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

Reserved on: 17th October, 2019
Pronounced on: 31st October, 2019

+ **CS(COMM) 1222/2018**

COMMUNICATION COMPONENTS

ANTENNA INC. Plaintiff

Through: Mr. Gaurav Pachnanda, Senior Advocate with Mr.Sidhant Goel, Mr.Mohit Goel, Ms.Avni Sharma, Mr.Aditya Goel & Mr.Deepankar Mishra, Advocates.

versus

ACE TECHNOLOGIES CORP. AND ORS. Defendants

Through: Mr.Sandeep Sethi, Senior Advocate with Mr.Dev Robinson, Mr.Shantanu Tyagi, Ms. Apoorva Murali & Ms.Surabhi, Advocates.

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CORAM:

HON'BLE MR. JUSTICE PRATEEK JALAN

J U D G M E N T

I.A. Nos. 10684/2019 & 13480/2019 in CS(COMM) 1222/2018

1. I.A. 10684/2019 is the application of the plaintiff for clarification of a judgment of this Court dated 12.07.2019, and I.A. 13480/2019 is an application, also by the plaintiff, for modification of an order dated 30.08.2019. Both applications turn on the interpretation of certain orders passed by this Court, as well as the Division Bench

and the Supreme Court in proceedings arising out of this suit. Counsel for the parties therefore consent to the applications being heard together and being decided by a common order, but subject to the reservation of the defendants noted in paragraph 18 below.

2. The suit is in respect of infringement of a patent [Indian Patent No. 240893] of the plaintiff, as well as damages and other reliefs. On 02.11.2018, the Court passed an *ex parte* injunction in the following terms:-

“15. Accordingly, the Defendants are directed till the next date of hearing not to offer for sell any Antennae, the models of which are mentioned hereinabove to any cellular operators in India. However, if the Defendants have placed orders for imports, the same are allowed to be imported subject to the accounts relating to the same being filed in this Court.

16. The Defendants are directed to file before the next date, a short reply to the injunction application as also a chart containing the number of Antennae of the above two models supplied in India and the value thereof.”

3. The plaintiff’s application under Order XXXIX Rules 1 and 2 of the Code of Civil Procedure, 1908 [hereinafter referred to as “the CPC”], and subsequent applications were disposed of by a detailed judgment dated 12.07.2019. The practice adopted by the parties during the pendency of the application has been noted in paragraph 11 of the said judgment: -

“11. During the course of completion of pleadings and hearing in the injunction application, various exports have been made of the impugned antennae by the Defendants to India, which were permitted by the Court,

under specific applications, subject to conditions that may be fixed by the Court in the application for interim injunction. Whenever an export is to be made to India, the Defendants have moved an application and placed on record in a sealed cover the invoice, purchase order and other relevant documents. Accordingly, till date there has been no interdiction of the supplies by the Defendants to India, though the ad interim order continues to operate.”

4. The conclusions of the Court and reliefs granted, after returning a *prima facie* finding of infringement in paragraph 66 of the said judgment, are as follows:-

“78. Defendant No.1 in the present case is a south Korean company, which is exporting to its customers in India. During the pendency of the suit, it has been permitted to supply the antennae to its customers, subject to such terms as may be fixed by the court in the present application. It has been submitted during arguments that it has no assets in India and its financial condition would be affected severely if exports are not permitted. Defendant No.1 has no moveable or immovable assets in India. The relationship between the Defendants is that Defendant No. 2 is an affiliate of Defendant No.1 in Hong Kong, and Defendant Nos. 3 and 4 are the subsidiaries of Defendant No.1 in India. However, insofar as supply of the antennae is concerned, it is submitted by Ld. Counsel for the Defendants that the other three Defendants have no role to play.

79. The Plaintiff has placed on record, in a sealed cover, the licence agreement signed with the licensee, in respect of the suit patent who was one of the Defendants in the earlier suits. The said license agreement is between Communication Components Antenna Inc., which is the Plaintiff in the present case, and CommScope Technologies, LLC. It relates to US"582 and the family of patents, including IN"893. The said license agreement

contemplates an initial lumpsum payment and percentage of net sales as the royalty. The Court has perused the license agreement. Owing to the confidentiality clauses between the said party and the Plaintiff, the said royalty terms are not being reproduced in the judgment.

