India: recent SEP rulings and evolving jurisprudence shaping patent landscape

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By: Vaishali R Mittal and Siddhant Chamola

In summary

This article covers the biggest judicial decisions in Indian patent law in the past 12 months. We also discuss the maturing jurisprudence emerging from India on nuanced and intricate issues regarding damages, pretrial discovery and SEPs, among other things. These subtle but important points will help shape strategic decisions for entities asserting and defending patents in India.

Discussion points

- SEPs
- Life sciences
- Product-by-process claims
- Damages
- Plurality of inventions
- Doctrine of equivalents

Referenced in this article

- *Ericsson v Lava*
- *InterDigital v Oppo*
- *Vifor v MSN*
- *Novartis v Natco*
- *Communication Components v Mobi Antenna*
- *Syngenta v Controller of Patents*
- *ITW v Dabico Airport Solutions*

- Patents (Amendment) Rules, 2024
- Patents Act, 1970

Injunctions at a glance

- **Preliminary injunctions** – are they available, how can they be obtained?
  Yes, but at a judge's discretion. To secure a preliminary injunction, a plaintiff must establish a strong prima facie case that the balance of convenience is in their favour and that they will suffer irreparable, unquantifiable loss if an injunction is not granted at the interim stage. Suppression of material facts, delays and other inequitable factors all weaken claims for interim injunctions.
- **Permanent injunctions** – are they available, how can they be obtained?
  Yes. They can be secured after leading evidence in a trial on infringement and disproving the defendants' claim for invalidity (if raised).
- **Is payment of a security/deposit necessary to secure an injunction?**
  No.
- **What border measures are available to back up injunctions**?
  Border measures are not applicable for patents in India. An amendment to the Intellectual Property Rights (Imported Goods) Enforcement Amendment Rules, 2018 changed the law such that injunctions for patents cannot be enforced with the customs authorities.

Since 2023, patents have been the leading subject in Indian IP law. As is evident from legislative changes and decisions that have been made on nuanced legal points, questions of patent law have dominated both courtrooms and legislative discussions.

The executive's drive to push patents up the national agenda can clearly be seen in the record-breaking grant of more than 100,000 patents between March 2023 and March 2024 – an average of around 250 patents per working day.

This article explores some of the features that mark the beginning of a new era of patent dominance in Indian IP.

Biggest case outcomes of the past 12 months

Ericsson v Lava

This decision[1] marks India's second final judgment on SEPs. It is a decision on an infringement and damages suit filed by Ericsson against Lava (an Indian mobile phone manufacturer) for the infringement of eight SEPs concerning 2G and 3G technology. Despite negotiating for two years, Lava had refused to execute a licence agreement. Instead, it chose to approach an Indian court to seek a determination of the royalties payable by it. This forced Ericsson to file a suit before the Delhi High Court in 2016.

In March 2024, the Court held that seven out of the eight SEPs were valid and infringed. It passed a comprehensive judgment tackling all the usual claims and defences raised by litigants in such cases, namely infringement and validity of SEPs, assessment of the fair, reasonable and non-discriminatory (FRAND) rate, patent hold-up versus hold-out, and damages. It also addressed some peculiar aspects, such as those concerning patent exhaustion and royalty stacking.

With regard to patent invalidity, the Court devised a 'Seven Stambhas' or 'Seven Pillars' approach to the novelty of an invention. The determining factors of this are:

- understanding the claims;
- identifying relevant prior art;
- analysing the prior art;
- determining explicit and implicit disclosures;
- assessing material differences while considering the entire scope of the claims;
- verifying the novelty considering the comprehensive scope and specific combination of the claimed elements; and
- documenting the analysis.

The Court also determined that SEP infringement can be proven through both direct and indirect approaches.

With respect to patent exhaustion, the Court found that if the patent claims the entire handset, then an argument based on exhaustion at the chipset level will fail. To maintain an exhaustion defence, two prerequisites are required: indemnity from the chipset manufacturer to the implementer against a lawsuit from the SEP holder, and due diligence by the implementer and freedom-to-operate searches.

The Court also found that the agreement between Ericsson and Qualcomm concerned a different technology from the one used by Lava, and that it didn't shield Lava from any lawsuit by Ericsson.

Regarding patent hold-out, it was found that Lava:

- did not engage in constructive negotiations for more than two years;
- did not make a counteroffer – its insistence on access to Ericsson's third-party licence agreements was made in bad faith;
- filed a suit to set FRAND rates for a licence to Ericsson's portfolio; and

- did not address the Court's queries about whether it was paying royalties to any third-party licensor.

