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

+ **FAO(OS) (COMM) 321/2022 & CM APPL. 53576-53579/2022**

NOKIA TECHNOLOGIES OYAppellant

Through: Mr. Gourab Banerjee, Sr. Adv. with Mr. Pravin Anand with Ms. Vaishali Mittal and Mr. Siddhant Chamola, Ms. Pallavi Bhatnagar, Advocates.
Mr. Rohin Koolwal, Mr. Rakesh Talukdar and Mr. Subro Prakash Mukherjee, Advocates.

Versus

GUANGDONG OPPO MOBILE TELECOMMUNICATIONS CORP LTD & ORSRespondents

Through: Mr. Saikrishna Rajagopal with Ms. Julien George, Ms. Sneha Jain, Mr. Sidharth Chopra, Ms. Anu Paarcha, Mr. Arjun Gadhoke,
Mr. Vivek Ayyagari, Mr. Avijit Kumar, Mr. Aniruddh Bhatia and Ms. N. Parvati Advocates.

% Reserved on : 24th April, 2023
Date of Decision : 3rd July, 2023

CORAM:
HON'BLE MR. JUSTICE MANMOHAN
HON'BLE MR. JUSTICE SAURABH BANERJEE

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J U D G M E N T

MANMOHAN, J:

ISSUES

1. The main issues that arise for consideration in the present appeal are whether this Court has the power to pass a pro-tem order without an exhaustive exploration on merits and whether in the facts and circumstances of the present case a pro-tem order is called for, especially in view of the bank guarantee furnished by the respondents-defendants No. 1 and 2 (hereinafter referred to as ‘**Oppo**’) in Germany.

BACKGROUND

2. Present appeal has been filed by the appellant-plaintiff (hereinafter referred to as ‘**Nokia**’) challenging the order dated 17th November, 2022 passed by the learned Single Judge dismissing Nokia’s application filed under Order XXXIX Rule 10 read with Section 151 of the Code of Civil Procedure (‘**CPC**’) being I.A. No.7700/2021 in CS (COMM) 303/2021. Nokia also seeks a direction to Oppo to deposit interim security of an amount based on either the latest counter-offer made by Oppo for a global licence of Nokia’s portfolio of Standard Essential Patents or of an amount equivalent to the royalty paid under the Agreement dated XXXXXXXXXXXXXXXX executed between the parties titled as “Strategic Cooperation Agreement between Nokia Corporation, Nokia Technologies OY and Guangdong Oppo Mobile Telecommunications Corp. Ltd.” with effective date of 1st July, 2018 (hereinafter referred to as the “**2018 Agreement**”) proportionate to the ratio of the number of devices sold by Oppo in India vis-à-vis the number of devices sold globally.

PLEADINGS AND ARGUMENTS ON BEHALF OF NOKIA

3. It is Nokia's case that it has one of the world's strongest patent portfolios with over 20,000 patent families worldwide out of which 3,800 patent families have been declared to European Telecommunication Standards Institute ('ETSI') as potentially essential for 2G, 3G, 4G and 5G technology. It is also Nokia's case that it has 200 licensees for its patent portfolios which includes several Indian and Chinese companies.

4. Nokia claims that Oppo is the world's second largest manufacturer of smartphones having overtaken Apple and Oppo's sales in India account for around 23 per cent of its global sales. In support of this claim, Nokia relied on the 'Wordwide Quarterly Mobile Phone Tracker, 2021' Q2 dated 5th August, 2021 prepared by International Data Corporation ('IDC').

5. Oppo had secured a licence for use of Nokia's Standard Essential Patents in 2018 for a period of three years (expiring on 30th June, 2021) after making a payment of XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXX (under the 2018 Agreement). The said 2018 Agreement was a cross-licence agreement for patents belonging to both the parties.

6. It is the case of Nokia that the 2018 Agreement did not include patents relating to the 5G standards and considering that 52 per cent of Oppo's sales in India and 64 per cent of its global sales consist of 5G devices, any new license fee would be substantially higher.

7. It is Nokia's case that after the expiry of the 2018 Agreement, Oppo had witnessed an unprecedented increase in the sale of its devices and during the period between July, 2021 and December, 2022, it sold around 77 million devices in India without paying a single rupee in royalty to Nokia. It is also Nokia's case that despite it making efforts including making itself available for

discussions on the technical and economic fronts, Oppo refused to execute a fresh/second licence agreement.

8. Upon failure of execution of the fresh/second licence agreement between the parties, Nokia filed the underlying suit being CS(COMM) 303/2021 for infringement of its three Standard Essential Patents on the ground of unlicensed manufacture, sale etc. of cellular device which comply with 2G, 3G, 4G and 5G telecommunication standards by Oppo. These Standard Essential Patents are (i) Indian Patent No.286352 (IN'352) titled "System and Method for Providing AMR-WB DTX Synchronization", (ii) Indian Patent No.269929 (IN'929) titled "Method Providing Multiplexing for Data Non Associated Control Channel" and (iii) Indian Patent No.300066 (IN'066) titled "Additional Modulation Information Signaling for High-Speed Downlink Packet Access" (hereinafter referred to as the 'suit patents').

9. The underlying suit i.e. CS (COMM) 303/2021 as well as I.A. No.7700/2021 was filed before the learned Single Judge in July, 2021 and though the judgment was reserved on 23rd December, 2021, yet the same was delivered only on 17th November, 2022.

10. Learned senior counsel for Nokia contended that sufficient facts and law had been pleaded by it before the learned Single Judge while seeking the pro-tem deposit in exercise of Court's inherent power under Section 151 CPC. He stated that Oppo had not only admitted to the past licensor-licensee relationship between the parties based on the 2018 Agreement, but had also offered to make payments of royalties running into XXXXXXXX of US dollars for a fresh licence. He emphasised that Oppo had also filed a case in China seeking fixation of Fair, Reasonable and Non-Discriminatory ('FRAND') rate for Nokia's portfolio of Standard Essential Patents.

11. He submitted that international and local jurisprudence mandate payment of security deposits by an implementer of Standard Essential Patents at the pro-tem stage in almost all cases. He contended that the learned Single Judge had mis-characterised Nokia's application under Order XXXIX Rule 10 CPC read with Section 151 CPC as one seeking interim payments in the form of royalty at FRAND rates. He clarified that Nokia had sought deposit of interim security of an amount based on either the latest counter offer made by Oppo for a global licence or of the agreed amount equivalent to the royalty paid under the 2018 Agreement in proportion to the ratio of Oppo's number of devices sold by Oppo globally *vis-a-vis* the number of devices sold in India.

12. He submitted that the impugned order incorrectly interpreted the decision of the UK Supreme Court in *Unwired Planet International Ltd. & Anr. v Huawei Technologies (UK) Co. Ltd; 2020 UK SC 37* to hold that a pro-tem or interim relief cannot be granted in Standard Essential Patent cases. He further submitted that the conclusion reached in the impugned order is *per incuriam* as it is contrary to established precedents in India which have granted interim injunction or security in almost all Standard Essential Patent cases even while dealing with applications under Order XXXIX Rules 1 & 2 CPC. (See: *Ericsson Vs. Intex, CS(OS) 1045/2014 and Ericsson Vs. Lava, CS(OS) 764/2015*)

13. Moreover, according to him, the impugned order had the effect of promoting and vindicating Oppo's dilatory tactic of simply making bare denials and thereby allowing it to escape liability despite its financial health being perilous. He pointed out that the Income Tax Department had raided the offices of Oppo on the ground of tax evasion and thus, there are serious doubts with regard to its ability to make good a final decree of damages.

14. Learned senior counsel for Nokia submitted that the test of what amounts to an admission under Order XII Rule 6 CPC is different from the test for a pro-tem deposit under Order XXXIX Rule 10 CPC. In support of his submission, he relied upon the judgment of the Bombay High Court in ***Rajul Manoj Shah v. Navin Umarshi Shah and Others, 2018 SCC OnLine Bom 8206.***

15. He submitted that the impugned order wrongly interpreted the decision of the Supreme Court in ***Karan Kapoor v. Madhuri Kumar, 2022 SCC OnLine SC 791***, inasmuch as, it does not hold that Order XXXIX Rule 10 CPC has the same test as Order XII Rule 6 CPC. According to him, the said decision actually directed the Trial Court to quantify security on an interim basis only on the basis of admission of liability and the existence of a previous tenancy agreement. He emphasised that when there is no admission of quantum and the ex-tenant disputes the title of the landlord, the Court can invoke its inherent power under Section 151 CPC read with Order XXXIX Rule 10 CPC to order deposit of the last paid rent.

