefore incorrectly described DVD players in ER-1 Form for October 2010 as CD mechanism whereas, they are DVD players as was correctly described in a previous months before October, 2010?

A. I disagree.

Q.144. You have concealed the sales of Bhagirathi Electronics after the order was passed by the Delhi High Court on 20th September, 2010 and from the next month

onwards mis-described the goods instead of DVD players” as “CD mechanism”?

A. I completely disagree to this. Moreover since September, 2010 till this date we have paid a fee as directed by the Court of each and every DVD player we have manufactured till date.

Q.145. I put it to you that given a “the details of opening balance, closing balance, assessable value etc. it is quite evidence that Bhagirathi and Mangalam have filed nil ER-1 form returns for the months of October, November, December, 2010 and for January, 2011 whereas both Bhagirathi and Mangalam have been making sale of DVD players during the said period?

A. I disagree.

Q.146. I put is to you that you have suppressed vital facts from the court and failed to deposit moneys to the tune of Rs.25,93,5301- for the month of October, 2010 alone for Bhagirathi?

A. I disagree.

(The ER-1 Forms now forming part of the suit record are collectively given the number Exhibit DW2/PO, for the purpose of identification.)

Q.147. I put it to you that you have lied to this court in this ale statements for October, November and December, 2010 as also January, 2011 by filing nil returns whereas Exhibits DW2/PL and DW2/PM and your answer to question 110 demonstrate clearly beyond ‘any doubt that you have diverted your sales to your sister concerns closely held by your father and yourself?

A. I disagree.”

13.9. The United States Court of Appeals for the Federal Circuit in the decision reported as Commonwealth Scientific and Industrial Research Organization vs. CISCO Systems, Inc., Fed. Cir. Dec.3 (2015) laid down the

principles to aid courts in determining whether an expert's apportionment model is reliable. It was held:

“Recognizing that each case presents unique facts, we have developed certain principles to aid courts in determining when an expert’s apportionment model is reliable. For example, the smallest salable patent-practicing unit principle provides that, where a damages model apportions from a royalty base, the model should use the smallest salable patent-practicing unit as the base. See LaserDynamics, 694 F.3d at 67 (“[I]t is generally required that royalties be based not on the entire product, but instead on the ‘smallest salable patent-practicing unit.’”).

Our cases provide two justifications for this principle. First, “[w]here small elements of multi-component products are accused of infringement, calculating a royalty on the entire product carries a considerable risk that the patentee will be improperly compensated for noninfringing components of that product.” Id.; see also Garretson, 111 U.S. at 121 (“[The patentee] must separate [the patented improvement’s] results distinctly from those of the other parts, so that the benefits derived from it may be distinctly seen and appreciated.”). Second is the “important evidentiary principle” that “care must be taken to avoid misleading the jury by placing undue emphasis on the value of the entire product.” Ericsson, 773 F.3d at 1226. As we stated in Uniloc USA, Inc. v. Microsoft Corp., disclosure of the end product’s total revenue “cannot help but skew the damages horizon for the jury, regardless of the contribution of the patented component to this revenue.” 632 F.3d 1292, 1320 (Fed. Cir. 2011).

In addition to the smallest salable patent-practicing unit principle, we have also explained that “[t]he entire market value rule is a narrow exception to this general rule” “derived from Supreme Court precedent” in Garretson. LaserDynamics, 694 F.3d at 67. Under the entire market value

rule, if a party can prove that the patented invention drives demand for the accused end product, it can rely on the end product's entire market value as the royalty base. Id.