On the subject of FRAND principles, the Court found that royalties must be determined based on the end device, not on the price of the smallest saleable patent practising unit. Damages in a lawsuit will be granted on the full portfolio, not just on the number of devices tested for infringement or the number of patents that were found to be infringed by the court. This is consistent with industry practice in the negotiation of royalty rates.

The Court found that a comparable licensing approach is FRAND-compliant, and that the top-down methodology is best used as a cross-check.

According to the Court, the damages awarded in a SEP infringement suit are a measure of the royalties that an implementer ought to have paid. However, royalty stacking cannot be established against a SEP holder without concrete evidence. This evidence must show that the SEP holder demanded higher royalties than what was initially offered after the standard was adopted.

The Court analysed two agreements signed by Ericsson with Indian mobile phone manufacturers with identical rates to those offered to Lava. These determined that Ericsson's offered rates were within the FRAND range. Because the Court invalidated one of the eight patents asserted by Ericsson, it scaled up this sample and inferred that an eighth of Ericsson's portfolio may contain invalid patents. Consequently, it reduced the final royalty rate to 1.05 per cent of the selling price of Lava's phones.

Finally, the Court determined that under section 11A of the Patents Act, 1970, damages can be calculated from the date of the pre-grant publication of a patent. The general rule of a three-year limitation period under Indian law, therefore, does not apply in the case of patents. In this case, however, the damages were calculated from the day (in 2011) that Ericsson approached Lava for a licence, as before this point, Lava may not have known that its actions constituted infringement.

By applying the royalty rate to the number of devices sold by Lava, the Court calculated the damages at 2.44 billion rupees.

InterDigital v Oppo: Pretrial discovery and the relevance of third-party patent licence agreements

The Indian segment of the global FRAND dispute between these two parties saw them both seek disclosure of each other's patent licence agreements, for trial purposes.[2]

Oppo sought access to InterDigital's agreement with Qualcomm to prove its defence on exhaustion while InterDigital sought access to Oppo's agreements with Qualcomm, Ericsson and Orange SA.

InterDigital's reason for seeking access to the latter two agreements was for FRAND royalty aspects since these would show how much Oppo was paying a third party for a licence to a similar portfolio for 3G, 4G, 5G and HEVC SEPs, respectively. It sought access to Oppo's Qualcomm agreement for FRAND reasons, as well as to disprove Oppo's defence on patent exhaustion.

The Delhi High Court rejected InterDigital's request to access Oppo's agreements with Ericsson and Orange SA. It found that FRAND determination should be decided based on comparable agreements for InterDigital's portfolio, and not the other way around. It also noted that a similar request for access to Oppo's 5G third-party agreements was rejected by the UK courts in FRAND proceedings between the parties.

To decide the patent exhaustion argument, Oppo was ordered to produce its Qualcomm licence agreement. This would show the Court what exactly was licensed by Qualcomm to it, and whether Qualcomm indemnified or suggested to Oppo that it need not worry about an infringement claim by SEP holders.

In turn, InterDigital was ordered to produce its agreement with Qualcomm to help the Court understand what technology was licensed by InterDigital to Qualcomm, and if it gave any credence to Oppo's argument that the patented technology was practised only by the chipset. This also followed precedent where a SEP holder (in previous cases such as *Ericsson v Lava*) had to disclose details of its agreement with chipset manufacturers.

Vifor v MSN (and others): India's interpretation of product-by-process claims

Vifor (International) Limited, the appellant, had obtained a patent (IN'536) for a product called ferric carboxymaltose (FCM), which was used for the intravenous treatment of iron deficiency anaemia. The first claim of the patent was a product-by-process claim.[3]

The defendants – MSN Laboratories, Corona Remedies and Dr Reddy's Laboratories – had been manufacturing and selling FCM and were thus sued by Vifor for patent infringement. They claimed that their process to manufacture FCM was different and, hence, did not infringe the patent.

The first-instance court agreed with the defendants and denied an interim injunction to Vifor. The court held that a product-by-process claim was limited by the described process. In other words, it monopolised a product, only when it was made using the product described in the patent.

