

FAO No.2757 of 2009 1      IN THE HIGH COURT OF PUNJAB AND HARYANA  
AT CHANDIGARH.

F.A.O No.2757 of 2009

Date of Decision: 13th.08.2009

S. Ram Kumar

....Appellant

Versus

Micromax Informatics Limited

...Respondent

CORAM : Hon'ble Ms. Justice Nirmaljit Kaur

Present:- Mr. Ashok Aggarwal, Sr. Advocate

with Ms. Shwetashree Majumdar, Advocate

and Mr. Aashish Chopra, Advocate

for the appellant.

Mr. Puneet Bali, Advocate

and Mr. Amit Prashar, Advocate

for the respondent.

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1. Whether Reporters of Local Newspapers may be allowed to see the judgment ?
2. To be referred to the Reporters or not ?
3. Whether the judgment should be reported in the Digest ?

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NIRMALJIT KAUR, J.

This is an appeal against the order dated 05-05-2009 passed by District Judge, Gurgaon, vide which, an application under Order 39 Rules 1 and 2 read with Section 151 CPC filed by the respondent-plaintiff was allowed.

Brief facts, in short, are that as per the appellant-defendant, they conceived of a technology, whereby, Subscriber Identity Module (here-in-after referred to as 'SIM') could work at the same time in a mobile FAO No.2757 of 2009 2 phone. Prior to 2000, there was no Dual SIM technology. The Dual SIM technology began with -

1. Cell phones where :

You could insert two SIM cards but only one would work at a time.

2. Then came cell phones where :

Both SIM cards would be active, but

You could call or receive a call only on one SIM card at any given point of time.

(A call on the other SIM would at best go into call waiting).

As per the appellant-defendant, their invention is the next stage in Dual SIM card technology and is as under :-

Both SIM cards are active.

Simultaneous calling is possible (in the form of conferencing) and

More than one person can participate in the call

(the technology allows for unlimited participants

physically speaking these participants can join in through multiple ear phones connected to the

same device.

The appellant-defendant, thereafter, filed for a patent for these technologies along with other mobile phone related innovative technologies in the year 2002. The appellant-defendant was assigned Patent No.214388 dated 04-03-2002 as effective from the date of application in respect of technologies including plurality of SIM cards as well as plurality of blue tooth devices which work simultaneously. On account of the appellant-defendant being a registered owner of the aforesaid patent, he, by virtue of the provisions of Section 48 of the Indian Patents Act, 1970 has the legal and statutory right to prevent third parties, who do not have his consent, from making, using, offering for sale, selling or importing for those purposes, that product in India, for which he is a registered owner. In order to give effect to the patentee's right to prevent the infringing import of a patented product or a product made through patented process, the Government of India, Ministry of Finance, Department of Revenue, in exercise of FAO No.2757 of 2009 3 the powers conferred by sub-section (1) of Section 156 read with clauses (n) and (u) of sub-section (2) of Section 11 of the Customs Act, 1962 has made Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The appellant-defendant, who is a patent holder, had sent a representation dated 18-07-2008 to the Chief Commissioner of Customs, Chennai and on December 8 2008 to the Chairperson of the Central Board of Excise and Customs to take effective steps to seize dual SIM card mobile phones which infringe his patent rights. On account of the said communication, the Customs Authorities confiscated the consignment of Samsung and Spice in Delhi, Mumbai and Chennai. At the same time, a notice dated 27-02-2009 was issued by the Office of Commissioner of Customs, suspending the goods imported by the respondent-plaintiff. Subsequently, it was released as the appellant could not furnish the stipulated bank guarantee within the specific time. This was sufficient to alarm the respondent-plaintiff who in fear that the goods may not be confiscated again

