

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

% *Judgment Pronounced on: April 16, 2014*

+ **I.A. No.16042/2010 in CS(OS) No.1610/2010**

SERGI TRANSFORMER EXPLOSION PREVENTION
TECHNOLOGIES PVT LTD Plaintiff
Through Mr.Achuthan Sreekumar, Adv.

versus

KUMAR PRATAP ANIL & ORS Defendants
Through Mr.Amit Sibal, Adv. with
Mr.R. Lamba, Adv. for D-2.
Ms.Neharika Nainta Maini, Adv.
for D-1.

**CORAM:
HON'BLE MR.JUSTICE MANMOHAN SINGH**

MANMOHAN SINGH, J.

1. By this order, I propose to decide one of the pending applications being I.A. No.16042/2010 filed by defendant No.2 under Order VII Rules 10 & 11 read with Section 151 CPC seeking relief for rejection/dismissal of suit.
2. Brief facts are that the plaintiff has filed the present suit against defendants No.1 & 2 seeking permanent injunction restraining infringement of registered Indian Patent No.189089 and for damages, rendition of accounts, delivery etc.

2.1 Defendant No.1 Mr.Kumar Pratap Anil is the Managing Director of defendant No.2. Defendant No.2, CTR Manufacturing Industries Limited is located at Nagar Road, Pune-411014, (Maharashtra) and also located at 506, International Trade Centre, Nehru Place, New Delhi-110019.

2.2 It is alleged in the plaint that the plaintiff is the exclusive licensee of defendant No.3 in respect of its Indian patent No.189089 in respect of “Method and Device for Preventing/Protecting Electrical Transformer against Explosion and Fire” (hereinafter referred to as “the suit patent”) by virtue of a license agreement dated 1st August, 2006. Hence, all rights, in the suit patent vests solely with the plaintiff. The plaintiff has taken steps to register the said licence deed with the Indian Patent Office, Kolkata on 15th March, 2010.

2.3 The defendant No.3, Mr.Phillipe Magnier is a proforma defendant in the light of Section 109(2) of the Indian Patents Act, 1970 (hereinafter referred to as “the Act”) as he is the patentee of the suit patent for which the defendant No.3 has been awarded several patents worldwide including Indian Hitherto, protection of explosions in transformers were only in the fire extinction mode.

2.4 There was an earlier tender No.NDPL/ENGG/ENQ/254/08-09 issued by NDPL. Due to some internal reasons, NDPL withdrew the said tender sometime in April, 2009. Thereafter, the said tender was refloated in May, 2010 under No.NDPL/ENGG/ENQ/525/10-11. The cause of action arose on 29th June, 2010 when it came to the plaintiff’s knowledge that defendant No.2 has submitted its technical bid for the NDPL tender and that the defendants have offered to supply their infringing/impugned products to NDPL. The present suit was filed on 6th August, 2010. The defendants are

engaged in the business of manufacture and marketing of Engineering and Electronic products including transformers. It is averred in the plaint that the defendants No.1 & 2 are habitual infringers and have infringed the suit patent on various occasions.

3. During the pendency of the suit, defendant No.2 has filed the present application alleging that the present suit is not maintainable in law or on facts. It has been contended that the plaintiff is not an exclusive licensee of the suit patent. The plaintiff has no right to sue the defendants under Section 109 of the Act. It is contended that through the alleged exclusive licence agreement of the plaintiff dated 1st August, 2006 the plaintiff is to be treated as exclusive licensee from 1st January, 2006 as per the said agreement. The plaintiff is not an exclusive licensee for the reasons that another company namely Sergi Holding alongwith the original owner of the suit patent (defendant No.3 herein as proforma party) had instituted an infringement suit in Kolkata against the defendant No.2 in February 2006 claiming that Sergi Holding is the exclusive licensee of the suit patent who has the sole authority to use the said patent and even as per the statement of the owner who stated in Kolkata suit that Sergi Holding is the exclusive licensee of the suit patent. In the said suit the interim application filed by the Sergi Holding and original owner (defendant No.3 herein) the High Court of Calcutta refused to grant interim injunction against the defendant No.2 and to keep the record of the sales figures. The said suit has now been admittedly withdrawn.

