

(2023) 08 DEL CK 0482

Delhi High Court

Case No: Civil Suit (COMM) No. 575 Of 2023, I.A. No. 15689 Of 2023-15692 Of 2023

Atlas Global Technologies Llc

APPELLANT

Vs

TP Link Technologies Co Ltd &
Ors.

RESPONDENT

Date of Decision: Aug. 28, 2023

Acts Referred:

- Code of Civil Procedure, 1908 - Order 39 Rule 1, Order 39 Rule 2
- Delhi High Court (Original Side) Rules, 2018 - Rule 5(v), 11, 17

Hon'ble Judges: Prathiba M. Singh, J

Bench: Single Bench

Advocate: Pravin Anand, Vaishali Mittal, Siddhant Chamola, Shraddha Chauhan, Pallavi Bhatnagar, Gitanjali Sharma, Sanjeev Kumar Tiwari, Shatadal Ghosh, Sarah Haque

Judgement

Prathiba M. Singh, J

1. This hearing has been done through hybrid mode.

CS(COMM) 575/2023 & I.A. 15691/2023, 15692/2023 & 15693/2023

2. Let the plaint be registered as a suit.

3. Issue summons to the Defendants.

4. Mr. Sanjeev Kumar Tiwari, Id. counsel accepts summons for Defendant No.4.

5. The summons to the Defendants shall indicate that the written statement to the plaintiff shall be positively filed within 30 days from date of receipt of summons. Along with the written statement, the Defendants shall also file an affidavit of admission/denial of the documents of the Plaintiff, without which the written statement shall not be taken on record.

6. Liberty is given to the Plaintiff to file the replication within 15 days of the receipt of the written statement(s). Along with the replication, if any, filed by the Plaintiff, an affidavit of admission/denial of documents of the Defendants, be filed by the Plaintiff, without which the replication shall not be taken on record. If any of the parties wish to seek inspection of any documents, the same shall be sought and given within the timelines.

7. List before the Joint Registrar for marking of exhibits on 20th September, 2023. It is made clear that any party unjustifiably denying documents would be liable to be burdened with costs.

8. List before Court on 1st November, 2024.

I.As. 15690/2023 (u/S 151 for deposit of pro-tem security) & 15689/2023 (u/O XXXIX Rule 1 & 2 CPC)

9. Issue notice.

10. Mr. Tiwari, Id. counsel for Defendant No.4 accepts notice.

11. The present suit has been filed by the Plaintiff- Atlas Global Technologies LLC claiming rights in the following two patents:

i. 419323 titled System and Method for Synchronization of OFDMA transmission.

ii. 427595 titled Apparatus and Methods for TXOP duration Field in PHY Header.

12. The case of the Plaintiff is that it has acquired rights in the above patents which are Standard Essential Patents (hereinafter "SEPs"). The Defendants in the suit are TP-Link Technologies Co. Ltd. and Group Companies. Defendant Nos. 1 to 3 are Chinese entities, whereas Defendant No.4 is TP-Link India Pvt. Ltd. These Companies are engaged in the manufacture and sale of various modems and other Wi-Fi equipment.

13. According to Mr. Anand, Id. Counsel for the Plaintiff, the SEPs owned by them relate to Wi-Fi 6 standard and the portfolio itself consists of more than 279 patents which have been granted / pending in 17 jurisdictions.

14. According to the Id. Counsel for the Plaintiff, it has licensed its portfolio to at least four companies, namely, xxxxxxxx.

15. The matter was first listed before the Court on 21st August, 2023. The Court was informed that there has been correspondence between the parties for licensing of patents and the parties have been engaged in litigation in various foreign jurisdictions. On the said date, the Court had directed the Plaintiff to produce the correspondence by way of a sealed cover. In addition, the Court had further directed the Registry to issue intimation of filing of the present suit and the next date of hearing to the Defendants in order to enable them to present their side at the time of consideration of the prayer for ad-interim relief. The relevant portion of the said

order reads as under:

"12. According to Id. Counsel for the Plaintiff, the Defendants are one of the largest sellers of modems and other Wi-Fi products which implement the Plaintiff's technologies. It is submitted that the Plaintiff and the Defendants are engaged in litigation in the USA and Germany. Id. Counsel for the Plaintiff submits that there has been correspondence between the parties. However, the said correspondence is not on record as the Plaintiff wishes to produce them in a sealed cover.