80. The Defendants have placed on record, the purchase orders for the various models of its antennae. Owing to the fact that the Defendant No.1 which is the manufacturer and seller claims to not have any assets in India, and in view of the discussion above, where the Defendants are clearly infringing the Plaintiff's patent, the Defendants are liable to deposit some amounts in the Court in order to continue the sales of these antennae in India. The total value of the exports made till date, as per the disclosures made by the Defendants, is as follows:

<i>S.No.</i>	<i>Antenna</i>	<i>Quantity</i>	<i>Amount</i>	<i>Date</i>
<i>1.</i>	<i>XXDW-18-33iiVT-DB8P</i>	<i>67,627 units</i>	<i>\$64,405,583</i>	<i>Between October, 2016 and October, 2018</i>
<i>2.</i>	<i>XXDW-18-33iiVT-DB8P-V2</i>	<i>10,000 units</i>	<i>\$8,380,000</i>	<i>18th December, 2018</i>
<i>3.</i>	<i>XXDW-18-33iiVT-DB8P-V2</i>	<i>5,000 units</i>	<i>\$3,930,000</i>	<i>22nd February, 2019</i>
<i>4.</i>	<i>XXDGL-15-33iiVT-DB-4P</i>	<i>15,000 units</i>	<i>\$9,525,000</i>	<i>2nd May, 2019</i>
	<i>Total</i>	<i>97,627 units</i>	<i>\$86,240,583</i>	

81. Insofar as the sales made prior to date of suit to the tune of \$64,405,583, which, at the current rate of exchange (1USD = approx. Rs.68) comes to Rs.437,95,79,644/- the Defendants are directed to give a Bank Guarantee for a sum of Rs.40 crores, which is approximately ten percent of the above amount.

82. Insofar as the sales made during the pendency of the suit are concerned, the total sales are to the tune of \$21,835,000, which come to Rs.148,47,80,000/-, ten percent of which is approximately Rs.14.5 crores. The Defendants are directed to deposit the Bank Guarantee and the said sum with the Registrar General of this Court, within one month from date of judgment. If the Defendants do not comply with the above directions within one month, the Defendants shall stand restrained from manufacturing, selling, offering for sale any models of antennae which infringe suit patent number IN 240893.”

5. This judgment was carried in appeal by the defendants [FAO(OS) (COMM) 186/2019]. The Division Bench, by an order dated 08.08.2019, passed the following directions in the appeal, which remains pending: -

“12. At the same time, we are conscious of the fact that the interest of the respondent/plaintiff in respect of the suit patent needs to be protected during the pendency of the suit, more so when the impugned order notes that the appellant no.1/defendant no.1 and the appellant no.2/defendant no.2 are companies based in South Korea and Hong Kong respectively and admittedly, they do not possess any moveable or immovable assets in India, for securing the interests of the respondent/plaintiff.

13. We have enquired from Mr. Sethi, learned Senior Advocate as to how do the appellants/defendants propose to secure the interest of the respondent/plaintiff in the event the latter ultimately succeeds in the pending suit.

He submits on instructions that the appellant No.1 is willing to offer a Corporate Guarantee in favour of the Registrar General of this Court for a sum of Rs.40 crores and Rs.14.5 crores figures, that find mention in paras 81 and 82 of the impugned order. Besides the above, Directors of each of the remaining three appellants/companies shall file their affidavits, undertaking inter alia that in the event the respondent/plaintiff ultimately succeeds in the suit, their companies shall comply with the judgment and decree. The Corporate Guarantee offered by the appellant No.1 and the affidavits directed to be filed by the Directors of the remaining three appellants/companies shall be filed within two weeks, with advance copies to the other side.

14. The appellants/defendants shall continue maintaining accounts of the sales in respect of the products mentioned in paras 5 and 10 of the impugned order. The statement of accounts shall be filed in the suit proceedings in a sealed cover, on a monthly basis. In the event, the respondent/plaintiff succeeds in the suit, the said data shall facilitate quantification of the damages that may be awarded against the appellants/defendants. The appellants/defendants shall also continue approaching the Court in the suit proceedings for permission to supply antennae to its customers, as was being done earlier.”

6. The order of the Division Bench was, however, reversed by the Supreme Court in a Special Leave Petition filed by the plaintiff [SLP(C) No. 21938/2019]. The Supreme Court passed the following order dated 20.09.2019:-

“Having heard learned counsel for the parties, we are of the view that there was absolutely no necessity for the Division Bench, by way of an interim order, to interfere with the well-reasoned Single Judge’s Order dated 12.07.2019, by which, in the interim, Bank Guarantee of Rs.40 crores and deposit of Rs.14.05 crores was ordered.

This is especially so, as the respondent-company, being a Korean Company, is not ordinarily subject to our jurisdiction.