*Fundamentally, the smallest salable patent-practicing unit principle states that a damages model cannot reliably apportion from a royalty base without that base being the smallest salable patent-practicing unit. That principle is inapplicable here, however, as the district court did not apportion from a royalty base at all. Instead, the district court began with the parties' negotiations. At trial, the district court heard evidence that, around the time of the hypothetical negotiations, the parties themselves had brief discussions regarding Cisco taking a license to the '069 patent. According to the district court's factual finding—which is supported by the testimony at trial—Cisco informally suggested \$0.90 per unit as a possible royalty for the '069 patent. The district court used this rate as a lower bound on a reasonable royalty. For the upper bound, the district court looked to the \$1.90 per unit rate requested by CSIRO in its public Rate Card license offer. Because the parties' discussions centered on a license rate for the '069 patent, this starting point for the district court's analysis already built in apportionment. Put differently, the parties negotiated over the value of the asserted patent, “and no more.” Ericsson, 773 F.3d at 1226. The district court still may need to adjust the negotiated royalty rates to account for other factors (see *infra* Section II.B), but the district court did not err in valuing the asserted patent with reference to end product licensing negotiations.¹*

The rule Cisco advances—which would require all damages models to begin with the smallest salable patent-practicing unit—is untenable. It conflicts with our prior approvals of a methodology that values the asserted patent based on comparable licenses. See VirnetX, 767 F.3d at 1331; ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc., 694 F.3d 1312, 1333 (Fed. Cir. 2012); Finjan, Inc. v. Secure Computing Corp., 626 F.3d 1197, 1211–12 (Fed. Cir. 2010).

Such a model begins with rates from comparable licenses and then “account[s] for differences in the technologies and economic circumstances of the contracting parties.” Finjan, 626 F.3d at 1211. Where the licenses employed are sufficiently comparable,² this method is typically reliable because the parties are constrained by the market’s actual valuation of the patent. See Georgia-Pacific, 318 F. Supp. at 1120 (declaring the first factor relevant to damages calculations to be “[t]he royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty”). Moreover, we held in Ericsson that otherwise comparable licenses are not inadmissible solely because they express the royalty rate as a percentage of total revenues, rather than in terms of the smallest salable unit. Ericsson, 773 F.3d at 1228. Therefore, adopting Cisco’s position would necessitate exclusion of comparable license valuations that—at least in some cases—may be the most effective method of estimating the asserted patent’s value. Such a holding “would often make it impossible for a patentee to resort to licensebased evidence.” Id.

Accordingly, we conclude that the district court did not violate apportionment principles in employing a damages model that took account of the parties’ informal negotiations with respect to the end product.

B. Standardization

Cisco also contends that the district court legally erred under Ericsson because it failed to account for any extra value accruing to the ’069 patent from the fact that it is essential to the 802.11 standard. We agree. Ericsson identified unique considerations that apply to apportionment in the context of a standard-essential patent (“SEP”):

When dealing with SEPs, there are two special apportionment issues that arise. First, the patented feature must be apportioned from all of the

unpatented features reflected in the standard. Second, the patentee's royalty must be premised on the value of the patented feature, not any value added by the standard's adoption of the patented technology. These steps are necessary to ensure that the royalty award is based on the incremental value that the patented invention adds to the product, not any value added by the standardization of that technology.

773 F.3d at 1232. Consequently, the idea that "the patent holder should only be compensated for the approximate incremental benefit derived from his invention . . . is particularly true for SEPs." Id. at 1233. Ericsson explains:

When a technology is incorporated into a standard, it is typically chosen from among different options. Once incorporated and widely adopted, that technology is not always used because it is the best or the only option; it is used because its use is necessary to comply with the standard. In other words, widespread adoption of standard essential technology is not entirely indicative of the added usefulness of an innovation over the prior art. This is not meant to imply that SEPs never claim valuable technological contributions. We merely hold that the royalty for SEPs should reflect the approximate value of that technological contribution, not the value of its widespread adoption due to standardization.

Id. "In other words, a royalty award for a SEP must be apportioned to the value of the patented invention (or at least to the approximate value thereof), not the value of the standard as a whole." Id. Therefore, damages awards for SEPs must be premised on methodologies that attempt to capture the asserted patent's value resulting not from the

value added by the standard's widespread adoption, but only from the technology's superiority. Id.