4. It is stated in the application that the plaintiff's alleged exclusive licence is not valid legal document and it has been made fraudulently. It also suffers from various legal defects and cannot be relied upon in evidence. It

is a back dated document and has been created for the purpose of filing the suit in order to harass the defendant No.2 and to obtain the interim order with a view to block the tender process. The plaintiff's alleged exclusive licence agreement was never brought to the knowledge of Patent Office for registration or public record before 15th March, 2010. When the registration of any licence in relation to a patent is compulsorily required to be registered under the Act. The alleged exclusive licence agreement neither has been even attested before any legal or competent authority nor has it been brought before any legal forum as well as has not been stamped at all in any part of India. The same cannot be relied upon for the purpose of granting an exclusive licence in favour of the plaintiff. The plaint filed on the said document hence does not disclose sufficient cause of action for the present infringement suit. The plaintiff has filed the suit against the alleged infringement of its alleged suit patent for the cause of the NDPL tender. But the plaintiff in its alleged cause of action has failed to disclose as to how the products of defendant No.2 being offered to NDPL were or are infringing the plaintiff's suit patent. It is also contended by the defendant No.2 that the plaintiff at all times was aware of the standard technical specification of products required by NDPL and was further aware that such required standard products were not infringing the suit patent. Therefore, the failure of the plaintiff to disclose as to what element of defendant No.2's product, being offered to NDPL, was infringing the suit patent amounts to non-disclosure of cause of action in an infringement suit, therefore, the suit is liable to be rejected/dismissed for non-disclosure of cause of action.

4.1 With regard to the allegation that it is back-dated, not properly stamped or registered with the patent office, the plaintiff stated that the

plaintiff took steps to register the same with the Patent Office. The registration is not mandatory as long as the license agreement is in the form of writing and conveys the intention of the parties to execute the agreement. Even otherwise, the owner of patent in question is party to the present suit who is impleaded as defendant No.3, therefore, the suit filed by the plaintiff cannot be rejected/dismissed as alleged in the application.

4.2 With regard to the contention of the defendant No.2 regarding cause of action, it is stated by the plaintiff that a perusal of the technical specification documents of the NDPL Tender would show that the products that the defendants would supply by infringing the claims of the suit patent of the plaintiff. The cause of action for the present suit hence arose when the defendants placed their bid for the NDPL Tender. In order to comply with the technical requirements of the Tender, the defendants would have to infringe the suit patent of the plaintiff and in this regard a table detailing a comparison of the claims of the suit patent with the technical specifications of the NDPL Tender has been given by the plaintiff which is available at page No.152 of Part II A of the case file.

4.3 It has been denied that SERGI Holding has in the past made attempts to obtain restraint orders against defendant No.2 from selling or manufacturing its products. It has also been denied that the present suit is an attempt to scuttle and thwart the business activities of the defendants or that the plaintiff has failed to obtain desired reliefs against the defendants in every possible court. It has been stated that it is incorrect on part of the defendants to make such pre-mature statements as various matters where both the plaintiff and the defendant No.2 are involved as parties are sub-judice. It has been stated that there are various legal proceedings in which

the plaintiff and the defendants are parties and that the defendants have been making contradictory statements in the said proceedings.

5. In the reply to the said application, the plaintiff has denied the averments made by the defendant No.2. It has been stated that the plaintiff is the exclusive licensee of the suit patent. As regards to the defendant No.2's contention that the exclusive licence agreement was not registered at the time of filing of the present suit, it is stated that steps were taken to register the same with the Indian Patent Office, Kolkata on 15th March 2010 i.e. before the filing of the present suit. And that the non-registration of the license deed does not render it void particularly in view of the plaintiff having written to the Controller of Patents under Section 69 of the Act to have the same registered. There is no bar under the provision of Section 109 and 69 of the Act to bring the suit against infringement. It is also argued that under the Patent Act, 1970 as amended by the Patent (Amendment) Act, 2005 (hereinafter referred to as "the New Act"), there is no time stipulation for filing the application for transaction of document i.e. exclusive licence in the patent office.