In this view of the matter, the Division Bench Order is set aside. The Bank Guarantee in question and the deposit to be made within a period of four weeks from today.

The special leave petition stands disposed of.

Pending application stands disposed of.”

7. In the meanwhile, during the subsistence of the order of the Division Bench, defendant No.1 filed I.A 11928/2019 for leave to place on record purchase orders placed upon it for supply of antennae under two specified model numbers. Noting the judgment dated 12.07.2019 and the Division Bench order dated 08.08.2019, the application was disposed of by an order dated 30.08.2019, with the following directions: -

“5. Insofar as sales during the pendency of the suits are concerned, the effect of the orders of the Single Judge and the Division Bench is that the defendant no.1 is permitted to make the sale, subject to furnishing a corporate guarantee for 10% of the sale consideration, in favour of the Registrar General of this Court. The undertaking given by the directors of the company, pursuant to paragraph 13 of the Division Bench order, covers compliance with the judgment and decree passed in the suit. As such, no further undertaking is required for each transaction. Needless to say, the defendants’ obligation to maintain and file accounts in these proceedings, pursuant to paragraph 14 of the Division Bench order, shall bind the parties.

6. Learned counsel for the plaintiffs states that his clients are considering whether they wish to challenge the

Division Bench order dated 08.08.2019. At his request, it is recorded that the present order is passed without prejudice to his right to do so. The rights and contentions of the parties in the suit are also expressly reserved.

7. The application is, therefore, disposed of, permitting the defendant no.1 to make the supply, pursuant to the purchase orders which have been”

8. The clarification sought by the plaintiff is to the effect that the judgment dated 12.07.2019 requires the defendants to deposit 10% of the sale consideration in respect of all sales of the antennae in question during the pendency of the suit. The defendants dispute this position and submit that the amount required to be secured by it has been quantified in paragraphs 81 and 82 of the said judgment, extracted above. Therefore, according to the defendants, and upon compliance with those conditions, it is free to make further sales without any condition.

9. Consequent upon the said submission, the plaintiff has, in its application for modification of the order dated 30.08.2019, sought a direction upon the defendants to replace the corporate guarantee furnished by them with a deposit of the equivalent amount. While issuing notice on that application on 27.09.2019, an undertaking was recorded on behalf of defendant No. 1 that the corporate guarantee will be replaced by a deposit if the plaintiff succeeds in the application, without prejudice to the right of the defendants to avail appellate remedies.

10. The consequence of the order of the Supreme Court is that the judgment of the learned Single Judge dated 12.07.2019 continues to

bind the parties, subject to the result of the pending appeal. The question which, however, has to be decided concerns the proper interpretation of that judgment.

11. In support of the plaintiff's interpretation of the judgment dated 12.07.2019, Mr. Gaurav Pachnanda, learned Senior Counsel, argued that there is no basis for making a distinction between sales effected by the defendants prior to disposal of the injunction application, and those made thereafter. He drew my attention specifically to the *prima facie* finding in the said judgment that the defendants had infringed the suit patent and to the fact that the Court quantified the value of the bank guarantee/deposit required after examining the terms of a license agreement between the plaintiff and one CommScope Technology LLC.

12. Mr. Sandeep Sethi, learned Senior Counsel for the defendants, on the other hand, submitted that paragraphs 81 and 82 of the said judgment imposed conditions of furnishing a bank guarantee and a deposit with the Registrar General. Each of these requirements has been quantified. Paragraph 82, according to him, makes it clear that the injunction sought by the plaintiff would operate only in the event the defendants fail to comply with those conditions. He argued that the proper construction of the judgment is, therefore, that there is no injunction against future sales by the defendants, and no condition has also been imposed thereupon. Mr. Sethi made a distinction between a condition being imposed for the purpose of granting security to the plaintiff, and an order which puts the defendants to terms in respect of future sales. According to him, the judgment dated 12.07.2019 was in

the nature of the plaintiff being secured by the bank guarantee and deposit in the sums quantified, whereas the order of the Division Bench dated 08.08.2019 was tantamount to imposing conditions upon the defendants for future sales. He pointed out that paragraph 14 of the Division Bench order placed a continuing obligation upon the defendants to maintain accounts and to approach the Court for permission to supply antennae to its customers, as was being done earlier. That order having been set aside by the Supreme Court, Mr. Sethi submitted that the defendants were relieved of this continuing obligation, which is absent from the judgment dated 12.07.2019.