16. Learned senior counsel for Nokia stated that the bank guarantees furnished by Oppo to Nokia's lawyer in Germany is no security as it cannot be encashed unless the parties execute a fresh/second licence agreement and Oppo defaults in payment obligations for more than thirty days and even then Nokia can secure payment at the branch office of the bank in China only.

17. Learned senior counsel for Nokia stated that Oppo had been found to be an unwilling licensee by the Courts in Germany and had been subject to injunction orders. He emphasised that instead of executing a licence agreement with Nokia, Oppo had chosen to exit the German market. He also stated that

Oppo had been found to be infringing Nokia's patents by Courts in UK and in the Netherlands as well.

18. He emphasised that Oppo had filed a bank guarantee issued by HSBC, Paris as a pro-tem security in pursuance of an order dated 6th October, 2022 in *InterDigital vs. Oppo, CS(COMM) 692/2021* before the learned Single Judge wherein HSBC, Paris had refused to enter appearance before the Court in India and its correspondent, Indian branch (HSBC, India), had disclaimed all responsibility and sought discharge from the obligation to satisfy the Court on the bank guarantee.

ARGUMENTS ON BEHALF OF OPPO

19. *Per contra*, learned counsel for Oppo submitted that in Standard Essential Patent matters, a patent holder cannot seek an interim or even a permanent injunction as a matter of right. He submitted that before the grant of relief, the plaintiff must establish that (i) suit patents are valid, (ii) essential (iii) the offer made was on FRAND terms, and (iv) that the Defendant has refused to take licence on the rates determined by the Court to be FRAND compliant—which is also the four-fold test stipulated by the learned Single Judge in the impugned order. He further submitted that any pro-tem arrangement is a conditional injunction order as it saddles the implementer with an injunction like situation. Consequently, according to him, the test that applies for an injunction must also apply at the pro-tem stage.

20. He submitted that Nokia's insistence that this Court should direct Oppo to make a pro-tem deposit even prior to a *prima facie* assessment on merits lacks any basis in law as the same can only be directed pursuant to a finding of essentiality, validity and thereby infringement of the asserted patents. He

stated that declarations of essentiality filed by the patent holders before ETSI are merely self-serving claims as ETSI does not verify or confirm the claims made by the patent holders regarding essentiality or validity of patents. He submitted that the legal questions as to the validity and essentiality of the patents are yet to be determined by the national courts. According to him, the reason why Nokia's claims of essentiality and validity must be established at the outset is on account of the problem of massive over-declaration by patent holders. He pointed out that there was not a single case of pro-tem deposit without a *prima facie* case of essentiality and validity being established.

21. He stated that Nokia's argument is that it ought to be provided security on the very first day, merely on the basis of filing the suit, without substantiating any of its claims, whatsoever. He stated that if Nokia's demand was allowed, then not only would it lead to royalty stacking, but it would also allow numerous cases to be filed where a plaintiff may file a suit by paying a court fee of rupees two lakhs and demand security of XXXXXXXXXXXX of dollars without proving any of its claims and demanding that its plaint be taken as gospel truth. He stated that Nokia has not made such a request in any other jurisdiction in which it has sued Oppo.

22. He also stated that Nokia's insistence on deposits without FRAND compliance is a breach of its FRAND obligations which disentitles Nokia to any relief whatsoever.

23. He submitted that Order XXXIX Rule 10 CPC is not applicable to Standard Essential Patent litigation as it is to landlord-tenant dispute since it is premised on the application of Section 116 of the Indian Evidence Act, 1872, which estops a tenant from challenging the title of a landlord. He emphasised that Section 140(1)(iii)(d) of the Patents Act, 1970 makes it abundantly clear

that a licence agreement cannot preclude a challenge to the validity of the patent.

24. He further submitted that under Order XXXIX Rule 10 CPC, Nokia must prove *inter alia* that the admission of Oppo is an admission sufficient under Order XII Rule 6 CPC. Further, if Nokia's claims are disputed by Oppo, then it would not amount to an admission and no relief ought to be granted under Order XXXIX Rule 10 CPC without trial in the matter. In support of his submission, he relied on the judgment of this Court in ***Harish Ramchandani Vs. Manu Ramchandani, 2001 SCC OnLine Del 407***. He stated that Nokia has claimed admission on part of Oppo on account of the various counter-offers made by it. However, according to him, it is settled law that when parties negotiate in order to resolve a dispute, such negotiations cannot be relied upon as admissions. Further, it is settled law that merely because a counter-offer was given, it does not mean that Oppo is estopped from challenging the essentiality and validity of the claimed Standard Essential Patents.

25. He stated that the deposits sought by Nokia are completely disproportionate as the relief sought under I.A. No.7700/2021 is in respect of its global portfolio running into 3800 patent families while only three patents have been asserted in the present suit. It is trite law that relief in a suit can only be granted in respect of the suit patents and not the entire portfolio which remains unasserted. Thus, the overarching and excessive *ad interim* relief sought by Nokia and that too sought under Order XXXIX Rule 10 CPC must be restricted to only the suit patents.

26. He contended that Nokia, by virtue of Oppo's bank guarantees, stands secured in excess of the 2018 Agreement which is admittedly the prayer

sought in the present appeal. The bank guarantees are made in good faith and in compliance of obligations under the German law and are without prejudice to Oppo's right to challenge the validity, essentiality and FRAND rate of the Standard Essential Patents. He emphasised that the bank guarantees cover global sales and as such necessarily cover Indian sales. Consequently, according to him, Nokia is secured globally and cannot indulge in double dipping in multiple jurisdictions for the sole purpose of causing financial duress to Oppo.

27. He emphasised that the present suit is a suit for patent infringement and not for enforcement of the 2018 Agreement executed between the parties. He contended that the 2018 Agreement between the parties was a collaboration agreement involving cross-licensing of patents belonging to both the parties.

28. He also stated that there was no objective material before this Court to determine that the deposit asked for by Nokia (the patent holder) is FRAND. He pointed out that in earlier matters where interim orders of payment had been passed, the orders were consent orders.

REJOINDER ARGUMENTS ON BEHALF OF NOKIA

29. In rejoinder, learned senior counsel for Nokia stated that most of the issues raised in the present appeal are no longer *res integra* as the same have been recently decided by this Court in *Intex Technologies (India) Ltd. Versus Telefonaktiebolaget L.M. Ericsson (Publ)*(NCN 2023: DHC:2243-DB) (hereinafter referred to as '*Intex Vs. Ericsson*'). He stated that the aforesaid judgment, relying on the decision of the European Court of Justice (CJEU) in *Huawei Technologies Co. Ltd. v. ZTE Corp. and ZTE Deutschland GmbH dated 16th July, 2015, Case No.C-170/13* (hereinafter referred to as '*Huawei*

Vs. ZTE'), categorically holds that implementers of Standard Essential Patents are obligated to furnish security to the owner of Standard Essential Patent.

30. He further stated that this Court has held that in Standard Essential Patent disputes orders for deposit of security can be passed on the first date of hearing itself. He pointed out that in para 73 of *Intex Vs. Ericsson* (supra), this Court held that the determination of (un)willingness rests upon the conduct of the parties during negotiations and if ad hoc royalty is not paid during the interregnum, then the implementer gains an unfair advantage over the other willing licensees.

31. He stated that in certain cases, a bank guarantee may be considered as an appropriate security. However, that is not the case in the present matter as Oppo's conduct disentitles it from securing the amount by way of a bank guarantee. He further stated that given the peculiar circumstances in the present case, it is a case fit for deposit of money in Court. He also pointed out that the bank guarantee proffered by Oppo in Germany is flawed as it only secures the payments due under an unexecuted Patent Licence Agreement (hereinafter referred to as 'PLA').