It is stated by the plaintiff that the previous licence agreement between the owner of the suit patent, SERGI ceased to exist by virtue of the new exclusive licence agreement dated 1st August, 2006 between defendant No.3 and the plaintiff coming into force and SERGI does not claim to be the exclusive licensee of the suit patent from 1st August, 2006. Consequently, the statement made by defendant No.3 in the proceedings before the Calcutta High Court that SERGI France was the exclusive licensee as regards the suit patent was accurate at that time. However, the situation has now changed and the defendant No.3 has entered into a new exclusive license agreement

on 1st August, 2006 to be valid w.e.f. January, 2006 with the plaintiff. It supersedes earlier agreement with SERGI and hence it entitled the plaintiff to institute the present suit under Section 109 of the Act. The said Kolkata suit has been withdrawn.

6. Let me now discuss the rival submission of the parties.

7. In case, the plaint and documents filed along with the plaint as well as the statement made in the present application are read together, it appears to the Court that the main objection of defendant No.2 is that the present patent infringement suit is barred by various provisions of the Act as the same has not been filed by the holder of an exclusive licence as defined under the Act and the exclusive licence was not registered with the patent office at the time of filing of the suit. Therefore, the said alleged exclusive licence agreement shall have no effect in law and even otherwise, the same is not valid on various reasons, namely, the plaintiff has deliberately backdated the rights to the exclusive licence from 1st January, 2006, although the exclusive licence agreement provides that the same is dated 1st August, 2006; it is also not duly stamped under the Stamp Act. No stamp duty has been paid in India. As the said exclusive licence agreement has not been registered, the same cannot be relied upon for the purpose of granting an exclusive licence in favour of the plaintiff and there is no valid cause of action to file the suit against defendants. The plaintiff was also not serious to get the said exclusive licence agreement registered being defective, as the plaintiff has filed the application before the Controller of Patent only on 15th March, 2010. The expression “exclusive licence” has been defined under Section 2(f) of the Act which means “*A licence from a patentee which confers on the licensee, or on the licensee and persons authorised by him, to the exclusion*

of all other persons (including the patentee), any right in respect of the patented invention, and exclusive licensee shall be construed accordingly.”

The plaintiff, under these circumstances, cannot derive the benefit of Section 109 of the Act to file the suit for infringement of patent against defendants No.1 & 2.

8. In order to show malafide on the part of the plaintiff, defendant No.2 has also pointed out to the Court that the exclusive licence issued by the patentee is contrary to what has been claimed, as defendant No.3 who is the owner of the suit patent earlier filed a suit being CS(OS) No.27/2006 before the High Court of Calcutta. The patentee Mr.Phillipe Magnier, defendant No.3 herein was plaintiff No.1 in Kolkata suit which was filed somewhere in February, 2006 wherein he categorically stated in the plaint that another company M/s Sergi Holding being the exclusive licensee of the suit patent i.e. patent No.189089 has the sole authority to use the method according to the said invention. In various other pleadings, defendant No.3 herein and the plaintiff No.1 in Kolkata suit has made his own statement that the Sergi Holding (plaintiff No.2 in Kolkata Suit) is the exclusive licensee in regard to the suit patent. The contention of defendants No.1 & 2 is that in view of the admission made by the original patentee who is defendant No.2 in the Kolkata suit which was filed in February, 2006, how could the plaintiff in the present suit be treated as an exclusive licensee by virtue of agreement dated 1st August, 2006 as an exclusive licence agreement w.e.f. January, 2006. Thus, there was no cause of action on the part of the plaintiff to file the present suit against the defendants on various abovementioned reasons. The entire suit is misconceived which has been filed on the basis of a fabricated document.