and may not become a regular feature, filed a suit for declaration of non infringement of patent and for groundless threats under Sections 105 and 106 of the Patents Act, 1970 along with an application under Order 39 Rules 1 and 2 read with Section 151 CPC. The said application was accepted under Order 39 Rules 1 and 2 and the interim orders dated 05-05-2009, restraining the appellant-defendant or their agents from adopting any measure to prevent or hinder the import, sale and use of the dual SIM card phones models was passed. They were further restrained from threatening the plaintiff by circulars, advertisements or by communications etc. Dissatisfied with the order dated 05-05-2009 passed by District Judge, Gurgaon, accepting the application under Order 39 Rules 1 and 2, the present appeal has been filed. When the case came up for hearing on 10-07-2009, the matter was adjourned on the joint request of learned counsel for the parties in order to find out the status of the petition under Article 226 of the Constitution of India, filed by the appellant-defendant before the Madras High Court, seeking a writ of certiorari for quashing of order passed by the Intellectual Property Appellate Board, granting stay of the operation of the Registered FAO No.2757 of 2009 4 Patent No.214388 vide their order dated 13-07-2009. On the next date of hearing, it was brought to the notice of this Court that the Writ Petition has been disposed of vide consent order with the following observations :- " XXX XXX XXX

3. In our view, those are all submissions, which would be gone into when the revocation application as well as the application for interim suspension should be considered by the Appellate Board after hearing both the parties. In view of the fair stand taken by Mr. Thiagarajan, on instructions, we set aside the order dated 13-07-2009 passed by the Intellectual Property Appellate Board. The writ petition is accordingly allowed. There will not be any order as to costs. Consequently, the connected miscellaneous petition is closed.

4. The Appellate Board has directed the proceedings to be placed before it sometimes in September 2009. The respondent No.1 will make an application to the Appellate Board to pre-pone the hearing and we record the consent of Mr. Raman on behalf of the petitioner that the petitioner will have no objection whatsoever to pre-pone the proceedings. He also assures that the petitioner will remain in Court on the subsequent dates and no such occasion will arise hereafter. We request the Appellate Board that the proceedings, when taken up on whichever is the pre-poned date, should be heard and decided preferably within three weeks thereafter."

In view of the above, it would have been proper to adjourn the matter and await the outcome but Mr. Ashok Aggarwal, learned Sr. Counsel insisted that the same be disposed of on merits.

The matter has been heard at length and, therefore, learned counsel for the parties agree that instead of just the application for stay, the entire appeal be finally decided on merits.

Mr. Ashok Aggarwal, Senior Advocate, while impugning the order, raised his first argument that the District Judge has ignored that the patent is granted after an extensive and detailed process of examination and enquiry to ensure that the technology sought to be patented is not anticipated i.e. It is not FAO No.2757 of 2009 5 already disclosed by any prior patent technology and has rightly proceeded to hold in relation to the patent of the appellant that collection of more than one integers or things does not involve the exercise of any inventive faculty. It was further submitted that the patent is granted after a thorough process, provided in Chapters III, IV and V of the Patents Act, 1970, involving a long drawn procedure of filing application with complete specifications which have to be published under Section 11-A and examined under Section 12 and, thereafter, a search of previous publications under Section 13, India and Abroad and, only thereafter, a consideration of the said report by the Controller with inviting of objections and opposition under Section 25 that

the patent is finally granted under Chapter VIII. It was further asserted that the District Judge has, therefore, ignored all the provisions of the Intellectual Property Rights has erred in making a observation to the invalidity of the appellant/defendant's patent ad further undermined the detailed technical process observed in the grant of a patent and made a blanket and sweeping generalization to the effect that the appellant- defendant is attempting to monopolize mobile phone technology. Learned counsel for the appellant refer to Section 64 of the Patents Act, 1970 to submit that it is only a suit filed by the owner of a patent that a counter claim can be prayed for revocation and the Court, therefore, cannot say that the invention is bad in the present proceedings under Sections 105 and 106 of the Patents Act, 1970.

In response to the first argument, learned counsel for the respondent-plaintiff brought to the notice the provisions of Section 105(3) of the Patents Act, 1970, which reads as follows :-

"105. Power of Court to make declaration as to non- infringement

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(3) The validity of a claim of the specification of a patent shall not be called in question in a suit for a declaration brought by virtue of this section, and accordingly the making or refusal of such a declaration in the case of a patent shall not be deemed to imply that the patent is valid or invalid."