32. Learned senior counsel for Nokia stated that in any case, Oppo's conduct qualifies it as an unwilling licensee. He pointed out that the negotiations for execution of a fresh/second licence agreement commenced in January, 2020 and more than three years have passed since then. He stated that after expiry of the 2018 Agreement on XXXXXX, Oppo despite using its patents has neither made any interim payments nor has made any deposit with Nokia for use of its patent portfolio.

33. He further emphasised that Oppo despite having made admissions, during negotiations, that it will make interim payments to Nokia and having

filed a suit in China for determination of a FRAND rate of Nokia's portfolio, has not made any deposit till date.

34. He stated that Nokia's cellular Standard Essential Patent portfolio is licensed to some 200 entities and for every day that Oppo does not make any payment for the said portfolio, it gains an unfair advantage over other such willing licensees by using such Standard Essential Patents without any licence. He emphasised that Nokia has the largest Standard Essential Patent portfolio in the market and at the same time, the rates for its portfolio are the lowest.

35. He stated that out of the twelve cases shown by Oppo in the 2019 era of Standard Essential Patent disputes, consent orders have been passed in five cases, matters have been settled in three cases and in two cases, the judgment had been reserved.

36. Learned senior counsel for Nokia stated that Oppo has been found to be an unwilling licensee and has been enjoined from infringing Nokia's patents by Courts in multiple jurisdictions. In support, he placed on record a chart capturing the details pertaining to the litigation initiated by Nokia against Oppo in various jurisdictions. The aforesaid chart is reproduced hereinbelow:-

"S. No.	Court	Infringement established	Injunction granted	Oppo Unwillingness established
1.	Manheim, Germany (3 Judges, 21 st June 2022)	Y	Y	N/A
2.	Manheim, Germany (3 Judges, 5 th July 2022)	Y	Y	Y
3.	Manheim, Germany (3 Judges, 5 th July 2022)	Y	Y	Y

4.	<i>Munich, Germany (3 Judges, 5th August 2022)</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>
5.	<i>Munich, Germany (3 Judges, 5th August 2022)</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>
6.	<i>Manheim, Germany (3 Judges, 21st June 2022)</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>
7.	<i>Hague, Netherlands (3 Judges, 7th September 2022)</i>	<i>Y (Orope GmbH German subsidiary)</i>	<i>Y</i>	<i>N/A</i>
8.	<i>Munich, Germany (3 Judges, 25th November 2022)</i>	<i>Y</i>	<i>Y</i>	<i>N/A</i>
9.	<i>London, UK (1 Judge, 9th November 2022)</i>	<i>Y</i>	<i>Stayed pending outcome of Willingness Trial in June 2023</i>	<i>N/A</i>
10.	<i>Hague, Netherlands (1 Judge, 11th Jan 2023)</i>	<i>Court did not consider</i>	<i>N (On balance of convenience, irreparable harm)</i>	<i>N/A</i>
11.	<i>London, UK (1 Judge, 16th January 2023)</i>	<i>Y</i>	<i>Stayed pending outcome of FRAND Trial in October 2023)</i>	<i>N/A</i>
12.	<i>Rio de Janeiro, Brazil (1 Judge, 8th Feb 2023)</i>	<i>Y</i>	<i>Y (stay denied on appeal)</i>	<i>N/A</i>
13.	<i>Indonesia</i>	<i>N/A (Cases dismissed solely on procedural grounds. No merits considered. Case can be re-filed).</i>	<i>N/A/ (Cases dismissed solely on procedural grounds. No merits considered. Case can be re-filed).</i>	<i>N/A/ (Cases dismissed solely on procedural grounds. No merits considered. Case can be re- filed).”</i>

37. Learned senior counsel for Nokia stated that Oppo's argument that an order for a pro-tem security is like a conditional injunction is not correct. He stated that a pro-tem order in the case of Standard Essential Patents is only a temporary order intended to secure Nokia's interest till the trial or till the rights of the parties have been *prima facie* adjudicated upon by the Court pursuant to an interim injunction application.

38. He further stated that an order for deposit of money on a pro-tem basis does not enrich Nokia's account as it will only be deposited in the Court and will be reimbursed to Oppo should it secure a victory at the interim or final stage.

39. Lastly, learned senior counsel for Nokia stated that it is also important to secure Nokia as Oppo's financial condition is in doldrums. He stated that the respondent-defendant No.1, OPPO China, admittedly does not have any assets in India and the only entity that will be accountable to the Court is respondent-defendant No.2, OPPO India. He stated that the financial hardships of Oppo India are evident from its balance sheets and the report of the chartered accountant filed by Nokia. He pointed out that respondent-defendant No.2 itself admits that its financial liabilities outweigh its assets and that it was subjected to raids by the Income Tax Department pursuant to which its accounts of up to Rs.2,000 crores were frozen by the authorities. The relevant portion of the notes to financial statements of Oppo for the year ending 31st March, 2021 are reproduced hereinbelow:-

"Going Concern

The Company's liabilities are significantly higher than the total assets as on March 31, 2021. The company has adverse Debt – Equity Ratio and regular net operating cash outflows in the current and previous financial years. Additionally, the following significant events in the previous year and

subsequently have further adversely impacted the performance and cash flow position of the Company.

1) During the Financial year 2020-21, the Directorate of Revenue intelligence (“DRI”) carried out search operations on the company and its associates premises, including its directors for which the matter is still under investigation and no final liability has been determined. However, the company has deposited Rs. 1000 Mn till March 31, 2021 and subsequently further fund has been deposited under protest as and when demanded.

2) In December 21, 2021 the Investigation Wing of Department of Income Tax has conducted Search and Seizure operations on the company and its associates, including its directors. As a part of the operations, the Department has frozen monies in bank accounts of the company amounting to Rs. 20,823 Million(s). The matter is under investigation and no final liability has been determined.

The above events / conditions have further deteriorated the cash flow position of the company. The company is quite hopeful or recovering from its present position by improving its gross profit margins, further loan commitments given by the group companies is considered appropriate to prepare these standalone financial statements on a going concern basis.”

SUR-REJOINDER ON BEHALF OF OPPO

40. Learned counsel for Oppo prayed for and was permitted a sur-rejoinder on the ground that after conclusion of his arguments this Court had delivered a judgment in *Intex vs. Ericsson* (supra).

41. He submitted that even in accordance with the judgment of this Court in *Intex Vs. Ericsson* (supra), there can be no finding of “unwillingness” prior to an assessment of the infringement, essentiality and validity claims made by an Standard Essential Patent holder which is the consistent practice across the world. He stated that this Court in *Natco Pharma Ltd. Vs. Bristol Myers Squibb Holdings Ireland Unlimited Company and Ors., 263 (2019) DLT 622* has categorically held that no interim relief ought to be granted unless the plaintiff establishes a *prima facie* case, balance of convenience and irreparable harm in its favour.

42. He reiterated that since Oppo has already submitted three Bank Guarantees to Nokia, which till date have not been rejected by it, the sufficiency of the bank guarantees should only be seen at the Order XXXIX Rules 1 & 2 CPC stage. According to him, if this Court is of the view that the issue of bank guarantee should be considered even prior to the *prima facie* stage, then the matter ought to be remanded to the learned Single Judge, since the said issue has not been examined in the impugned order.

43. He emphasised that the bank guarantees have been issued by Oppo in respect of their counter-offers dated XXXXXXXXXXXXXXXXXXXXXXXX which included a standstill clause for the Non-Standard Essential Patents as well. Thus, the bank guarantees should be sufficient security for both proceedings, that is in respect of the Standard Essential Patents [CS(COMM)303/2021] and the Non-Standard Essential Patents [CS(COMM)304/2021].

44. He stated that the contention of Nokia that it has two hundred licensees for its Standard Essential Patent portfolio is a bald and unsubstantiated claim. In fact, till date, Nokia's third-party licence agreements are not on record in the suit proceedings.

45. He stated that Nokia's contention that since Oppo has sought FRAND rate fixation from the Chongqing Court in China, it has admitted to the essentiality and validity of Nokia's portfolio is misleading. He submitted that even in the litigation between Interdigital Technology Corporation and Lenovo in the United Kingdom which was finally decided in *Interdigital Technology Corporation Limited and Ors. vs. Lenovo Group Limited and Ors. [2023] EWHC 539(Pat)*, the UK Court did not consider the fact that Lenovo had filed a proceeding seeking FRAND rate setting for Interdigital's portfolio as an

admission of claims of essentiality or infringement of Interdigital's patents. The UK Court, instead, went ahead with five technical trials and gave its finding pursuant thereto.