13. Accordingly, Id. Counsel for the Plaintiff is permitted to produce the correspondence between the parties by way of a sealed cover and file the same with the Registry. The Registry shall send the sealed cover to the Court on the next date of hearing.

14. List on 28th August, 2023.

15. In the meantime, the Registry is directed to issue intimation of the filing of this suit and next date of hearing, to the Defendants on the email addresses which are mentioned in the memo of parties.

16. Some of the correspondence which has been filed in a sealed cover in compliance of the above order has been placed on record. Mr. Anand, Id. Counsel submits that the parties have been in correspondence with each other since June, 2021 and he has taken the Court through some of the emails which have been exchanged as also the offers and counter offers that have been made between the parties.

17. On the other hand, Mr. Tiwari, Id. Counsel has entered appearance for Defendant No. 4 i.e., T-P Link India Pvt. Ltd. It is his submission that the suit papers have not been received by him and only the order passed by the Court on the last date of hearing which was sent by the Registry is available.

18. On a specific question as to whether he has instructions to appear for the other Defendants as well, Mr. Tiwari, Id. Counsel submits that he does not have any instructions to appear for the other Defendants.

19. A perusal of the plaint would show that the case of the Plaintiff is that it is a company based in USA and is a subsidiary of Acacia Research Corporation which was founded in the year 1993 by Mr. Bruce Stewart. The said founder of Acacia Research Corporation had ties with California Institute of Technology and was a serial inventor and entrepreneur. As per the plaint, Acacia Research Corporation is a company which is engaged in patent licensing and claims to have signed more than 1200 licensing agreements with many of world's largest companies.

20. Insofar as the Plaintiff is concerned, it avers that it was founded in 2020 and owns and licenses SEPs which are essential to the Wi-Fi 6 standard which are

developed by M/s Newracom, Inc., a fabless semiconductor manufacturer of Wi-Fi chips. The said Newracom, which is a California based corporation, is among the top companies which has made contributions to the Wi-Fi Standard, as per the Plaintiff. Industry reports are relied upon to argue that M/s Newracom, Inc. is the 7th most active technical contributor to Wi-Fi 6 standard in the world.

21. As per the plaint, the Defendants are engaged in manufacturing and selling of computer networking products, Wi-Fi routers, cable modems, mobile phones, range extenders, routers, switches, IP cameras, power banks, USB hubs, smart home devices. Defendant No.1 is a Chinese company and Defendant Nos.2 & 3 are Hong Kong based associate companies. Defendant No.4 is an Indian entity, whereas Defendant No.5 is a US based company. All entities form part of the TP-Link group.

22. Defendant No.4 is manufacturing and selling Wi-Fi devices in India and as per Mr. Tiwari, Id. Counsel, it has a plant in the State of Gujarat with more than 4000 employees. As per Id. Counsel, TP-Link's products were earlier imported, however, lately almost 50% of the products are manufactured in India. The said products include power banks, USBs etc. The products of the Defendants are sold under the TP-Link brand and are available for sale on the Defendants' own website www.tp-link.com/in as also on e-commerce platforms such as Amazon and Flipkart.

23. According to the Id. Counsel for the Plaintiff, there are various devices of the Defendants which are available on the website of the Defendant which infringe the suit patents including the following:

- a. Wi-Fi Router: Archer AXE75
- b. Wi-Fi Router: Archer AXI0
- c. Whole home solution: Deco X50-4G
- d. Range Extender: RE505X AX1500
- e. Access Point: EAP660HD"

24. The technical specification of the above devices/ their chipsets is claimed by the Defendants to conform to the Wi-Fi 6 standard. It is the case of the Plaintiff that by virtue of the essentiality of the Plaintiff's patents to the Wi-Fi 6 standard, the above devices which are compliant to the said standards, infringe the suit patents. The Wi-Fi 6 standard, i.e., IEEE 802.11ax, is claimed to have been first published by the Institute of Electrical and Electronics Engineers (IEEE) in 2016, and the final version was approved as 802.11ax-2021 on 9th February 2021 which offers various enhancements over the existing Wi-Fi Standards. According to the Plaintiff, claims of the suit patents map onto Wi-Fi 6 standards and the term of these patents is till 28th September, 2035 and 28th September, 2036.