CSIRO argues that Ericsson applies only to SEPs encumbered with an obligation to license on RAND terms. But CSIRO's perspective is wrong for several reasons. First, the above quotes from Ericsson discuss SEPs, not only RAND-encumbered patents. As Ericsson also grapples separately with issues unique to RAND-encumbered patents, it is clear that Ericsson did not conflate the two terms. Indeed, Ericsson refers separately to RANDencumbered patents and SEPs when explaining the need to adjust the Georgia-Pacific factors, but Ericsson explicitly holds that the adjustments to the Georgia-Pacific factors apply equally to RAND-encumbered patents and SEPs. Ericsson, 773 F.3d at 1231 (“Several other GeorgiaPacific factors would at least need to be adjusted for RAND-encumbered patents—indeed, for SEP patents generally.”). Second, a reasonable royalty calculation under § 284 attempts to measure the value of the patented invention. Id. at 1232. This value—the value of the technology—is distinct from any value that artificially accrues to the patent due to the standard's adoption. Id. Without this rule, patentees would receive all of the benefit created by standardization—benefit that would otherwise flow to consumers and businesses practicing the standard. We therefore reaffirm that reasonable royalties for SEPs generally—and not only those subject to a RAND commitment—must not include any value flowing to the patent from the standard's adoption.

The district court—which did not have the benefit of the Ericsson opinion at the time of its decision—erred because it did not account for standardization. In thoroughly analyzing the Georgia-Pacific factors, the district court increased the royalty award because the '069 patent is essential to the 802.11 standard.

This error impacted the district court's analysis on all three factors that it weighed in favor of CSIRO. With respect

to factor 8—“[t]he established profitability of the product made under the patent; its commercial success; and its current popularity,” *Georgia-Pacific*, 318 F. Supp. at 1120—the district court found that “[a]t the time of the hypothetical negotiations, the market for wireless products was growing rapidly, indicating increased commercial success.” *Commonwealth Sci.*, 2014 WL 3805817, at *13. As to factors 9 and 10—which relate to the advantages of the patented invention—the district court concluded that “[a]lternative technologies in the wireless industry, such as PBCC, MBCK, and PPM, failed to achieve commercial success.” *Id.* However, the district court never considered the standard’s role in causing commercial success. Ericsson calls out factors 8, 9, and 10 as all being irrelevant or misleading in cases involving SEPs. *Ericsson*, 773 F.3d at 1231. We therefore conclude that the district court erred in failing to account for standardization when it evaluated the *Georgia-Pacific* factors.³

Additionally, the district court failed to account for the possibility that the \$0.90 and \$1.90 per unit rates that it used as a starting point may themselves be impacted by standardization.⁴ The parties do not dispute that CSIRO actively refused to submit a letter of assurance to the standard-setting body for later iterations of the 802.11 standard, after the ’069 patent was locked into the standard. It seems quite possible, then, that CSIRO’s Rate Card rates attempt to capture at least some value resulting from the standard’s adoption. CSIRO’s offer was not accepted by a single entity. On remand, the district court should consider whether the initial rates taken from the parties’ discussions should be adjusted for standardization.

In sum, the district court erred in failing to account for value accruing to the ’069 patent from the standard’s adoption. This error manifests in at least two parts of the district court’s analysis: (1) in its discussion of the *Georgia-Pacific* factors, and (2) in its adoption of the parties’

informally offered royalty rates without accounting for the possibility that CSIRO may have been trying to capture the standard's value in its licenses. As these are legal errors under Ericsson, we must vacate the district court's damages award and remand for a new determination of a reasonable royalty.