9. It is well settled that the Court, at the stage of considering an application under Order 7 Rule 11 CPC has to examine only the plaint averments, and the list of documents filed along with the suit. Other pleas advanced by parties, including the pleadings in the written statement, have no relevancy in order to decide the present application in hand. The following decisions are necessary to be referred in this regard:

- i) The Supreme Court in *Liverpool & London S.P. & I Assn. Ltd. v. M.V. Sea Success*, (2004) 9 SCC 512, while dealing with the law relating to rejection of plaint under Order VII Rule 11 of the Code of Civil Procedure, 1908, observed as follows:

“Whether a plaint discloses a cause of action or not is essentially a question of fact. But whether it does or does not must be found out from reading the plaint itself. For the said purpose the averments made in the plaint in their entirety must be held to be correct. The test is as to whether if the averments made in the plaint are taken to be correct in their entirety, a decree would be passed.

In ascertaining whether the plaint shows a cause of action, the court is not required to make an elaborate enquiry into doubtful or complicated questions of law or fact.

So long as the claim discloses some cause of action or raises some questions fit to be decided by a judge, the mere fact that the case is weak and not likely to succeed is no ground for striking it out. The purported failure of the pleadings to disclose a cause of action is distinct from the absence of full particulars.”

- ii) In the case of *Saleem Bhai and Ors. vs. State of Maharashtra*, AIR 2003 SC 759, it was held with reference to Order VII Rule 11 of the

Code that the relevant facts which need to be looked into for deciding an application thereunder are the averments in the plaint. The trial Court can exercise the power at any stage of the suit - before registering the plaint or after issuing summons to the defendant at any time before the conclusion of the trial. For the purposes of deciding an application under Clauses (a) and (d) of Order VII Rule 11 of the Code, the averments in the plaint are the germane; the pleas taken by the defendant in the written statement would be wholly irrelevant at that stage.

iii) In the case of *Popat and Kotecha Property vs. State Bank of India Staff Association*, (2005)7 SCC 510, it was held as under:-

“The real object of Order VII Rule 11 of the Code is to keep out of courts irresponsible law suits.”

“Rule 11 of Order VII lays down an independent remedy made available to the defendant to challenge the maintainability of the suit itself, irrespective of his right to contest the same on merits. The law ostensibly does not contemplate at any stage when the objections can be raised, and also does not say in express terms about the filing of a written statement. Instead, the word 'shall' is used clearly implying thereby that it casts a duty on the Court to perform its obligations in rejecting the plaint when the same is hit by any of the infirmities provided in the four clauses of Rule 11, even without intervention of the defendant. In any event, rejection of the plaint under Rule 11 does not preclude the plaintiffs from presenting a fresh plaint in terms of Rule 13.”

10. In order to decide the application in hand, it is necessary to refer the requisite provisions of Patent Act, 1970 which read as under:-

Section 68 under the Act:

“68. Assignments, etc., not to be valid unless in writing and duly executed. -

An assignment of a patent or of a share in a patent, a mortgage, licence or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and obligations and the application for registration of such document is filed in the prescribed manner with the Controller within six months from the commencement of this Act or the execution of the document, whichever is later or within such further period not exceeding six months in the aggregate as the Controller on application made in the prescribed manner allows:

Provided that **the document shall, when registered, have effect from the date of its execution.**”

Section 68 under the New Act:

68. Assignments, etc., not to be valid unless in writing and duly executed.-

An assignment of a patent or of a share in a patent, a mortgage, licence or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and obligations and duly executed

69. Registration of assignments, transmissions, etc.

(1) Where any person becomes entitled by assignment, transmission or operation of law to a patent or to a share in a patent or becomes entitled as a mortgage, licensee or otherwise to any other interest in a patent, he shall apply in writing in the prescribed manner to the Controller for the registration of his title or, as the case may be, of notice of his interest in the register.

(2) Without prejudice to the provisions of sub-section (1), an application for the registration of the title of any person becoming entitled by assignment to a patent or a share in a patent or becoming entitled by virtue of a mortgage, licence or other instrument to any other interest in a patent may be made in the prescribed manner by the assignor, mortgagor, licensor or other party to that instrument, as the case may be.

