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Delhi High Court awards damages in addition to royalty fees in a standard essential patent infringement suit

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Recently, the Delhi High Court, in the matter of Koninklijke Philips Electronics N.V. (Plaintiff) v Rajesh Bansal and Ors (Defendants), after duly conducting and concluding a trial in the suit has passed a decree in favour of the Plaintiff for infringement of its standard essential patent (SEP).

Background

The Plaintiff filed a patent application in 1995 in the field of DVD video players, entitled 'Decoding device for converting a modulated signal to a series of M-bit Information Words', which was granted as patent number IN-184753 (Suit Patent) in 2001. The Suit Patent was basically for channel decoding technology used in a DVD video player.

In and around the year 2009, the Plaintiff instituted two suits (which were later consolidated) for infringement of their Suit Patent against the Defendants inter alia seeking reliefs of permanent injunction, delivery, rendition of accounts and damages. As per the Plaintiff any party interested in the manufacturing of DVD video players should have licensed all the SEPs of the relevant patent pool, and categorically claimed that the Suit Patent is one such SEP. The Plaintiff claimed that the DVD video players manufactured, assembled and sold by the Defendants employed the technology in accordance with the claims of the Suit Patent, and thus were infringing the Suit Patent. Pursuant to the Defendants contesting the suit, the Delhi High Court decided on the following critical issues.

Validity of the Suit Patent

Although the Defendants contended that the Suit Patent is an algorithm and thus non-patentable, the Suit Patent was held to be valid as no pleadings or evidence was led by the Defendants, nor was a counter-claim preferred by the Defendants.

Is the Suit Patent actually a SEP?

Based on the essentiality certificates and reports of the corresponding United States and European patents, the Suit Patent was held to be a SEP, as the Defendants failed to prove otherwise.

Was the Suit Patent infringed?

The Defendants' products were held to be infringing as the Suit Patent was a SEP, and thus unauthorised use or manufacture of the DVD player incorporating the technology as claimed in the Suit Patent by the Defendants without a license amounts to infringement. Although the Defendants, relying on the doctrine of exhaustion, contended that the major components of the DVD players were procured by the Defendants from authorised licensees, the Defendants failed to prove that such licensees were the licensees of the Plaintiff. Interestingly, apart from

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tests carried out by the witness of the Plaintiff, there was no reliance on claim construction or claim comparison to arrive at the conclusion of infringement of the Suit Patent.

License fee and Damages

Although no injunction was granted, considering the Suit Patent expired in 2015, the Plaintiff was allowed to recover royalty at a license fee of USD 3.175 per DVD player manufactured or sold by the Defendants from institution of the lawsuit till 27 May 2010; and USD 1.90 from 27 May 2010 till the expiry of the patent viz. 12 February 2015. The variation in royalty rate was aligned with the changes in the royalty rate charged by the Plaintiff before and after May 2010. Additionally, due to the conduct of the Defendants and the fact that the one of the Defendants was an ex-employee of the Plaintiff, punitive damages of INR 500,000 and actual costs including the lawyer's fees, court fees and local commissioner's fees were also granted in the Plaintiff's favour.

Comment

This is one of the first matters in which an entire trial in respect of infringement of an SEP was conducted and which resulted in a decree being passed. While DVD technology may now be obsolete, a full trial on the enforcement of a SEP awarding punitive damages and costs in addition to the license fee even after expiry of the patent is encouraging for innovators/pioneers. However, an opportunity for bringing clarity, at least on the criteria to determine a SEP in India seems to have been lost.

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