13.10. Plaintiff has claimed that the defendants have already agreed to pay license fee of ₹45 per DVD player as noted in the order dated 20th September, 2010. Order dated 20th September, 2010 was an interim arrangement between the parties without prejudice to their rights and contentions, hence any amount noted therein cannot be said to be an amount fixed based in the evidence led by the parties. In view of the principles noted above in Commonwealth Scientific and Industrial Research Organization (supra) employing the damages model taking into account parties' informal negotiations with respect to the end product is a generally accepted principle of ascertaining the royalty. Further reasonable royalties for standard essential patents are not only in terms of FRAND but also the incremental benefit derived from the invention. Considering that the plaintiff is seeking royalty at FRAND terms and that too at the PHILIPS ONLY option and no evidence has been led by the defendants to rebut the evidence of the plaintiff despite the onus of Issue No.(vii) being on the defendants, it is held that Manglam and Bhagirathi are required to pay royalty to the plaintiff @USD 3.175 from the date of institution of the suits till 27th May, 2010 and from 28th May, 2010 @USD 1.90 till 12th February, 2015.

13.11. In respect of punitive damages the plaintiff has made out its case in the three categories laid down in Rookes v. Barnard. [1964] 1 All ER 367

and the five principles in Cassell & Co. Ltd. v. Broome upheld by the Hon'ble Supreme Court and the Division Bench of this Court. The Division Bench in the decision reported as 207 (2014) DLT 713 Hindustan Unilever Ltd. vs. Reckitt Benckiser India Limited specifically prohibited the ad-hoc judge centric award of damages. The relevant portion of the report is as under:

"66. Rookes v. Barnard, [1964] 1 All ER 367, is the seminal authority of the House of Lords, on the issue of when punitive or exemplary (or sometimes alluded to as "aggravated") damages can be granted. The House defined three categories of case in which such damages might be awarded. These are:

- a. Oppressive, arbitrary or unconstitutional action any the servants of the government;*
- b. Wrongful conduct by the defendant which has been calculated by him for himself which may well exceed the compensation payable to the claimant; and*
- c. Any case where exemplary damages are authorised by the statute.*

The later decision in Cassell & Co. Ltd. v. Broome, 1972 AC 1027, upheld the categories for which exemplary damages could be awarded, but made important clarificatory observations. Those relevant for the present purpose are reproduced below:

"A judge should first rule whether evidence exists which entitles a jury to find facts bringing a case within the relevant categories, and, if it does not, the question of exemplary damages should be withdrawn from the jury's consideration. Even if it is not withdrawn from the jury, the judge's task is not complete. He should remind the jury: (i) that the burden of proof rests on the plaintiff to

*establish the facts necessary to bring the case within the categories, (ii) That the mere fact that the case falls within the categories does not of itself entitle the jury to award damages purely exemplary in character. They can and should award nothing unless (iii) they are satisfied that the punitive or exemplary element is not sufficiently met within the figure which they have arrived at for the plaintiff's solatium in the sense I have explained and (iv) that, in assessing the total sum which the defendant should pay, the total figure awarded should be in substitution for and not in addition to the smaller figure which would have been treated as adequate solatium, that is to say, should be a round sum larger than the latter and satisfying the jury's idea of what the defendant ought to pay. (v) I would also deprecate, as did Lord Atkin in *Ley v. Hamilton*, 153 L.T 384 the use of the word "fine" in connection with the punitive or exemplary element in damages, where it is appropriate. Damages remain a civil, not a criminal, remedy, even where an exemplary award is appropriate, and juries should not be encouraged to lose sight of the fact that in making such an award they are putting money into a plaintiff's pocket, and not contributing to the rates, or to the revenues of central government."*

(emphasis supplied).

The House of Lords, in its discussion, remarked crucially that there is a considerable subjective element in the award of damages in cases involving defamation and similar actions. Courts, it remarked, used terminology to reflect overlapping, and sometimes undesirable ideas underlining the considerations weighing grant of damages:

*"In my view it is desirable to drop the use of the phrase "vindictive" damages altogether, despite its use by the county court judge in *Williams v. Settle* [1960] 1 W.L.R 1072, Even when a purely punitive element is involved, vindictiveness is not a good motive for awarding*

punishment. In awarding "aggravated" damages the natural indignation of the court at the injury inflicted on the plaintiff is a perfectly legitimate motive in making a generous rather than a more moderate award to provide an adequate solatium. But that is because the injury to the plaintiff is actually greater and, as the result of the conduct exciting the indignation, demands a more generous solatium.