46. He also stated that a *prima facie* case cannot be said to be established only on the basis of Oppo being an ex-licensee or having admitted an obligation to make interim payments. The previous agreement does not record any understanding that the suit patents are Standard Essential Patents.

47. Additionally, Section 140(1)(iii)(d) of the Patents Act, 1970, makes it abundantly clear that a licence agreement cannot preclude a challenge to the validity of the patent. Thus, an entity, despite being a licensee of a patent, is completely entitled to challenge the validity of such patent.

48. Further, Nokia has neither in its application filed under Order XXXIX Rule 10 nor in its rejoinder claimed that the existence of a previous licence agreement between the parties would in any manner lead to an admission of infringement or validity of the Standard Essential Patents asserted in the Suit.

49. With respect to the claimed assurances given to make interim payments, he stated that the same were made in an effort to settle the dispute outside of litigation, and therefore cannot be construed to be an admission of any liability or requirement to submit any deposits during litigation in Court. This is evident from the email dated XXXXXXXXXX sent by Oppo to Nokia, the relevant extract of the same is reproduced hereunder:

XX
XX
XX
XX
XXXX

50. He stated, while making the submission, that Oppo has been restrained or found to be infringing Nokia's patents by international Courts, Nokia has failed to clarify that the patents that have been found to be infringed by Oppo have not been asserted in the present suit in India. Therefore, these decisions have no bearing on the disputes pending before this Court.

COURT'S REASONING

FURNISHING OF PRO-TEM SECURITY IS THE IMPLEMENTER'S OBLIGATION IN THE NEGOTIATION PHASE ITSELF

51. Having heard learned counsel for the parties, this Court is of the view that as held in *Huawei v. ZTE* (supra) payment of a pro-tem security is the implementer's obligation in the negotiation phase itself. The relevant portion of the judgment in *Huawei v. ZTE* (supra) is reproduced hereinbelow:-

“60. Accordingly, the proprietor of an SEP which considers that that SEP is the subject of an infringement cannot, without infringing Article 102 TFEU, bring an action for a prohibitory injunction or for the recall of products against the alleged infringer without notice or prior consultation with the alleged infringer, even if the SEP has already been used by the alleged infringer.

61. Prior to such proceedings, it is thus for the proprietor of the SEP in question, first, to alert the alleged infringer of the infringement complained about by designating that SEP and specifying the way in which it has been infringed.

62. As the Advocate General has observed in point 81 of his Opinion, in view of the large number of SEPs composing a standard such as that at issue in the main proceedings, it is not certain that the infringer of one of those SEPs will necessarily be aware that it is using the teaching of an SEP that is both valid and essential to a standard.

63. Secondly, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, it is for the proprietor of the SEP to present to that alleged infringer a specific, written offer for a licence on FRAND terms, in accordance with the undertaking given to the standardisation body, specifying, in particular, the amount of the royalty and the way in which that royalty is to be calculated.

64. As the Advocate General has observed in point 86 of his Opinion, where the proprietor of an SEP has given an undertaking to the standardisation body to grant licences on FRAND terms, it can be expected that it will make such an offer.

Furthermore, in the absence of a public standard licensing agreement, and where licensing agreements already concluded with other competitors are not made public, the proprietor of the SEP is better placed to check whether its offer complies with the condition of non-discrimination than is the alleged infringer.

65. **By contrast, it is for the alleged infringer diligently to respond to that offer, in accordance with recognised commercial practices in the field and in good faith, a point which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics.**

66. **Should the alleged infringer not accept the offer made to it, it may rely on the abusive nature of an action for a prohibitory injunction or for the recall of products only if it has submitted to the proprietor of the SEP in question, promptly and in writing, a specific counter-offer that corresponds to FRAND terms.**

67. **Furthermore, where the alleged infringer is using the teachings of the SEP before a licensing agreement has been concluded, it is for that alleged infringer, from the point at which its counter-offer is rejected, to provide appropriate security, in accordance with recognised commercial practices in the field, for example by providing a bank guarantee or by placing the amounts necessary on deposit. The calculation of that security must include, inter alia, the number of the past acts of use of the SEP, and the alleged infringer must be able to render an account in respect of those acts of use.**

68. **In addition, where no agreement is reached on the details of the FRAND terms following the counter-offer by the alleged infringer, the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party, by decision without delay.**

69. **Lastly, having regard, first, to the fact that a standardisation body such as that which developed the standard at issue in the main proceedings does not check whether patents are valid or essential to the standard in which they are included during the standardisation procedure, and, secondly, to the right to effective judicial protection guaranteed by Article 47 of the Charter, an alleged infringer cannot be criticised either for challenging, in parallel to the negotiations relating to the grant of licences, the validity of those patents and/or the essential nature of those patents to the standard in which they are included and/or their actual use, or for reserving the right to do so in the future.”**

(emphasis supplied)

TO BALANCE THE EQUITIES, THE INDIAN COURT HAS THE POWER TO PASS A PRO-TEM ORDER, IF THE FACTS SO WARRANT

52. Further, if the negotiations between the parties fail, it does not mean that an implementer can continue to derive benefit by using the technology of the

Standard Essential Patent proprietor in the interregnum without making any payments for such use.

53. This Court in *Intex. vs. Ericsson* (supra) relying on the Delhi High Court Rules governing patent suits, 2022 has recognized the concept of pro-tem security and has held that the Courts have the power to pass deposit orders even on the first date of hearing, if the facts so warrant.

54. This Court is of the view that it may not be necessary for a Standard Essential Patent holder to seek any pro-tem order in foreign jurisdictions/other jurisdictions because proceedings elsewhere are significantly faster than in India. In Germany, for instance, Nokia had pressed for final relief and had attained final decisions in several cases in short time.

55. Trial and final arguments take time in India. This Court in *Intex Vs. Ericsson* (supra) has recognized this reality and has attributed this to the low Judge-population ratio. In fact, this Court in *Intex Vs. Ericsson* (supra) after considering the foreign law and Indian realities has held that the Standard Essential Patent holder is not remediless till the final disposal of the suit. The relevant portion of the said judgment is reproduced hereinbelow:-

“ 61. Standard Essential Patents are treated differently from non-Standard Essential Patents- in at least in one respect i.e., the rights of a patentee in case of a Standard Essential Patents are circumscribed by its contractual commitment made to a SSO/SDO to make the patent available to all those who are willing licensees while the term of the patent is subsisting. Consequently, Intellectual Property Rights Policies of SDOs usually impose at least the following obligations on Standard Essential Patent holders:

- (i) The duty to disclose relevant patents as being Standard Essential Patents.*
- (ii) The duty to make available the Standard Essential Patents to all those who are willing to use it, and not to withhold access.*
- (iii) The duty to offer licences to all willing licensees on FRAND terms.*

62. A Standard Essential Patent holder, is therefore, at a disadvantage during the term of the patent itself, as it is deprived of:

- (a) freedom to decide whom to give a licence to.
- (b) freedom to decide the terms of a licence as it has to be on FRAND terms.
- (c) freedom to claim an injunction against an infringer, without prior negotiations.

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90. This Court is also of the view that one will have to adapt foreign jurisprudence with respect to Standard Essential Patent keeping in view the Indian realities, in particular, the fact that the judge-population ratio is extremely poor in this country and expeditious disposal of patent suits cannot be expected at the cost of other suits. One also cannot lose sight of the fact that legal regimes that do not preserve a reasonable expectation of injunctive relief against infringers in Standard Essential Patent litigations will have a counterproductive “domino effect” that shifts bargaining leverage to implementers in all Standard Essential Patent licensing negotiations, devaluing existing patent-protected technologies and disincentivising firms from developing new technologies. Absent any realistic prospect of an injunction within a reasonable period of time, the implementer enjoys access to the innovator’s technology, deriving revenues from the products and services that embody that technology, while, during the negotiations and litigation, the innovator earns nothing from the same technology that it developed at great cost and risk. This asymmetry is likely to lead to settlement amounts or, absent litigation, negotiated royalties that undervalue the innovator’s technology. This effectively transfers wealth from firms that specialize in developing technologies to firms (including some of the world’s most valuable companies) that specialize in using and integrating those technologies in branded devices/products sold to consumers.