(3) Where an application is made under this section for the registration of the title of any person the Controller shall, upon proof of title of his satisfaction,-

(a) where that person is entitled to a patent or a share in a patent, register him in the register as proprietor or co-proprietor of the patent, and enter in the register particulars of the instrument or even by which he derives title; or

(b) where that person is entitled to any other interest in the patent, enter in the register notice of his interest, with particulars of the instrument, if any, creating it:

Provided that if there is any dispute between the parties whether the assignment, mortgage, licence, transmission, operation of law or any other such transaction has validly vested in such person a title to the patent or any share or interest therein, the Controller may refuse to take any action under clause (a) or, as the case may be, under clause (b) until the rights of the parties have been determined by a competent court.

(4) There shall be supplied to the Controller in the prescribed manner for being filed in the patent office copies of all agreements, licences and other documents affecting the title to any patent or any licence there under authenticated in the prescribed manner and also such other documents as may be prescribed relevant to the subject-matter:

Provided that in the case of a licence granted under a patent, the Controller shall, if so requested by the patentee or licensee, take steps for securing that the terms of the licence are not disclosed to any person except under the order of a court.

(5) Except for the purposes of an application under sub-section (1) or of an application to rectify the register, a document in respect of which no entry has been made in the register under sub-section (3) shall not be admitted by the Controller or by any court as evidence of the title of any person to a patent or to a share or interest therein unless the Controller or the court, for reasons to be recorded in writing, otherwise directs.

109. Right of exclusive licensee to take proceedings against infringement.-

(1) The holder of an exclusive licence shall have the like right as the patentee to institute a suit in respect of any infringement of the patent committed after the date of the licence, and in awarding damages or an account of profits or granting any other relief in any such suit the court shall take into consideration any loss suffered or likely to be suffered by the exclusive licensee as such or, as the case may be, the profits earned by means of the infringement so far as it constitutes an infringement of the rights of the exclusive licensee as such.

(2) In any suit for infringement of a patent by the holder of an exclusive licence under sub-section (1), the patentee shall, unless he has joined as a plaintiff in the suit, be added as a defendant, but a patentee so added as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.

110. Right of licensee under section 84 to take proceedings against infringement.-

Any person to whom a licence has been granted under section 84 shall be entitled to call upon the patentee to take proceedings to prevent any infringement of the patent, and, if the patentee refuses or neglects to do so within two

months after being so called upon, the licensee may institute proceedings for the infringement in his own name as though he were the patentee, making the patentee a defendant; but a patentee so added as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.

11. It is evident from the reading of abovementioned provisions that under the New Act, as per Sections 68 and 69 of the New Act, any party who becomes entitled by virtue of any assignment of a patent or of a share in a patent, a mortgage, licence or otherwise to any other interest in a patent, would be entitled to apply in writing to the Controller of Patents. Proviso of sub-section (3) of Section 69 of the New Act mandates that if there is any dispute between the parties with respect to the titles mentioned above or any share or interest therein, the Controller may refuse to take any action until the rights of the parties have been determined by a competent court.

12. Sub-section (5) of Section 69 of the New Act provides that the title of the documents in respect of which no entry has been made in the register of record of the Controller, the same shall not be admitted by the Controller or by any court as evidence of the title of any person to a patent or to a share or interest therein unless the Controller or the court, for reasons to be recorded in writing, otherwise directs.

13. It is also necessary that an assignment of a patent or of a share in a patent, a mortgage, licence or the creation of any other interest in a patent is reduced in writing into a document embodying all the terms and conditions governing the rights and obligations between the parties and is duly executed.