25. Having considered the fact that the Plaintiff already has several licensees across the world and these being claimed to be SEPs, the Plaintiff has agreed to a FRAND

commitment. A perusal of the correspondence produced by the Plaintiff in sealed cover, would show that the Plaintiff has already sent letters since June 2021 and entered into negotiations with the Defendants. However, till date, no license agreement has been arrived at. Litigation has also ensued between the parties, which reveals that enforcement of patent rights is being sought by the Plaintiff.

26. Admittedly, the Defendants are selling their products conforming to Wi-Fi 6 specifications in India under the brand 'TP-Link'. There have been offers and counter offers between the parties and the same has been perused by the Court. In terms of email xxxxxxx, sent by the Defendants to the Plaintiff, the counter offer of the Defendants is xxxx to settle the entire litigation. Litigation has ensued between the parties both in the US as also in Germany.

27. Defendant No.4 has entered appearance in the matter, however, other Defendants, which are group companies and sister concerns of the Defendant No.4 have chosen not to appear. The suit was first listed before the Court on 21st August, 2023, on which date applications filed by the Plaintiff seeking deposit of pro-tem security was also listed before the Court. On the said date, the Court issued notice to the Defendants and adjourned the matter. Today, Mr. Tewari appears only for Defendant No.4 and seeks adjournment of the hearing. Emails have been placed on record to show that advance copies of the suit papers have been served on the Defendants on various emails, by counsel for the Plaintiff. However, neither on 21st nor today there is appearance on behalf of the other Defendants.

28. From the correspondence between the parties, it is clear to the Court that the parties have been in negotiations for almost two years since June, 2021.

29. The Plaintiff in the present has filed an application seeking deposit of pro-tem security directly to the Plaintiff on the ground that the Defendants have been engaged in negotiations for such a long period, making counter offers seeking license to the Plaintiff's offers, while at the same time using the Wi-Fi 6 technology without paying any royalty. The Defendants are one of the market leaders in Wi-fi 6 compliant equipment.

30. Rule 5(v) of the High Court of Delhi Rules Governing Patents Suits, 2022 provides that the Court can pass directions for monetary payments in exceptional situations on such terms and conditions as the Court deems fit. The legal position in respect of SEPs has been clarified by two recent decisions of Id. Division Bench of this Court.

31. Id. Division Bench in the case of Intex Technologies India v Telefonaktiebolagetlm Ericsson 2023:DHC:2243-DB, has laid down the following legal propositions which are relevant at this stage in the present matter:

i. Counter offer given by the implementor needs to be backed by appropriate security as the implementor cannot continue to sell its devices without making any payment (paragraph 72)

ii. FRAND obligations impose burden not only on SEP holders but also on the implementers in order to balance equity between the parties and ensure a levelled playing field. The obligation of securing a FRAND license is also upon the implementer. (paragraph 73).

iii. SEP holder can seek injunctive relief if the implementer is an unwilling licensee (paragraph 91).

iv. "Indirect method" is a sure shot and better method of proving SEP infringement and essentiality (paragraph 98).

v. Courts have power to pass deposit orders even on the first date of hearing if the facts so warrant (paragraph 116).

32. The relevant portion of the said judgment reads as under:

"72. Further, the implementer has to either accept the licensor's offer or give a counter offer along with an appropriate security in accordance there with to prove its bona fides as in the interregnum it cannot freely sell its devices using such Standard Essential Patents. If no ad hoc royalty is paid during the interregnum, such party benefits, to the disadvantage of other willing licensees, and gets a non fair competitive edge in the market.