Likewise the use of "retributory" is objectionable because it is ambiguous. It can be used to cover both aggravated damages to compensate the plaintiff and punitive or exemplary damages purely to punish the defendant or hold him up as an example.

As between "punitive" or "exemplary," one should, I would suppose, choose one to the exclusion of the other, since it is never wise to use two quite interchangeable terms to denote the same thing. Speaking for myself, I prefer "exemplary," not because "punitive" is necessarily inaccurate, but "exemplary" better expresses the policy of the law as expressed in the cases. It is intended to teach the defendant and others that "tort does not pay" by demonstrating what consequences the law inflicts rather than simply to make the defendant suffer an extra penalty for what he has done, although that does, of course, precisely describe its effect.

*The expression "at large" should be used in general to cover all cases where awards of damages may include elements for loss of reputation, injured feelings, bad or good conduct by either party, or punishment, and where in consequence no precise limit can be set in extent. It would be convenient if, as the appellants, counsel did at the hearing, it could be extended to include damages for pain and suffering or loss of amenity. Lord Devlin uses the term in this sense in *Rookes v. Barnard* [1964] A.C. 1129, 1221, when he defines the phrase as meaning all*

cases where "the award is not limited to the pecuniary loss that can be specifically proved." But I suspect that he was there guilty of a neologism. If I am wrong, it is a convenient use and should be repeated.

Finally, it is worth pointing out, though I doubt if a change of terminology is desirable or necessary, that there is danger in hypostatizing "compensatory," "punitive," "exemplary" or "aggravated" damages at all. The epithets are all elements or considerations which may, but with the exception of the first need not, be taken into account in assessing a single sum. They are not separate heads to be added mathematically to one another."

xxxx xxxx xxxx xxxx

68. This court is of the opinion that the impugned judgment fell into error in relying on the decision in Times Incorporated v. Lokesh Srivastava, 116 (2005) DLT 569. A Single Judge articulated, in his ex parte judgment in a trademark infringement action, as follows:

"This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trade-marks, copy rights, patents etc. should not only grant compensatory damages but award punitive damages also with a view to discourage and dishearten law breakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them. In Mathias v. Accor Economy Lodeine. Inc. reported in, 347 F.3d 672 (7th Cir. 2003) the factors underlying the grant of punitive damages were discussed and it was observed that one function of punitive damages is to relieve the pressure on an overloaded

system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes. It was further observed that the award of punitive damages serves the additional purpose of limiting the defendant's ability to profit from its fraud by escaping detection and prosecution. If a tortfeasor is caught only half the time he commits torts, then when he is caught he should be punished twice as heavily in order to make up for the times he gets away. This Court feels that this approach is necessitated further for the reason that it is very difficult for a plaintiff to give proof of actual damages suffered by him as the defendants who indulge in such activities never maintain proper accounts of their transaction since they know that the same are objectionable and unlawful. In the present case, the claim of punitive damages is of Rs. 5 lacs only which can be safely awarded. Had it been higher even, the court would not have hesitated in awarding the same. This Court is of the view that the punitive damages should be really punitive and not flee bite and quantum thereof should depend upon the flagrancy of infringement."

With due respect, this Court is unable to subscribe to that reasoning, which flies on the face of the circumstances spelt out in Rookes and later affirmed in Cassel. Both those judgments have received approval by the Supreme Court and are the law of the land. The reasoning of the House of Lords in those decisions is categorical about the circumstances under which punitive damages can be awarded. An added difficulty in holding that every violation of statute can result in punitive damages and proceeding to apply it in cases involving economic or commercial causes, such as intellectual property and not in other such matters, would be that even though statutes might provide penalties, prison sentences and fines (like under the Trademarks Act, the Copyrights Act, Designs Act, etc.) and such provisions invariably cap the amount of fine, sentence or statutory compensation, civil courts can nevertheless proceed unhindered, on the assumption that such