91. Keeping in view the aforesaid as well as the fact that there is no prohibition in Indian law against a Standard Essential Patentee from seeking an injunction, this Court is of the view that Standard Essential Patent owners who file lawsuits can pray for interim and final injunctive relief if an infringer is deemed by a Court to be an “unwilling licensee,” often as indicated by the use of “stalling” and other opportunistic bargaining and litigation tactics.”

56. Additionally, in order to decide an application for interim relief under Order XXXIX Rules 1 and 2 CPC, the Court has to examine various aspects on merits, which would necessarily take time. In the interregnum, the infringing party would freely sell its devices using such Standard Essential Patents. If no security is offered during the interregnum, such party benefits, to

the disadvantage of the Standard Essential Patent holder as well as the other willing licensees and gets an unfair competitive edge in the market.

57. In the present case, nearly two years have lapsed since the institution of the suit and not a 'single farthing' has been paid by Oppo.

58. Consequently, to balance the equities between the parties, this Court has the power, if the facts so warrant, to pass a pro-tem order being a temporary arrangement without a detailed exploration of merits. This view, according to the Court, promotes a modernized and fair patent system, encourages ingenuity, creativity and intellectual activity as well as provides for a conducive environment for knowledge transfer. Needless to state that the nature of pro-tem security/deposit order as well as interim order will necessarily depend on the factual matrix of each case.

A PRO-TEM SECURITY ORDER CANNOT BE LIKENED TO AN INJUNCTION

59. This Court is further of the opinion that a pro-tem security order cannot be likened to an injunction order because unlike an injunction order it does not stop or prevent the manufacturing and sale of the infringing devices. The intent of a pro-tem security order is to either ensure maintenance of status-quo or to retain the Courts' power and ability to pass appropriate relief at the time of disposal of the injunction application under Order XXXIX Rules 1 and 2 or at the final stage. In the facts of the present case, the pro-tem security order does not confer any advantage upon Nokia as it only balances the asymmetric advantage that an implementer has over a Standard Essential Patent holder.

This Court in *Intex vs. Ericsson* (supra) has held as under:-

"72. Further, the implementer has to either accept the licensor's offer or give a counter offer along with an appropriate security in accordance therewith to prove its bonafides as in the interregnum it cannot freely sell its devices using

such Standard Essential Patents. If no ad-hoc royalty is paid during the interregnum, such party benefits, to the disadvantage of other willing licensees, and gets an unfair competitive edge in the market.”

60. Oppo’s reliance on *Natco Pharma Ltd. Vs. Bristol Myers Squibb Holdings Ireland Unlimited Company* (supra) is misplaced as it is a case in relation to injunction orders at the stage of Order XXXIX Rules 1 and 2 CPC. The Court in that case recognised that “*matters involving alleged infringement of patents constitute a separate species of litigation. A further sub-species would be those concerning pharmaceutical patents.*” In the same vein, cases concerning Standard Essential Patents would also constitute a separate sub-species of patent litigation as has already been recognized in *Intex v. Ericsson* (supra). In fact, this Court in *Intex v. Ericsson* (supra) has recognized that Standard Essential Patent cases are different as a Standard Essential Patent holder does not have the freedom to claim an injunction against an infringer, without prior negotiations under FRAND terms. This Court is of the view that principle underlying the Standard Essential Patents is that everyone has the right to enjoy the benefits of scientific progress and its applications, provided the user pays reasonable compensation to the patent owner or furnishes an appropriate security to prove its bonafides, as in the interregnum, it cannot freely sell its devices using such Standard Essential Patents. Consequently, the principles that are to be kept in mind while deciding applications for interim reliefs have to be tailored to suit the sub-species of the case being decided.

61. Further, the reliance by learned counsel for Oppo on *Interdigital Technology Corporation Limited and Ors. vs. Lenovo Group Limited and Ors.* (supra) is misplaced as it is a final decision of the UK Court, after trial, while this case is at the preliminary stage of pro-tem security. In pursuance of

the pro-tem security order, the money will be deposited in Court and the same will be reimbursed to Oppo should it succeed at the interim or final stage.

SECTION 140(1)(iii)(d) DOES NOT STIPULATE THAT AN EX-LICENSEE SHALL NOT BE REQUIRED TO PROVIDE SECURITY AT THE INTERIM STAGE

62. This Court is also of the view that Section 140(1)(iii)(d) of the Patents Act does not have any applicability to the facts of the present case at this stage when this Court is dealing with an application under Order XXXIX Rule 10 CPC. The said Section only precludes a patent licensor from including terms in a licence agreement, which prevent challenge to the validity of the patent in question. The said Section does not stipulate that in all cases, an ex-licensee who continues to make use of the patent even after expiry of the licence agreement shall not be required to secure the patent holder, at the interim stage, while the parties contest the main suit on merits. If that had been the case, then no ex-licensees could suffer an interim order or be called upon for making a security deposit thereby rendering the provisions of Order XXXIX Rules 1 & 2 CPC and Order XXXIX Rule 10 CPC otiose. But that is not even Oppo's case. In any event, this Court cannot brush aside that in the present case, Nokia is a patentee who is a holder of a valid patent granted by the Patent Office. The challenge thereof, being subject to trial, cannot be considered by this Court at this stage.

FOUR-FOLD TEST STIPULATED IN PARA 77 IS CONTRARY TO LAW

63. In *Intex Vs. Ericsson* (supra), this Court has already held that the four-fold test as stipulated in para 77 of the impugned judgment passed by the learned Single Judge is contrary to law. The relevant portion of the said judgment is reproduced hereinbelow :-

“112. Further, though while stipulating the four-fold test in *Nokia Vs. Oppo* (supra), the learned Single Judge has relied upon paragraphs 1 to 14 of *Unwired Planet v Huawei* (supra), yet it seems that the attention of the learned Single Judge was not drawn to subsequent paragraphs of the said judgment, in particular its paragraphs 60, 61 and 64. Paragraphs 14, 60, 61 and 64 are reproduced hereinbelow:-

“14. It appears from this brief review of the IPR Policy in its context that the following conclusions may be reached. First, the contractual modifications to the general law of patents are designed to achieve a fair balance between the interests of SEP owners and implementers, by giving implementers access to the technology protected by SEPs and by giving the SEP owners fair rewards through the licence for the use of their monopoly rights. Secondly, the SEP owner’s undertaking, which the implementer can enforce, to grant a licence to an implementer on FRAND terms is a contractual derogation from a SEP owner’s right under the general law to obtain an injunction to prevent infringement of its patent. Thirdly, the obtaining of undertakings from SEP owners will often occur at a time when the relevant standard is being devised and before anyone may know (a) whether the patent in question is in fact essential, or may become essential as the standard is developed, in the sense that it would be impossible to implement the standard without making use of the patent and (b) whether the patent itself is valid. Fourthly, the only way in which an implementer can avoid infringing a SEP when implementing a standard and thereby exposing itself to the legal remedies available to the SEP owner under the general law of the jurisdiction governing the relevant patent rights is to request a licence from the SEP owner, by enforcing that contractual obligation on the SEP owner. Fifthly, subject only to an express reservation entered pursuant to clause 6.2, the undertaking, which the SEP owner gives on its own behalf and for its affiliates, extends to patents in the same patent family as the declared SEP, giving the implementer the right to obtain a licence for the technology covering several jurisdictions. Finally, the IPR Policy envisages that the SEP owner and the implementer will negotiate a licence on FRAND terms. It gives those parties the responsibility to resolve any disputes as to the validity of particular patents by agreement or by recourse to national courts for determination.