FAO No.2757 of 2009 6 A perusal of the same shows that the validity while granting a refusal and injunction under this Act, any observation made with respect to the patent and specifications of a patent, the same will not "imply" that the patent is valid or invalid. Thus, the appellant-defendant should have no grievance against any such observations made by the District Judge while accepting the application under Order 39 Rules 1 and 2. It is also not understood as to how any such application under Section 106 can be granted or refused without actually discussing the patent, at least to the extent of its specifications or to know whether the article being used by the plaintiff amounts to the infringement of the respondent or not. For this, Section 106 of the Patents Act 1970 is reproduced below :-

"106. Power of court to grant relief in cases of

groundless threats of infringement proceedings.-(1) Where any person (whether entitled to or interested in a patent or an application for patent or not) threatens any other person by circulars or advertisements or by

communications, oral or in writing addressed to that or any other person, with proceedings for infringement of a patent, any person aggrieved thereby may bring a suit against him praying for the following reliefs, that is to say- (a) a declaration to the effect that the threats are unjustifiable;

and (b) an injunction against the continuance of the threats;

(c) such damages, if any, as he has sustained thereby.

(2) Unless in such suit the defendant proves that the acts in respect of which the proceedings were

threatened constitute or, if done, would constitute, an infringement of a patent or of rights arising from the publication of a complete specification in respect of a claim of the specification not shown by the plaintiff to be invalid the court may grant to the plaintiff all or any of the

reliefs prayed for."

A reading of Section 106 of the Patents Act, 1970 shows that a defendant is rather called upon to prove that his act would not amount to an infringement in respect of a claim of the specifications not shown by the plaintiff FAO No.2757 of 2009 7 to be invalid. Thus, the impugned order has to be examined in the light of the provisions of Sections 105 and 106 of the Patents Act 1970 and as such, no fault can be found with the impugned order for having discussed the patent in order to discuss whether the same amounts to infringement or not for the reasons that the protection is already provided under Section 105 of the Patents Act, 1970, as discussed above.

Learned counsel for the appellant has raised his second argument that there was no cause of action as envisaged under Section 106 of the Patents Act, 1970, in as much as, the respondent-plaintiff was not a "person aggrieved" as no threat had been issued to them. Learned counsel for the appellant further stated that the appellant herein, had merely exercised their right under Section 48 of the Patents Act, 1970 on account of its being owner of registered patent and used his statutory right granted to him under the Act and it was, in this context, a representation dated 18-07-2008 had been sent to the Chief Commissioner of Customs, Chennai to take effective steps to seize dual SIM card mobile phones which infringe his patent rights. He had merely availed the statutory protection provided to him under Section 11 of the Customs Act, 1962 by registering its intellectual property rights and it was only in pursuance to this that the custom authorities had seized the goods of various third parties that infringed his patent. It was further asserted that the notices issued to the Chairperson of the Central Board of Excise and Customs and the Chief Commissioner of Customs, Chennai are the declaration of the rights of the patentee which are clearly excluded from the purview of threat under the said section by the explanation clause of the same section. Even replying to a communication letter addressed to the appellant-defendant from the respondent-plaintiff does not amount to a threat under the purview of the Section. One therefore, needs to examine whether there was any threat perception in the present case or not and whether any cause of action had accrued to the plaintiff?

Learned counsel for the appellant has not denied the fact that it was in pursuance to the representation dated 18-07-2008 to the Chief FAO No.2757 of 2009 8 Commissioner of Customs, Chennai that the Custom Authorities started confiscating dual SIM card mobile phones and a notice dated 27-02-2009 was also issued by the Office of Commissioner of Customs, suspending the goods imported by the respondent-plaintiff. They were released subsequently on account of the failure of the appellant to furnish bank guarantee within a specific time. The cause of action accrued to the respondent-plaintiff not only account of the notice by the Customs Department with respect to the suspension of shipment dated 27-02-2009 but also on account of the reply by the appellant to the notice of acknowledgment. One would have believed the submission that replying to a communication addressed to the appellant from the respondent-plaintiff does not amount to a threat under the purview of the Section but for the language and the tone of the reply sent by the appellant along with the acknowledgment which reads as under and is self speaking :- " to refrain from importing any mobiles phones having plurality of sim sockets (including those specified in your notice) without his consent, failing which you qualify yourself as an infringer of our Client's Registered Patent technology. Such import cannot be considered as a lawful business activity carried on by you. Our client states that if you still insist to proceed further with your unlawful acts, our Client has no other option but to initiate appropriate legal action against you for infringement at your cost and you will be solely liable for all consequence arising therefrom, as well as the fact that the defendant-appellant, who is a patent holder, had sent a representation dated 18-07-2008 to the Chief Commissioner of Customs, Chennai and on 08-12-2008 to the Chairperson of the Central Board of Excise and Customs to take effective steps to seize dual SIM