73. Accordingly, FRAND obligations have been interpreted to impose a burden not just on Standard Essential Patent holders, but on implementers as well. The Standard Essential Patents regime incorporates mutual reciprocal obligations on both the Essential Patent holder and the implementer. It is not a 'one way street' where obligations are cast on the Essential Patent holder alone. Consequently, the Standard Essential Patents regime balances the equities between the Patentee and the implementer and ensures a level playing field. This Court is also of the view that the conduct of the parties during negotiations is one of the key factors to be kept in mind while assessing whether a potential licensor and licensee were a willing licensor or a willing licensee. The said finding is normally fact sensitive.

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91. Keeping in view the aforesaid as well as the fact that there is no prohibition in Indian law against a Standard Essential Patentee from seeking an injunction, this Court is of the view that Standard Essential Patent owners who file law suits can pray for interim and final injunctive relief if an infringer is deemed by a Court to be an "unwilling licensee," often as indicated by the use of "stalling" and other opportunistic bargaining and litigation tactics.

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98. This Court is of the opinion that Delhi High Court Patent Rules and International jurisprudence are unanimous in holding that the "indirect"

method is a sure shot and better method of proving Standard Essential Patent infringement and essentiality. XXX

116. It is also pertinent to mention that the learned Single Judge in Nokia Vs. Oppo(supra) judgment does not consider or discuss the Delhi High Court Rules Governing Patent Suits 2022, even when the said rules specifically empower this Court to pass deposit orders even on the first date of hearing."

33. In the later decision in Nokia Technologies OY v. Guangdong Oppo 2023:DHC:4465-DB, the 1st Division Bench of this Court has further clarified the following principles:

- i. Payment of a pro-tem security is the implementer's obligation in the negotiation phase itself. (paragraph 51)
- ii. In deciding an application for interim relief under Order XXXIX Rule 1 and 2 CPC, the Court has to examine various aspects on merits which would take time. In the interregnum, the alleged infringer freely sells without any security. Thus, in order to balance equities, if facts so warrant, the Court can pass a pro-tem order without a detailed exploration of merits. (paragraphs 56 & 58)
- iii. An order directing furnishing of pro-tem security cannot be likened to an injunction which is passed to retain the court's power and ability to grant appropriate relief at the time of disposal of injunction application or at the final stage. (paragraph 59)

34. Relevant portions of the said judgment are set out below:

"51. Having heard learned counsel for the parties, this Court is of the view that as held in Huawei v. ZTE (supra) payment of a pro-tem security is the implementer's obligation in the negotiation phase itself. The relevant portion of the judgment in Huawei v. ZTE (supra) is reproduced hereinbelow..."

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56. Additionally, in order to decide an application for interim relief under Order XXXIX Rules 1 and 2 CPC, the Court has to examine various aspects on merits, which would necessarily take time. In the interregnum, the infringing party would freely sell its devices using such Standard Essential Patents. If no security is offered during the interregnum, such party benefits, to the disadvantage of the Standard Essential Patent holder as well as the other willing licensees and gets an unfair competitive edge in the market.

57. In the present case, nearly two years have lapsed since the institution of the suit and not a 'single farthing' has been paid by Oppo.

58. Consequently, to balance the equities between the parties, this Court has the power, if the facts so warrant, to pass a pro-tem order being a temporary

arrangement without a detailed exploration of merits. This view, according to the Court, promotes a modernized and fair patent system, encourages ingenuity, creativity and intellectual activity as well as provides for a conducive environment for knowledge transfer. Needless to state that the nature of pro-tem security/deposit order as well as interim order will necessarily depend on the factual matrix of each case.

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59. This Court is further of the opinion that a pro-tem security order cannot be likened to an injunction order because unlike an injunction order it does not stop or prevent the manufacturing and sale of the infringing devices. The intent of a pro-tem security order is to either ensure maintenance of status-quo or to retain the Courts' power and ability to pass appropriate relief at the time of disposal of the injunction application under Order XXXIX Rules 1 and 2 or at the final stage. In the facts of the present case, the pro-tem security order does not confer any advantage upon Nokia as it only balances the asymmetric advantage that an implementer has over a Standard Essential Patent holder. This Court in *Intex v. Ericsson (supra)* has held as under..."

35. An SLP being SLP(C) No. 15938/2023 filed before the Supreme Court challenging the above order of the Id. Division Bench in *Nokia (supra)* has been dismissed vide order dated 4th August, 2023.