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60. The submission also fails adequately to take into account the external context which we have discussed. Operators in the telecommunications industry or their assignees may hold portfolios of hundreds or thousands of patents which may be relevant to a standard. The parties accept that SEP owners and implementers cannot feasibly test the validity and infringement of all of the patents involved in a standard which are in a sizeable portfolio. An implementer has an interest in taking its product to

the market as soon as reasonably possible after a standard has been established and to do so needs authorisation to use all patented technology which is compromised in the standard. The implementer does not know which patents are valid and infringed by using the standard but needs authority from the outset to use the technology covered by such patents. Similarly, the owner who declares a SEP or SEPs does not know at this time which, if any, of its alleged SEPs are valid and are or will be infringed by use pursuant to the developing standard. The practical solution therefore is for the SEP owner to offer to licence its portfolio of declared SEPs. That is why it is common practice in the telecommunications industry for operators to agree global licences of a portfolio of patents, without knowing precisely how many of the licenced patents are valid or infringed. It is a sensible way of dealing with unavoidable uncertainty. It ought to be possible for operators in an industry to make allowance for the likelihood that any of the licenced patents are either invalid or not infringed, at least in calculating the total aggregate royalty burden in the “top down” method. By taking out a licence of an international portfolio of generally untested patents the implementer buys access to the new standard. It does so at a price which ought to reflect the untested nature of many patents in the portfolio; in so doing it purchases certainty. The IPR Policy was agreed against that background and the undertaking required from the SEP owner likewise needs to be interpreted against that background.

61. We therefore do not construe the IPR Policy as providing that the SEP owner is entitled to be paid for the right to use technology only in patents which have been established as valid and infringed. Nor do we construe the IPR Policy as prohibiting the SEP owner from seeking in appropriate circumstances an injunction from a national court where it establishes that an implementer is infringing its patents. On the contrary, the IPR Policy encourages parties to reach agreement on the terms of a licence and avoid litigation which might involve injunctions that would exclude an implementer from a national market, thereby undermining the effect of what is intended to be an international standard. It recognises that if there are disputes about the validity or infringement of patents which require to be resolved, the parties must resolve them by invoking the jurisdiction by national courts or by arbitration. The possibility of the grant of an injunction by a national court is a necessary component of the balance which the IPR Policy seeks to strike, in that it is this which ensures that an implementer has a strong incentive to negotiate and accept FRAND terms for use of the owner’s SEP portfolio. The possibility of obtaining such relief if either expressly or by necessary implication. The IPR Policy imposes a limitation on a SEP owner’s ability to seek an injunction, but that limitation is the irrevocable undertaking to offer a licence of the relevant technology on FRAND

terms which if accepted and honoured by the implementer would exclude an injunction.

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64. We agree with the parties that the FRAND obligation in the IPR Policy extends to the fairness of the process by which the parties negotiate a licence. If an implementer is concerned about the validity and infringement of particularly significant patents or a group of patents in a particular jurisdiction which might have a significant effect on the royalties which it would have to pay, it might in our view be fair and reasonable for the implementer to reserve the right to challenge those patents or a sample of those patents in the relevant foreign court and to require that the licence provide a mechanism to alter the royalty rates as a result. It might also be fair and reasonable for the implementer to seek to include in the licence an entitlement to recover sums paid as royalties attributable to those patents in the event that the relevant foreign court held them to be invalid or not infringed, although it appears that that has not been usual industry practice. Huawei suggests that it would serve no purpose for a UK court to fix the terms of a global licence but to provide for the alteration of royalties in the event of successful challenges to declared SEPs overseas. This would, it suggests, reduce a licence to an interim licence. Again, we disagree. Under a FRAND process the implementer can identify patents which it wishes to challenge on reasonable grounds. For example, in the Conversant case, it might well be argued by Huawei or ZTE at trial that the obligation of fairness and reasonableness required any global licence granted by Conversant to include provision to allow for Huawei or ZTE to seek to test the validity and infringement of samples of Conversant's Chinese patents, with the possibility of consequential adjustment of royalty rates, given the importance of China as a market and a place of manufacture. In other cases, such challenges may make little sense unless, at a cost proportionate to what was likely to be achieved in terms of eliminating relevant uncertainty, they were likely significantly to alter the royalty burden on the implementer."

(emphasis supplied)

*113. Consequently, the test formulated in **Nokia Vs. Oppo** (supra) that no amount can be paid unless the four factors mentioned therein are fulfilled, is not borne out from **Unwired Planet v Huawei** (supra) and is also contrary to its paragraph 151 (quoted hereinbefore), which holds that interim relief on Standard Essential Patent disputes has to be granted based on the different legal regimes in different jurisdictions.*

*114. Further, the learned Single Judge in **Nokia Vs. Oppo** (supra) has set an impossibly high bar for admission in a case of Standard Essential Patent FRAND*

infringement, i.e., there has to be an unequivocal admission on (i) essentiality and validity of the suit patents (ii) fact of utilization (iii) fact that such utilization, absent payment of liability would amount to infringement (iv) that the royalty rate proposed by the Plaintiff was FRAND. If there was an unequivocal admission on all four counts, there would be no necessity to file a suit for infringement at all and otherwise also, same would mean seeking/passing of a final decree at the interim stage!

115. In the opinion of this Court, the four-fold test casts an onerous burden upon the Standard Essential Patentee and that too at the interim stage itself. In fact, the said burden is completely alien to the patent jurisdiction and does not apply even in normal patent suits.

*116. It is also pertinent to mention that the learned Single Judge in **Nokia Vs. Oppo** (supra) judgment does not consider or discuss the Delhi High Court Rules Governing Patent Suits 2022, even when the said rules specifically empower this Court to pass deposit orders even on the first date of hearing.*

*117. Moreover, if the four-fold test stipulated in paragraph 77 of the **Nokia Vs. Oppo** (supra) is applied, then effectively there will be no interim order like a temporary injunction or conditional order of deposit in the Standard Essential Patent suits. Such a view, in the Court's opinion, would be contrary to Section 48 of Patents Act, Code of Civil Procedure as well as Standard Essential Patent regime which is aimed at achieving a uniform standard in technologies. If the four-fold test is accepted, there will be no incentive to innovate and it will have a 'Domino Effect' as pointed out hereinabove. Consequently, the four-fold test in **Nokia vs. Oppo** (supra) is neither applicable at Order 39 Rule 10 CPC stage nor at Order 39 Rules 1 and 2 CPC stage."*

THE TEST APPLICABLE FOR PASSING A JUDGMENT UNDER ORDER XII RULE 6 CANNOT BE IMPORTED INTO ORDER XXXIX RULE 10

64. This Court is of the view that the impugned judgment incorrectly holds that the scope of Nokia's application under Order XXXIX Rule 10 is narrower than under Order XII Rule 6 CPC.

65. This is because Order XII CPC deals with "Admissions" whereas Order XXXIX CPC deals with "Temporary Injunctions and Interlocutory Orders". The language of Order XII Rule 6 CPC requires an "admission of fact", whereas Order XXXIX Rule 10 CPC only requires a party to admit that money is due to other party. Further, the Court is entitled under Order XII Rule 6 CPC to pass a judgment on admission as the Legislature itself conceptualized Order

XII Rule 6 CPC to be applicable on an admission “of fact” where no further trial is required by the court to deliver its judgment, whereas the Court is entitled under Order XXXIX Rule 10 CPC to pass interim orders.

66. The said admission though sufficient for an interim deposit order under Order XXXIX Rule 10 CPC, is further subject to the outcome of trial. Thus, as Order XXXIX Rule 10 CPC has been enacted for passing interim orders pending the final outcome of the suit only, the threshold for admissions necessarily has to be different than that under Order XII Rule 6 CPC.

67. Had the scope been narrower, or even identical, then the Legislature in its wisdom, would not have enacted two separate provisions of law to cater to two different situations.