card mobile phones which infringe his patent rights which shows that the appellant had already initiated steps under the provisions of Section 11 of the Customs Act, 1962 for confiscation/seizure of the goods being imported by the plaintiff/respondent and similarly situated persons. In pursuant to which, the Customs Authorities actually confiscated the consignment of Samsung and Spice in Delhi, Mumbai and Chennai. As far as the consignment of the plaintiff/respondent is concerned, a notice dated FAO No.2757 of 2009 9 27-02-2009 was issued by the office of Commissioner of Customs (Imports and General) New Custom House, New Delhi, in relation to the suspension of the goods being imported by the plaintiff/respondent."

The threat is further borne out from the grounds taken in the present appeal, wherein, it is specifically mentioned that the specifications of the products imported by the respondent appear to infringe the defendant/appellant's patent, irrespective of the number of earphone/headphone jacks present and the mere absence of multiple earphone/headphone jacks cannot take the plaintiff/respondent's products outside the scope of the defendant/appellant's patent. At no stage of the entire proceedings, has the appellant-defendant stated that it does not want seizure or confiscation of the goods of the respondent/plaintiff. In the absence of such a statement, it is not understood as to how the appellant can state that there is no cause of action for the respondent to institute the suit or that there is no threat perception. The respondent-plaintiff has suffered for suspension of their goods and have a threat of a repeated action which, if allowed to re-occur, may subsequently result in a seizure of the goods as resulting in a huge loss. Thus, there was enough cause of action for the respondents to feel threatened under the purview of Section 106 of the Patents Act, 1970.

Taking up the third argument raised by learned counsel for the appellant that the suit was not maintainable under Sections 105 and 106 as the requirements of the Sections were not satisfied as a notice containing the "full particulars in writing" of the respondent's product was never furnished and that mere physical model numbers cannot fulfill the requirement of Section 105(1)(a). It was further asserted by learned counsel for the appellant that even the specifications of the products sought to be imported by the respondent as enumerated in the plaint were omissions and that even if the plaint was relied upon for a description of the products of the respondent-plaintiff, they clearly appear to infringe the appellant/defendant's patent, irrespective of the number of earphone/headphone jacks present and the mere absence of multiple earphone/headphone jacks cannot take the respondent/plaintiff's products FAO No.2757 of 2009 10 outside the scope of the appellant/defendant's patent. Further, the finding that the respondent's product is not infringing because it has one earphone and the patent is for multiple earphones is flawed as the number of earphones is a feature of the instrument. The patent is for the technology used in the instrument. Physical features alone cannot result in a patentable invention. In response, learned counsel for the respondents, submitted that the invention of the appellant is not a new product of process and patent can only be granted to a new invention. An inventive step means a feature of invention that involves technical advancement. A new invention also, as defined under Section 2(1)(I) means any invention or technology which has not been anticipated by publication in any document, or is used in India or elsewhere in the world with complete specifications. Chapter II contained in Patents Act, 1970 is on the subject of inventions not patentable. Section 3 further defines what are not inventions. Section 3(f) reads as under :-

"Section 3(f) :- the mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way;"

It was further submitted by learned counsel for the respondent that what the appellant has done is in fact add two innocuous features to a mobile phone and now wants to stop all importers and manufacturers of dual sim card

mobile phones to import, sale, manufacture, use such a product. In any case, it was submitted that the phone of the respondent does not have this feature of simultaneously two or more separate physical voice/audio paths and the other main difference in the patented product and the phones which are being imported by the respondent is that the respondent's phone does not have the plurality of Bluetooth device, which the patented product of the appellant do have and neither the respondent is or will be importing the phones having the same feature.