36. It is in view of the above legal position that the Court needs to examine the matter.

37. The Chinese principal company or its other group companies are not before the Court as of today. They continue to offer and sell products in India which are stated to be Wi-Fi 6 enabled.

38. The prayer of the Plaintiff in the pro-tem application is for payment of monies directly to the Plaintiff in order to secure the rights and interests of the Plaintiff. In addition, interim injunction is sought restraining the Defendants from manufacturing, selling, offering for sale, Wi-fi 6 enabled devices and equipment, without a licence.

39. Considering the offers and the counter offers made and bearing in mind the ratio of the two decisions of the Id. Division Bench, as also the fact that the Defendants have a substantial business and sale in India, in the opinion of this Court, some interim directions need to be passed to secure the interest of the Plaintiff. The following factors persuade the Court, at this stage, to pass an order for interim arrangement:

i) The patents of the Plaintiff have been well within the knowledge of the Defendants;

- iii) The Defendants have engaged in negotiations with the Plaintiff for obtaining a license;
- iv) The Plaintiff's patents are SEPs which have been licensed to various third parties including some market leaders like xxxx;
- v) The Plaintiff has offered its patents for license but the Defendants have launched their products without clearing the way. The negotiations have been going on for almost two years.
- vi) Despite litigation ensuing in two countries, there has been no licence agreement signed between the parties;
- vii) As of August, 2023 a counter offer xxxxx, has been made by
- viii) The Plaintiff has filed on record, claim charts mapping in order to establish its case of essentiality and infringement in respect of the suit patents;
- ix) A substantial portion of the business of the Defendants in India is by importation of devices from China without payment of any royalty to the Plaintiff;
- ix) Even the local manufacturing which is being undertaken by Defendant No. 4 is without payment of any royalty.
- x) Despite advance service and notice issued by the Court, most of the Defendants have chosen not to appear before the Court.
- xi) India is one of the biggest market of the Defendants, as is clear from the documents of negotiation which shows xxxx devices of the Defendants being sold in the US and xxxx devices in the rest of the world.
- (xii) The Defendants continue to sell their products and earn revenues while the Plaintiff is asserting its patents in different jurisdictions without receiving any royalties;

40. The above factors, at this stage, show that the Plaintiff has established a *prima facie* case for putting in place some pro-tem measure.

41. In the above circumstances, the counter offer of the Defendants being to the tune of xxxxxx, which is xxxx of the amount demanded by the Plaintiff, the Court is of the considered opinion that an amount equivalent of one fifth of the said amount of xxxxxxxx, ought to be deposited in Rupees, with the Registrar General, of this Court within a period of eight weeks to secure the interests of the Plaintiff. The said amount shall be maintained in a Fixed Deposit on auto-renewal mode.

42. If there is failure to deposit the said amount within the stipulated time, the Defendants shall stand restrained from selling, manufacturing, exporting, and importing any Wi-Fi 6 compliant products in India, without obtaining a licence from the Plaintiff.

43. In the opinion of the Court, if the above relief is not granted to the Defendants at this stage, irreparable harm would be caused to the Plaintiff. Moreover, balance of convenience lies in favour of the Plaintiff. Further, the Court is of the firm opinion that no prejudice will be caused to the Defendant if deposit in Court is directed, in as much as the Defendants can subject to the said deposit, continue to manufacture and sell their devices in India. The said deposit shall be however subject to further orders of this Court. Moreover, the deposit directed by the Court above shall be without prejudice to the rights of the parties to negotiate a license in respect of the suit patents and other patents in the portfolio of the Plaintiff.

44. It is clarified that the arrangement is being made by the Court in the unique facts and circumstances of the present case.

45. Insofar as service is concerned, Id. Counsel for the Plaintiff has placed on record several emails written to the Defendants to show that electronic copies of the suit papers have been supplied. However, Mr. Tiwari, Id. Counsel submits that he does not have the entire set of papers. Considering this submission, let a fresh set of suit papers be supplied to the Defendant no.4's counsel today itself.