causes involve criminal propensity, and award "punitive" damages despite the plaintiffs inability to prove any general damage. Further, the reasoning that "one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes" is plainly wrong, because where the law provides that a crime is committed, it indicates the punishment. No statute authorizes the punishment of anyone for a libel - or infringement of trademark with a huge monetary fine-which goes not to the public exchequer, but to private coffers. Moreover, penalties and offences wherever prescribed require the prosecution to prove them without reasonable doubt. Therefore, to say that civil alternative to an overloaded criminal justice system is in public interest would be in fact to sanction violation of the law. This can also lead to undesirable results such as casual and unprincipled and eventually disproportionate awards. Consequently, this court declares that the reasoning and formulation of law enabling courts to determine punitive damages, based on the ruling in Lokesh Srivastava and Microsoft Corporation v. Yogesh Papat, MANU/DE/0331/2005 : 2005 (30) PTC 245 (Del) is without authority. Those decisions are accordingly overruled. To award punitive damages, the courts should follow the categorization indicated in Rookes (supra) and further grant such damages only after being satisfied that the damages awarded for the wrongdoing is inadequate in the circumstances, having regard to the three categories in Rookes and also following the five principles in Cassel. The danger of not following this step by step reasoning would be ad hoc judge centric award of damages, without discussion of the extent of harm or injury suffered by the plaintiff, on a mere whim that the defendant's action is so wrong that it has a "criminal" propensity or the case merely falls in one of the three categories mentioned in Rookes (to quote Cassel again - such event "does not of itself entitle the jury to award damages purely exemplary in character")."

13.12. Thus as held Hindustan Unilever Ltd. (supra) for awarding punitive damages the Court should follow the categorization indicated in Rookes (supra) and further grant such damages only after being satisfied that the damages awarded for the wrong doing is as per circumstances having regard to the three categories in Rookes (supra) and also following the five principles in Cassell (supra).

13.13. Considering the conduct of the Rajesh Bansal and that being an ex-employee of the plaintiff knowing fully well with impunity infringed the suit patent Rajesh Bansal is liable to pay punitive damages of ₹5 lakhs.

14. Relief: In view of the discussion aforesaid the two suits are decreed in favour of the plaintiff and against the defendants holding that the said defendants have been infringing the suit patent IN-184753 which is an essential standard patent in respect of DVD video player, however, no injunction can be granted to the plaintiff for the reason the plaintiff's suit patent expired on 12th February, 2015. The plaintiff is also found entitled to a decree for recovery from Rajesh Bansal and K.K. Bansal of royalty payable at FRAND rates, that is, USD 3.175 upto 7th May, 2010 and thereafter USD 1.90 upto 12th February, 2015 from the date of institution of the suits with interest @10% p.a. from the end of the month for which royalty is due till the date of payment per video player manufactured/sold. A decree of punitive damages to the tune of ₹5 lakhs is also passed in favour of plaintiff and against Rajesh Bansal. A commission is issued to inquire into the number of video player manufactured/sold by Rajesh Bansal and K.K. Bansal respectively. Mr. S.M. Chopra, ADJ (Retd.), the learned Local Commissioner who recorded the evidence is appointed as the Local Commissioner to, after hearing parties, allowing them to lead whatever

evidence they want to lead, report on the number of video players manufactured/sold by Rajesh Bansal and K.K. Bansal respectively with infringing patent. The plaintiff shall be entitled to recover the amount so found due and less the amount deposited in this Court with interest accrued thereon, on filing the report with the execution petition. The objection if any, to the report of the Local Commissioner be also filed in execution. The fee of the learned Local Commissioner is fixed at ₹1 lakh to be borne by the plaintiff.

15. A decree of actual cost incurred by the plaintiff including lawyer's fee, the amount spent on court fee and the Local Commissioner's fee is also passed in favour of the plaintiff and against Rajesh Bansal and K.K. Bansal.

16. Suits are disposed of and decree sheet be prepared accordingly.

(MUKTA GUPTA)
JUDGE

JULY 12, 2018
'ga'/'vn'