68. The Division Bench of the High Court of Bombay in **Rajul Manoj Shah vs. Navin Umarshi Shah** (supra) has rightly held that the threshold of admission required for applicability of the two provisions is different and applying a strict standard of Order XII Rule 6 CPC would make the existence of Order XXXIX Rule 10 CPC otiose. This Court is also in agreement with the view of the Bombay High Court in **Rajul Manoj Shah vs. Navin Umarshi Shah** (supra) to the extent it disagrees with the ratio of the judgment of the learned Single Judge of this Court in **Harish Ramchandani vs. Manu Ramchandani** (supra) and holds that the test applicable for passing a judgment on admission under Order XII Rule 6 cannot be imported in Order XXXIX Rule 10 CPC which empowers the Court to pass an interim order. The relevant portion of the judgment in **Rajul Manoj Shah** (supra) is reproduced hereinbelow:-

22 *The power under Rule 10 of Order XXXIX is a power to pass an interim order pending suit. But the power under Rule 6 of Order XII is a drastic power of passing a decree on admission without conducting trial. The standards*

applicable to a provision conferring power to pass a decree on admission cannot be applied to Rule 10 of Order XXXIX which empowers the Court to pass an interim order. Therefore, in our view, the test applicable for passing the judgment on admission under Rule 6 of Order XII of the said Code cannot be imported in Rule 10 of Order XXXIX ”

69. This Court is further of the opinion that the judgment of the Supreme Court in **Karan Kapoor v. Madhuri Kumar** (supra) does not hold that the test of Order XII Rule 6 CPC has to be applied while deciding an application under Order XXXIX Rule 10 CPC.

THE ADMISSION REQUIRED UNDER ORDER XXXIX RULE 10 CPC IS OF A RELATIONSHIP OF A LICENSEE-LICENSOR OR ITS OBLIGATION TO MAKE PAYMENT OF SOME LICENSE FEE

70. This Court is of the view that in view of the settled law the admission required under Order XXXIX Rule 10 CPC in the present case is not of the quantum of money claimed by Nokia; instead, all that is required is Oppo's admission of a relationship of a licensee-licensor or its resultant obligation to make payment of some license fee.

71. Further, where there is a dispute about the quantum of liability, then the minimum deposit that ought to be ordered normally is the last-paid-fee.

72. In the present case, Oppo has clearly admitted that it is an ex-licensee of Nokia. It has admitted its need to secure a licence of Nokia's Standard Essential Patents after the expiry of the 2018 Agreement, or why else would it be in talks with Nokia. It has also admitted that it owes money by making counter-offers, including offers to make interim deposits each of which ran into XXXXXXXXXXXX of US Dollars or why else did it make such huge offers if there was no need for taking a licence of Nokia's Standard Essential Patents. Consequently, the tests of Order XXXIX Rule 10 CPC are satisfied in the present case.

IN ANY EVENT, COURT CAN EXERCISE POWERS UNDER SECTION 151 CPC WHERE ORDER XII RULE 6 OR ORDER XXXIX RULE 10 CPC MAY NOT BE APPLICABLE FOR THE PURPOSE OF DOING JUSTICE

73. In any event, this Court is of the view that in exercise of its inherent power under Section 151 CPC as an interim measure, it can pass a pro-tem order for balancing the equities with a view to aid a party.

74. This Court is in agreement with the learned senior counsel for Nokia that the impugned order erroneously records that Nokia did not base its request for interim deposit by Oppo on any other ground besides admissions made by Oppo of its obligation to make payment of royalties to Nokia. In fact, learned senior counsel for Nokia had urged the learned Single Judge to invoke his inherent powers to do substantial justice under Section 151 of the CPC, 1908 on account of:-

- (i) Precedents of this Court holding that inherent powers ought to be invoked to order deposit of interim payment where the relationship of licensor-licensee is not disputed.
- (ii) The established practice of this Court in disputes concerning unlicensed use of Standard Essential Patents (SEPs) which acknowledges *pro tem* deposits.
- (iii) International jurisprudence and policy, specific to Standard Essential Patents disputes.
- (iv) The financial instability of the group, raids and investigations conducted thereon by the Income Tax Department on charges of tax-evasions from the Government of India.

75. The learned Single Judge while noting the argument by the learned counsel for Nokia in paragraphs 32 and 75 of the impugned judgment on the

analogy of landlord-tenant cases and last paid rent which rely on Section 151 CPC does not enter any finding on this aspect.

76. A learned Single Judge of this Court in *Sanjay Gupta vs. Cottage Industries Exposition Ltd., 2008 SCC OnLine Del 37* quoted with approval the decision in *Surjit Singh vs. H.N. Pahilaj, 1996 SCC OnLine Del 754*, wherein it was held that every Court is constituted for the purpose of doing justice according to law and must be deemed to possess by virtue of Section 151 CPC, as a necessary corollary and as inherent in its very constitution, all such powers as may be necessary to do the right and to undo a wrong in the course of the administration of justice. In the said case, it was further held that in appropriate cases, the Court can exercise powers under Section 151 CPC where Order XII Rule 6 or Order XXXIX Rule 10 CPC may not be applicable for the purpose of doing justice or to prevent abuse of the process of the Court.

77. A Division Bench of the High Court of Bombay (Nagpur) in *Chandrakant Shankarrao Deshmukh vs. Haribhau Tukaramji Kathane & Ors., 1982 SCC OnLine Bom 152* has also held that whereas the principle and provisions of Section 151 CPC can be exercised and utilised in aid and in furtherance of the provisions expressly made in the CPC, they cannot be employed as against the said provisions.

78. Consequently, a combined result of Section 151, Order XII Rule 6, Order XXXIX Rule 10 CPC is that the Courts have the power to pass orders for deposit of money pending decision in a suit, if the facts so warrant. Section 151 CPC can be called in aid to cover cases which are analogous to these principles but may not be directly covered by the express words in the Code.

COURT IN THE PAST HAS PASSED PRO-TEM ORDERS

79. This Court in many cases, relating to Standard Essential Patent disputes, in the past has passed pro-tem orders asking the implementers to make security deposits in Court. [See: *Xiaomi Technology and Anr. Vs. Telefonaktiebolaget LM Ericsson (Publ) and Anr., FAO (OS) 522/2014* dated 16th December, 2014, *Telefonaktiebolaget LM Ericsson(Publ) Vs. Mercury Electronics & Anr. CS (OS) 442/2013, Philips vs. Xiaomi, CS(COMM) 502/2020*].

80. The contention of Oppo, that most of the cases cited by Nokia where the Courts have passed pro-tem orders directing interim deposits to be made were consent orders and thus not applicable, is untenable in law. If Oppo seeks to contend that the Court does not have the jurisdiction to pass such pro-tem orders in the absence of any adjudication on merits of the case, it cannot in the same breath go on to contend that such orders can be passed with consent of the parties. Consent of the parties cannot be held to confer jurisdiction on the Courts to pass orders which it could not have done otherwise. If passing of pro-tem orders were beyond the jurisdiction of the Courts the same could not have been passed merely because the parties consented to it.

KEEPING IN VIEW OPPO'S CONDUCT PRIOR TO LITIGATION, THIS COURT CANNOT BUT DRAW A CONCLUSION THAT A PRIMA FACIE CASE OF INFRINGEMENT IS MADE OUT

81. Normally speaking, a pro-tem deposit should be directed only after a *prima facie* finding of essentiality and validity of the suit patents has been recorded, but in the present case where Oppo itself licensed the Standard Essential Patents of Nokia against royalty payments running into XXXXXXXX under the 2018 Agreement over a three year period and admitted its

obligation in law to secure a new licence agreement commencing July, 2021 for Standard Essential Patents of Nokia, there arises a *prima facie* presumption that the challenge to essentiality and validity of Nokia's patents is merely an afterthought. This Court is in agreement with learned counsel for Nokia that at this *prima facie* stage it would be fair to infer that no one pays good money for generally disputed patents. In fact, it was Oppo's case in its pleading before the learned Single Judge that during the course of pre-suit negotiations, the new licensing rate offered by Nokia was unreasonably higher than what was previously agreed to.

82. Also, after expiry of the 2018 Agreement, Oppo repeatedly made several counter-offers including the ones on XXXXXXXXXXXXXXXXXXXXXXX after detailed technical discussions as well as agreed to make interim payments to Nokia and even filed a suit in Chongqing China, for determination of FRAND rates.

83. This Court is of the view that Oppo FRAND case in China is a *prima facie* admission that Nokia does own Standard Essential Patents and that Oppo must necessarily license it against FRAND royalty payment.

84. Consequently, as Oppo is an ex-licensee who has paid royalty for three years without raising any dispute over the essentiality or validity of Nokia's patents at any stage prior to the present litigation and has offered to make interim payments and has even filed a suit for determination of FRAND rate, this Court cannot but draw a conclusion that a *prima facie* case of infringement is made out. However, it shall be open to the implementer/Oppo to lead evidence during trial to rebut this presumption/*prima facie* view.