In appeal, this decision was reversed. Although the patent expired in October 2023, about five months before the date of the decision, the court settled important questions of law. The decision held the following:

- Vifor's patent protected the product FCM, irrespective of the process used to synthesise it.
- Product-by-process claims need to be examined based on the novelty of the product, not the process alone.
- Patentees can resort to such claims when a name, structure and other characteristic features are indescribable, but only in terms of the process used to make it. This is the rule of necessity.
- In such claims, courts must consider the difference between a product that is 'obtained by' versus a product that is 'obtainable by' a process. 'Obtained by' means the product is only attained by that process. The claim will therefore be a process claim under section 48 (b) of the Patents Act, 1970. 'Obtainable by' means that the process is only illustrative, and the protection extends to the product, irrespective of the process used to attain it. The claim is a product claim under section 48 (a) of the Patents Act, 1970. There is precedent on this point in the United Kingdom: for instance, the decision in *Hospira UK Limited* dealt with an old, non-novel product that was obtained by a particular process. Therefore, the patent was limited to the process.
- The test of infringement of a patent cannot be different from the test to determine its invalidity. The novelty of a product is relevant for patentability. Unlike the respondent's contention, it does not become irrelevant in response to an infringement claim.

This decision puts India in the same position as the United Kingdom, the European Union and Japan, and is contrary to the position held in the United States on the issue of product-by-process claims.

Natco v Novartis: Tightening the noose on species patents in India

This case[4] reversed an interim injunction granted by the first-instance judge of the Delhi High Court against Natco's generic version of eltrombopag plamine (ELT-O).

Novartis, the patentee, protected ELT-O through two patents: the earlier genus patent IN'176 and a subsequent, species patent IN'161. Natco had launched a generic version of ELT-O, prompting Novartis to file a suit for infringement of both the genus and the species patents. During the interim injunction hearing, Novartis dropped its claim for the genus patent.

The single judge agreed with Novartis. They dismissed Natco's invalidity challenge on the species patent by emphasising that the prior coverage of the species (the compound) within the Markush claim of a genus patent did not mean that the compound was disclosed in the genus patent.

The division bench reversed this decision. First, it held that a patent cannot be presumed to be invalid, no matter how old it may be. A grant by a patent office does not bestow prima facie validity.

To beat an injunction claim, the defendant must only show that the patent is vulnerable to invalidity at trial.

Second, on the matter of genus versus species claims, the Indian Supreme Court had already held in *Novartis v Union of India* that there is no dichotomy between coverage and disclosure, and that the two shouldn't be separated by a 'wide gap'. Courts must not, therefore, interpret there to be a big difference between coverage and disclosure.

Disclosure in a Markush claim extends to exemplified compounds, as well as those that are obvious to a person having ordinary skill in the art (PSIA). If the genus patent is presumed valid and it is drafted as per the requirements of full disclosure, enablement and sufficiency, then every compound covered by the Markush claim must be deemed to be disclosed in the specification. If the genus patent, as drafted, could be invoked in an infringement suit, then the patentee's choice not to assert it would be irrelevant to denying an injunction.

Statements that suggested both the genus and the species patents were worked by a single drug, made either to the Indian Patent Office through Form 27 submissions or to the US Food and Drug Administration, prima facie indicate that the compound was disclosed in the genus patent.

Finally, greater solubility or bioavailability for a drug does not mean it has better therapeutic efficacy.

This decision once again brings the genus-species debate in India to the fore. Recent trends show that a growing number of decisions have refused injunctions on species patents. The validity of these claims has been doubted primarily because they follow an earlier, genus patent with a broader claim.

The *Natco v Novartis* decision of the appellate bench of the Delhi High Court was released a few weeks after a judgment of the single judge of the same court in *AstraZeneca v Natco*,[5] which took a diametrically opposite view: it favoured injunctions for species patents by drawing parallels with 'selection patents' and how they can have inventive subject matter over and above the prior genus patents.

Growing jurisprudence on nuanced aspects of patent law

New outlook on divisional patents

In *Syngenta v Controller of Patents*,[6] the division bench of the Delhi High Court provided much-needed clarity to patent applications on the question of plurality of inventions and India's treatment of divisional applications.

The Court held that the concept of plurality of inventions in a patent document can be assessed on a reading of the specifications and is not restricted to the claims of the patent. In doing so, it overturned previous decisions on this point, such as *Boehringer Ingelheim v Controller of Patents.*[7]

The Court also held that divisional patent applications can either be filed *suo motu* by the patentee or upon the recommendation of the Patent Office. In both situations, a plurality of inventions was essential.

The FWR test in the doctrine of equivalents

SNPC Machines Private Limited v Mr Vishal Choudhary[8] saw the Delhi High Court introduce a test for the doctrine of equivalents while granting an interim injunction. The Court employed the function-way-result (FWR) test, which answers the question of whether a product performs substantially the same function, in substantially the same way, to achieve substantially the same result.

With respect to the bricklaying machines of the two parties in this case, minor differences such as the absence of a cabin and the use of kinetic energy were not considered sufficient to establish a difference.