46. At this stage, Mr. Tiwari, Id. Counsel makes a request for the sealed cover documents to be supplied to him. Rule 11 of the DHC Rules Governing Patent Suit, 2022 provides that the Court can at any stage, constitute a Confidentiality Club as per the Delhi High Court (Original Side) Rules, 2018. In view of the said submission, a confidentiality club is constituted consisting of following members:

S. No.	Plaintiff's Lawyers	Defendants' Lawyers
1	Mr. Pravin Anand, Adv.	Mr. Sanjeev Kumar Tiwari, Adv.
2	Mr. Vaishali Mittal, Adv.	Mr. Shatadal Ghosh, Adv.
3	Mr. Siddhant Chamola, Adv.	Ms. Sarah Haque, Adv.

47. This confidentiality club is being constituted with the consent of both the parties and the names of the members have been suggested by the Id. Counsel for the respective parties.

48. It is made clear that the said members shall be bound by the applicable obligations prescribed in Annexure F Chapter VII Rule 17 of the Original Side Rules. The same read as under:

"Procedure to be followed in dealing with confidential documents/information Upon hearing of an application, the Court may allow constitution of a Confidentiality Club

in the following manner:-

- a) All documents/ information considered as confidential ("Confidential Documents/ Information") by the Court shall be permitted to be filed in a sealed cover to be kept in the safe custody of Registrar General.
- b) Each party shall nominate not more than three Advocates, who are not and have not been in-house lawyers of either party, and not more than two external experts, who shall constitute the Confidentiality Club. Members of the Confidentiality Club alone shall be entitled to inspect the Confidential Documents/ Information.
- c) Members of the Confidentiality Club shall be allowed to inspect the Confidential Documents/ Information before the Registrar General, without making copies thereof. After the inspection, the Confidential Documents/ Information shall be resealed and kept in the custody of the Registrar General.
- d) Members of the Confidentiality Club shall not make copies of or disclose, or publish the contents of, the Confidential Documents/ Information to anyone else in any manner or by any means, or in any other legal proceedings and shall be bound by the orders of the Court in this behalf.
- e) During recordal of evidence with respect to the Confidential Documents/ Information, only members of the Confidentiality Club shall be allowed to remain present.

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- j) During proceedings of the Court, when the Confidential Documents/ Information are being looked at or their contents discussed, only members of the Confidentiality Club shall be permitted to be present.
- g) The Court may in its discretion and in an appropriate case, permit copies of the Confidential Documents to be given to the opposite party after redacting confidential information therefrom, if such redaction be possible and not otherwise.
- h) Any evidence by way of affidavit or witness statement containing confidential information derived from the Confidential Documents/ Information shall be kept in a sealed cover with the Registrar General and would be accessible only to the members of the Confidentiality Club. However, a party filing such evidence by way of affidavit shall, if so directed by the Court, give to the opposite party, a copy of such affidavit after redacting therefrom the confidential information, if such redaction is possible and not otherwise.
- i) The Confidential Documents/ Information shall not be available for inspection after disposal of the matter, except to the Party producing the same.
- j) In cases where the Confidentiality Club is constituted or documents are directed to be kept confidential, the Court may consider extending the time for filing of

pleadings. However, the same shall be within the overall limits prescribed by the applicable provisions."

49. All the members of the club undertake to keep the information that they gather, fully confidential and not to reveal the same to anyone without the permission of this Court. If any person outside the club is to be communicated the information in sealed cover, an appropriate application shall be moved before the Court.

50. The copies of the sealed cover shall be supplied by the Plaintiff to the members of the Confidentiality club. The said documents shall not be used for any other purpose except for the present litigation. The mode of sharing of the aforementioned documents/information, shall be agreed upon among the members of the club within three days. Once the modalities are agreed, the information shall be shared within three working days.

51. List before the Joint Registrar on 20th September, 2023.

52. List on 1st November, 2023.

53. Order dasti.

54. The order shall not be open to inspection by any third party except the counsel for the parties. A redacted copy of the order, without mentioning the financial and commercial terms, be uploaded.

55. Let the sealed cover be re-sealed, and sent to the Registry. The same shall be sent back to the Court on the next date of hearing.