Thus, for adjudication, it would be necessary to understand the distinguished features or similarity between the product of the appellant and that of the respondent, the same would be evident from the following :-  
FAO No.2757 of 2009 11 Sr.No. Appellant's phone Respondents' phone  
1 There are two SIM cards There are two SIM cards  
2 There are two SIM sockets There are two SIM sockets  
3 Plurality of earphone/ Has only one earphone/ headphone jacks  
headphone jack

4 Plurality of blue tooth Has only one blue tooth device device

5 Both SIM cards active Both SIM cards active  
6 Simultaneously, calling is Does not have the feature of possible and more than simultaneously two or more one person can participate physical voice/audio paths in the form of independent of each other, conferencing. meaning thereby only one physical voice/audio path is

available on phone.

Thus, the mere presence of some of the features of mobile phone, such as provision of dual SIM card, dual SIM socket alone would not be sufficient to decide that they are infringing the patent rights. 'From the arguments so addressed by learned counsel for the parties and from a perusal of the plaint, the product imported by the respondent does not have more than one head phone/ear phone jack and the jacks do not accept more than one head phone/ear phone plugs and/ or blue tooth devices. Therefore, the product of the respondent is not the exact specification of the product patented by the appellant. In any case, it is necessary for the grant or refusal of the relief under Section 106 of the Patents Act 1970 to record a finding as to whether the product of the respondent is different from the product patented by the appellant or not. Thus taking into account the fact that the respondent does not have feature of simultaneously two or more physical voice/audio paths and the absence of plurality of blue tooth device, which is present in the product of the appellant, it seems that the imported mobile phone of the respondent does not appears to be prima facie the same. Learned counsel for the appellant raised his last and final argument to state that the District Judge has erred in assuming jurisdiction in a matter, where, there is a serious legal challenge to the jurisdiction of the District Court. It was stated that the appellant was in Germany and not in India and the suit could, therefore, not be instituted at the appellant's place of residence. It was further stated that an application under Order VII Rule 11 CPC was moved but FAO No.2757 of 2009 12 the same was not decided before deciding application under Order 39 Rules 1 and 2. Learned counsel for the respondents, however, brought to the notice of this Court the plea of jurisdiction mentioned in para 17 of the plaint and the reply of the appellant to the same. The respondent raised the plea of jurisdiction in para 17 of the plaint, which is reproduced as under :- "JURISDICTION

17. The cause of action has arisen within the

jurisdiction of this Court under section 20 of the Code of Civil Procedure 1098, as the cause of action has arisen within the jurisdiction of this Court. The plaintiff's business within the jurisdiction of this Court is likely to be adversely affected due to the dynamic effect of the threat of wrongful seizure of plaintiff's product."

In reply to para 17 of the plaint, the appellant-defendant submitted in para 14 of his written statement that "the jurisdiction of the Court is not in dispute."

In view of the above stand of learned counsel for the appellant, in their written statement before the District Court and in the absence of any amendment of the written statement, no fault can be found with the impugned order having been passed by ignoring the application under Order VII Rule 11 read with Section 151 C.P.C. for the purpose of deciding the interim application under Order 39 Rules 1 and 2. More so, when a direction to the effect to decide the application under Order 39 Rules 1 and 2 expeditiously was passed in a Revision Petition bearing No.2079 of 2009 filed by the appellants themselves. Even otherwise, taking into account the fact that the Appellate Board is already seized of the matter and there being time bound direction by the Delhi High Court to decide within three months, the balance of convenience is in favour of the plaintiff-respondents and great loss will accrue to the respondents, if the injunction granted by the Court below is revoked at this stage. In view of the discussion above, the appeal against the order dated 05-05-2009 passed by District Judge, Gurgaon, in an application under Order 39 Rules 1 and 2 read with Section 151 CPC is, accordingly, dismissed. It is, FAO No.2757 of 2009 13 however, made clear that the observations made in this order, shall have no bearing on the merits of the case.

(NIRMALJIT KAUR)

13th.08.2009 JUDGE gurpreet