Claims cannot be cut down by reading in limitations

A recent decision in *ITW GSE v Dabico Airport Solutions & Ors*[9] held that the general description of embodiments in a patent specification cannot be used to 'read in' limitations to the scope of the claim. While claims must be interpreted in light of the specifications of a patent, the words of a claim must be given their full and ordinary meaning, unless there is an ambiguity. If the claims are clear, then the monopoly cannot be cut down by importing specific embodiments from the specification. The Delhi High Court also recognised the caveat that 'there is sometimes a fine line between reading a claim in light of the specification, and reading a limitation into the claim from the specification'.

The Court rejected the defendants' argument that the claims were restricted to a modular configuration of a preconditioned air (PCA) unit for aircraft parked on the ground. It held that while the specification did exemplify such modular settings, it also made it clear that it was just one of the ways of implementing the invention, and that the claims covered non-modular systems as well. Therefore, the defendants' non-modular PCA unit was held to be infringing the patent, and further manufacture and sales were restricted by an interim injunction.

Assessment of damages on the lost-profits principle

The decision in *Communication Components v Mobi*[10] saw the Delhi High Court grant a large sum of 2.17 billion rupees in damages, on the principle of lost profits.

The Court acknowledged that patent damages could be proved either through the reasonable royalty method or through the lost profits method. The plaintiff chose to rely on the latter approach and submitted a market report of the number of antennae sales it lost (about 94,710) over three years owing to the defendant's infringing products. Profits were calculated based on the difference between the sale price and the manufacturing cost of each product.

Because the Court did not have concrete evidence on the actual market share lost by the defendant, it halved the number of lost sales submitted by the plaintiff and then multiplied the lost profits on each of those products.

This decision, along with the *Ericsson v Lava* decision discussed above, and others such as *Nokia v Oppo* (2023, although it concerns security payments), demonstrate a new age in India in which the courts do not hesitate to order payments of large sums of money.

Call for code of conduct for patent and trademark agents

Saurav Chaudhary v Union of India saw the Delhi High Court deal with a situation where a patent application was abandoned owing to a lack of updates from the patent agent to the applicant. The Court noted that the applicant was diligent, but the fault lay in the infrequent communication from the patent agent.

The Court condoned the delay but noted the importance of strict guidelines and a code of conduct for patent and trademark agents to ensure better accountability towards applicants or litigants. The Controller of Patents, Designs and Trademarks has been instructed to establish a code of conduct by December 2024, along with a framework for resolving complaints against such patent and trademark agents.

Test for determining obviousness

Microsoft Technology Licensing v Assistant Controller of Patents[11] saw the High Court of Madras cite with approval the *Windsurfing/Pozolli* test and hold that the determination of obviousness requires identifying the following:

- the PSIA and the common general knowledge;
- the inventive concept of the invention;
- differences between the prior art and the invention; and
- whether these differences are obvious to PSIA without knowledge of the invention.

Dealing with an invention focusing on converting raw sensor data into lightweight messages for easier processing by subscribing applications, the Court held that it differed significantly from the prior art, and the advancements would not be obvious to a PSIA, thereby conferring the invention with the inventive step feature.

Legislative changes

The 2024 amendments to the Patents Rules were notified and made effective on 15 March 2024. The amendments were made to facilitate business and prosecution for patent applicants. Three salient features of the new regime are as follows:

- First, the timeline for examination has been reduced. Requests to examine a patent can now be filed within 31 months (as opposed to the earlier 48-month period), thus accelerating the patent examination process.
- Second, the submission process for foreign patents has been simplified. Applicants now need to file a Form 3 giving details of corresponding foreign patents only within three months of the date the first statement of objections is received from the Patent Office. Late submissions may also be condoned by the Controller. This is a welcome change compared to the earlier obligation, which was on a recurring six-month period from the date of filing.
- Finally, the norms for filing statements of working under Form 27 have been relaxed, and these now need only be filed once every three financial years.

End notes

[1] *Ericsson v Lava*, 2024: DHC: 2698.

[2] *InterDigital v Oppo*, 2024: DHC: 4610.

[3] *Vifor v MSN (and others)*, 2024: DHC: 878 DB.

[4] *Natco v Novartis*, 2024: DHC: 3198 DB.

[5] 2024: DHC: 1716.

[6] 2023: DHC: 7473 DB.

[7] 2022: DHC: 002682.

[8] 2024: DHC: 1945.

[9] 2024: DHC: 4978.

[10] 2024: DHC: 3975.

[11] 2024: MHC: 2537.

KEY CONTACTS

Vaishali R Mittal

Senior Partner

View Bio of Vaishali R Mittal

Siddhant Chamola

Associate Partner

View Bio of Siddhant Chamola