13. Having heard learned counsel for the parties, I am of the view that the judgment dated 12.07.2019 (which, as noticed above, now binds the parties) cannot be read in the manner urged by Mr. Sethi. The Court was considering an application for an injunction against the defendants from manufacturing or dealing in the antennae which allegedly infringe the suit patent. The injunction sought by the plaintiff would, if granted, operate during the pendency of the suit. The arrangements ordered by the Court in lieu of an injunction must be read in that context.

14. In paragraph 11 of the said judgment, it is noticed that during the pendency of the suit, the sale of the disputed products by the defendants were permitted by virtue of orders passed on an application made by the defendants, and subject to the conditions to be imposed at the time of disposal of the injunction application. In paragraph 66 of the said judgment, the Court has returned a finding (clarified in paragraph 77 to be *prima facie*) of infringement of the suit patents. In

paragraph 77 of the judgment, the Court has distinguished the judgment dated 04.11.2011 in *Ten XC Wireless Inc & Anr vs. Mobi Antenna Technologies (Shenzhen) Co. Ltd.*, (2012) 187 DLT 632, in respect of the suit patent, whereby interim injunction was declined. In paragraphs 77(e) and (f) specifically, the Court has noted the factors which render the defendants liable to be put to terms. A meaningful reading of paragraphs 80 to 82 of the judgment is that the defendants was required to furnish a bank guarantee in respect of pre-suit sales, and a deposit in respect of all sales made after the institution of the suit. The amount of the bank guarantee was quantified at approximately 10% of the value of the pre-suit sales. The value of the deposit was calculated at 10% of the sales made during the pendency of the suit till the date of the judgment.

15. In the face of these findings, it is not possible to read the judgment dated 12.07.2019 in the restrictive manner articulated by Mr.Sethi. There is no meaningful distinction at all between sales made during the pendency of the suit but prior to disposal of the injunction application, and sales made thereafter. In the injunction application, the quantification of the amounts of bank guarantee and deposit is based upon the sale consideration derived by the defendants. The ultimate expression of the amount as a lumpsum does not imply that future sales are permissible without any enhancement in the amount of deposit. Mr. Sethi's construction of the judgment would lead to a situation where the deposit furnished by the defendants can potentially be reduced to a much smaller proportion of the sales made during the pendency of the suit than 10%, as directed.

16. Mr. Sethi's contrasting interpretations of the judgment dated 12.07.2019 with the Division Bench order dated 08.08.2019, also does not bear scrutiny. The gravamen of the Division Bench order was to permit a corporate guarantee to be submitted instead of the bank guarantee and the deposit. The Division Bench did not, in paragraph 14 of the order, depart from the directions given by the learned Single Judge, but amplified them.

17. The orders of the Single Judge, the Division Bench, and the Supreme Court consistently emphasise the necessity of conditions being imposed upon the defendants, in view of the fact, as observed by the Supreme Court, that it is "not ordinarily subject to our jurisdiction". That concern would not be well served if the condition imposed upon the defendants is constant in money terms while it continues to earn revenue from sales of the product in respect of which a *prima facie* finding of infringement has been returned.

18. Mr. Sethi also submitted, in the course of arguments, that the plaintiff's application for clarification, in fact, seeks review of the judgment dated 12.07.2019, and ought therefore to be placed before the same learned Judge who delivered the said judgment. In view of my conclusion that the clarification sought by the plaintiff is, in fact, implicit in the judgment, I do not accept Mr. Sethi's contention that this amounts to review of the judgment, and therefore do not consider it necessary to post the matter before the same learned Judge.

19. Consequently, it is clarified that the condition imposed in paragraph 82 of the judgment dated 12.07.2019, with regard to sales made of the antennae in question during the pendency of the suit, i.e. a

deposit of 10% of the sales consideration, operates in respect of sales made after 12.07.2019 as well. The defendants are directed to submit a monthly statement of accounts on affidavit alongwith the deposit required in respect of the sales made in that month, if any. The affidavit will be filed, and the deposit made by the 15th of each month (commencing 15.11.2019) in respect of sales made in the preceding month. The first such affidavit will disclose the sales made after 12.07.2019 and orders passed by this Court with regard thereto. All amounts deposited with the Registrar General, pursuant to the judgment dated 12.07.2019 and this order, will be kept in an interest bearing fixed deposit, and renewed periodically, subject to further orders.

20. In view of the aforesaid, the corporate guarantee furnished pursuant to the order dated 30.08.2019 must also be replaced by a deposit in the like amount. The defendants are directed to do so within four weeks from the date of this judgment.

21. I.A 10684/2019 & I.A. 13480/2019 are disposed of.

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PRATEEK JALAN, J.

OCTOBER 31, 2019