14. It is pertinent to mention that under Section 68 of the Act, before amendment, the situation was different. In the proviso of the said Section 68 of the Act, it was mandatory that the document when registered shall have effect from the date of its execution. Before the amendment of the Act, in order to get the benefit from the date of execution of document, it was obligatory for a party to file an application for registration with the Controller within the six months from the date of execution of document. However, under sub-Section 5 of Section 69 of the New Act, the validity of the document as evidence is to be considered by the Court after the said document is registered in the office of the Controller. Time of filing the application is not prescribed. There is no complete bar to file the suit by the exclusive licensee against the infringer even if the license agreement is not registered even as per Sections 69(5) of the New Act in view of the wording inserted in the Section that “unless the controller or the court for the reasons to be recorded in writing otherwise directs” meaning thereby that in a matter if any necessary controller or the court can pass the speaking orders by granting exemption the plaintiff who is exclusive licensee in an appropriate matter. But, an option is given to the Court or Controller for the reasons recorded in writing to direct otherwise even if the said document is not registered.

15. Sections 109 & 110 of the New Act read co-jointly with Sections 68 & 69 of the New Act, mandate that the holder of an exclusive licence shall have like right as patentee to institute a suit in respect of the subject matter of the patent after the date of licence and he is also entitled to take the proceedings against infringement.

16. In the present case, the plaintiff has alleged in the plaint that the licence agreement has been executed between the plaintiff and defendant No.3 (who is the patentee or owner of patent) on 1st August, 2006. It is also not disputed by defendants that the application for registration of the transmission has been filed by the plaintiff on 15th March, 2010. The same is still pending in the office of Controller of Patent. Section 69(5) of the New Act mandates that the validity of the said document as evidence is to be considered by the Court after the said document is recorded in the office of the Controller. However, the document is not to be considered as evidence in order to obtain the injunction order and to exclusive right in a suit for infringement. There is a force in the submission of defendant No.2. In case Sections 109 & 110 of the New Act are read co-jointly, there is no specific bar in filing the suit for infringement of patent by exclusive licensee to take the proceedings against infringer if the licence is not registered in the patent office, otherwise, the legislature ought not to have incorporated the expression in sub-Section 5 of Section 69 of the New Act that “unless the Controller or the Court for reasons to be recorded in writing otherwise directs”. In the present case no such orders have been passed. Unless the said document is registered or the court passes such orders as mentioned above, the said document i.e. exclusive licensee agreement is not to be considered in evidence by the Court. The benefit of the document would accrue as and when said document is registered in the office of Controller.

17. There are allegations by defendant that the right to exclusive licence is granted to the plaintiff from the back-date which is contrary to the statement made by the patentee in Kolkata suit and the document is not duly stamped under the Stamp Act and the exclusive licence agreement is invalid. The said

objections raised by defendants No.1 & 2 would have to be considered at the time of deciding the application filed by the defendants before the Patent Office and subsequently if necessary by this Court in case it is passed by defendant No.2 at the appropriate stage.

18. Under these circumstances, at this stage, I am of the considered opinion that the suit cannot be rejected or dismissed at this stage as pressed in the present application even if the plaintiff has a weak case on merit and the technical objections raised by defendant No.2 have some force. However, the right in favour of the plaintiff under Section 69(5) of the New Act would accrue for the purpose of seeking any relief in the case of infringement in case the said document i.e. exclusive licence agreement dated 1st August, 2006 is registered in the patent office in favour of the plaintiff. The patent office no doubt is expected to consider the objections raised by defendant No.2 about the validity of document in accordance with law.

19. Considering the overall facts and circumstances of the case, the present application is disposed of with the following directions:-

- i. The pending application of the plaintiff for registration of the alleged exclusive licence agreement dated 1st August, 2006 which is pending since 15th March, 2010 in the office of Controller of Patents shall be decided by the Patent Office within 6 months from today. Hearing in all pending applications and suit proceedings are adjourned *sine die* and would be revived as and when the orders are passed in the application for registering the document with the patent office filed on 15th March, 2010.

20. In view of the abovesaid directions, no further orders are necessary to be passed in the application being IA No.16042/2010. The relief sought cannot be granted except the directions already issued.

21. The application is accordingly disposed of.

(MANMOHAN SINGH)
JUDGE

APRIL 16, 2014