OPPO OFFERS WERE IN THE CONTEXT OF LITIGATION AND CAN BE RELIED UPON

85. Oppo's emails were not simply offers for making interim payments after expiry of the 2018 Agreement and till the parties agreed on a FRAND rate, as XXXXXX emails XXXXXXXXXXXXXXXXXXXXXXX offered interim payments, while mooted the idea of going to a Chinese Court to set global FRAND rates.

86. In another letter dated XXXXXXXX, Oppo rejected Nokia's proposal for arbitration by stating that parties can have the interim payment decided by a 'suitable court'.

87. Consequently, Oppo offers of making interim payments were not part of its "without prejudice offer" to settle the disputes out of Court but rooted in the context of litigation and can be relied upon in the Court proceedings.

NON-FURNISHING OF COMPARABLE PLAs IS IRRELEVANT AT THIS STAGE

88. As regards non-furnishing of comparable PLAs is concerned, this Court is of the view that the said issue is irrelevant as the Court is not directing Oppo to pay the FRAND rate at this stage. Even the learned Single Judge has not held that Nokia ought to have supplied its PLAs to Oppo.

2018 AGREEMENT WAS NOT A LICENCE FOR NON-STANDARD ESSENTIAL PATENTS

89. The standstill clause in the 2018 agreement, titled as XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX was not a licence for non-Standard Essential Patents, but only a deferred agreement to not sue for three years as Oppo had agreed to pay FRAND royalties to Nokia. However, now that the licence has expired, Nokia is exercising its right to sue and claim

injunctive relief *qua* its Non-Standard Essential Patents. It is pertinent to mention that Nokia is not seeking pro-tem security for its non-Standard Essential Patents in the present proceedings.

TESTS OF BALANCE OF CONVENIENCE AND IRREPARABLE HARM SATISFIED

90. As the delay in adjudication of cases tends to benefit the implementer/ Oppo, this Court is of the view that a deposit at the pro-tem stage with the Registry of this Court of the last paid amount attributable to India under the 2018 Agreement which is lower than what Nokia had claimed as FRAND and what Oppo had itself offered to pay as interim payments (vide emails dated XX would balance the equities. Such an approach balances the interests of right owners with the larger public interest. Keeping in view the aforesaid findings, this Court is of the opinion that the balance of convenience is in favour of Nokia and if a pro-tem order is not passed, Nokia shall suffer irreparable harm and injury.

THERE IS OBJECTIVE MATERIAL TO DETERMINE THE QUANTUM OF PRO-TEM SECURITY

91. In the present case, in view of the 2018 Agreement and Oppo's willingness to renew the licence agreement and multiple counter-offers extended by it, there is objective material on record to determine the quantum of pro-tem security. In any event, the pro-tem arrangement asked for by Nokia, in the alternative, is for deposit of security amount with this Court of an amount which was actually being paid by Oppo under the 2018 Agreement executed between the parties *inter se* so that in the event the matter is decided in favour of the plaintiff, the Court has the ability to grant the relief.

IN ELEVEN OUT OF THE THIRTEEN PROCEEDINGS FILED GLOBALLY, COURTS HAVE FOUND INFRINGEMENT ON PART OF OPPO

92. It is pertinent to mention that out of the thirteen (13) proceedings filed globally *inter se* between the parties with regard to the same portfolio of Standard Essential Patents, eleven (11) Courts [including those of Netherlands and United Kingdom in a (non-SEP case)] have found infringement to be established and five (5) Courts [including German Courts] have found Oppo to be an unwilling licensee. A corresponding patent to one of the suit patents being IN'066 has been held to be essential, valid and infringed by a German Court in a proceeding filed by Nokia against Vivo. The non-infringement decision in the case of IN'531 in Germany is a Non-Standard Essential Patent. The third Standard Essential Patent being IN'929 has been declared invalid in China but due to pendency of appeal, it has not been removed and is still on the register. In nine (9) out of thirteen (13) proceedings injunction has been granted against Oppo. Even the Brazilian Appellate Court's decision in Interlocutory Appeal #0012886-26.2023.8.19.0000 has cited the past 2018 Agreement and ongoing negotiations as one of the reasons for denying relief to Oppo in appeal.

RELIEF CAN BE GRANTED EVEN IF INFRINGEMENT OF ONE PATENT IS PRIMA FACIE ESTABLISHED

93. This Court in *Intex Vs. Ericsson* (supra), has already held that an injunction can be secured, even if the infringement of one patent is established either *prima facie*, or at the final stage.

94. This Court in the said judgment has held that if the patentee shows that even if one of the patents in a product has been infringed, then the

implementer's product cannot be sold and all the thousands of patents therein will be of no use to the implementer. Accordingly, if a case for infringement, even with regard to one patent, is made out, it is like a 'silver bullet'.

95. Consequently, to restrain an infringing device, a Standard Essential Patent holder does not have to sue based on each of the thousands of patents that it claims to own in the product; it can do so by showing that one, or a handful of representative patents are infringed.

NO NEED FOR A REMAND

96. The Supreme Court has repeatedly deprecated the practice of remand and has held that order of remand is not to be passed in a routine manner because an unwarranted order of remand merely elongates the life of the litigation without serving the cause of justice. The law on remand also mandates the Division Bench to decide the case fully especially when all the material required to pass a full decision is already available. (See: *Zarif Ahmad (Dead) Through Legal Representatives And Another Vs. Mohd. Farooq, (2015) 13 SCC 673 and Shivakumar And Others Vs. Sharanabasappa and Others, (2021) 11 SCC 277*)

BANK GUARANTEE IN QUESTION PROVIDES NO SECURITY

97. The issue as to whether the bank guarantee furnished by Oppo in Germany was at the instance of the Court and whether it constitutes an adequate security can only be decided by referring to the terms of the 'Bank Guarantee'. Accordingly, the relevant terms of the Bank Guarantee are reproduced hereinbelow:-

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98. Having perused the aforesaid terms, this Court is of the view that the said bank guarantee offered by Oppo in Germany was in compliance with the general directions contained in the judgment of the European Court of Justice in the case of *Huawei v. ZTE* (supra) and not in accordance with any specific direction passed by any Court.

99. This Court is further of the opinion that the said bank guarantee is encashable only once a FRAND agreement has been concluded and there is a default in payment obligations under the yet to be concluded agreement!

100. Consequently, this Court is in agreement with the contention of the learned senior counsel for Nokia that German bank guarantee is a 'smoke

screen’ as it will only come into fruition once a licence agreement has been signed – i.e., it provides no security at all until a licence agreement is entered into. It is also to be noted that the said bank guarantee in question is not amenable to this Court’s jurisdiction.

101. Further, though German Courts have not expressly assessed the sufficiency or adequacy of the bank guarantee, yet insufficiency of the past bank guarantee is evident from the fact that despite a bank guarantee having been furnished, the German Court has found Oppo to be an unwilling licensee and has permanently restrained it from manufacturing and selling its devices in that country.

102. It is also interesting to note that pursuant to the order of the German Court, Oppo has chosen to suspend its operations in the German market, rather than take a licence for Nokia’s Standard Essential Patents. Consequently this Court is of the *prima facie* view that Oppo is an unwilling licensee.

CONCLUSION

103. Keeping in view the status of Oppo as an ex-licensee, its admission that its phones use Nokia’s patents, its willingness to renew the 2018 Agreement and make interim payments as late as June 2021, the fact that it has approached a Court in China for determining a FRAND rate as well as the consistent practice of this Court and the financial condition of Oppo, this Court is of the view that the impugned judgment is contrary to the facts as well as settled principles of law. Accordingly, the present appeal is allowed and the impugned order is set aside. This Court also directs the respondent to deposit the ‘last paid amount’, attributable to India i.e. Twenty Three per cent (23%)

of XX (the last paid amount) under the 2018 Agreement within four weeks. This Court clarifies that the observations made in the present order are only for deciding the present appeal and shall not prejudice either of the parties in any other proceedings or at the final hearing of the suit.

MANMOHAN, J

SAURABH BANERJEE, J

JULY 3, 2023
TS/AS/js