



India: Delhi High Court: Defendants Can Continue Sales Of Patent Infringing Product On Deposit Of Security

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Recently, the Delhi High Court (Court), in the matter of *Communication Components Antenna Inc* (Plaintiff) v *Ace Technologies Corp. And Ors* (Defendants), directed the Defendants to deposit a bank guarantee of approximately INR 550 million failing which the Defendants will be restrained from manufacturing, selling, offering for sale any models of antenna which infringe the Plaintiff's patent.

The Plaintiff is in the business of manufacturing and selling antennas for the telecommunication industry. The Plaintiff is also the patentee of Indian Patent no 240893 (Suit Patent) entitled "Asymmetrical Beams for Spectrum Efficiency". The Suit Patent has also been filed in other foreign jurisdictions, and the Suit Patent though not a standard essential patent, has been licensed to various entities.

In early 2017, the Plaintiff found out that two models of antenna of the Defendants were infringing the Suit Patent. The Plaintiff immediately addressed a notice to the Defendants calling upon the Defendants to obtain a license from the Plaintiff. Apart from a mere acknowledgment to the Plaintiff's notice, the Defendants did not respond to the Plaintiff's notice despite the Plaintiff sending follow-up letters/notices. Eventually, the Plaintiff filed the present suit seeking permanent injunction against the Defendants from infringing the Suit Patent. In order to establish infringement, the Plaintiff produced an expert report and also compared beam pattern disclosed in the Suit Patent with the beam pattern of the Defendants' antenna which the Plaintiff obtained from a third-party cellular operator.

The Court, after taking into consideration the conduct of the Defendants and also the aspect of limited market of the technology, passed an ex-parte ad-interim order injuncting the Defendants from selling any infringing antennas. However, import of the antennas was allowed subject to filing accounts of such imports with the Court.

Post the order, the Defendants entered appearance and submitted that one of the infringing models of the antenna is not sold nor imported by the Defendants any more. However, for the other antenna, the Defendants had various orders for supply of the same. In response to the claim for infringement, the Defendants simply denied infringement and also did not produce their beam patterns. Instead, the Defendants challenged the beam pattern of the Plaintiff's antenna by submitting a technical opinion. The Defendants also brought to the notice of the Court that the Plaintiff had concealed information regarding two earlier matters filed by the predecessor of the Plaintiff - TenXC Wireless Inc, in which the court had expressed a prima facie opinion that there is a credible challenge to the validity of the Suit Patent. Additionally, the Defendants in their written statement also raised several grounds for invalidating the Suit Patent.

The Court held that the Defendants neither responded to the Plaintiff's letter nor did the Defendants disclose the beam patterns of their antenna, and thereby withheld vital information. Moreover, the Defendants simply denied infringing the Plaintiff's patent. The Court held that the Suit Patent was clearly being infringed on the basis of the claims, complete specification, and the beam patterns read with the expert reports, placed on record by both the parties. Also, the Court held that the Defendants have not made out a case to invalidate the Suit Patent.

Basis the above, the Court observed that the Defendants must be put to terms, and directed the Defendants to deposit approximately INR 550 million (10% of sales before and during pendency of suit) in Court within one month from the order, to

continue sales during pendency of the suit, else the Defendants will be restrained from manufacturing, selling or offering for sale any model of the antenna infringing the Suit Patent.

Comment

In the present case, although a prima facie case of infringement has been established, the Defendants will be able to continue sales of the infringing antennas by securing a deposit with the Court. While the Court directed the Defendants to secure the deposit, no preliminary/interim royalty rates to be paid to the Plaintiff have been decided. Accordingly, it remains to be seen whether the deposit which is 10% of the sales would be sufficient to safeguard the Plaintiff's interest, as of today or in the future.

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