

Asian Patent Lawyer's Annual

**Protecting
innovation:
navigating the
complexities
of patent law
in Asia**

Tips, tricks, and best practices
from leading lawyers

SEP holders entitled to pro-tem security payment according to Delhi High Court

Manisha Singh and Virender Singh of LexOrbis evaluate the *Nokia v. Oppo* case, which drew on rulings from the *Intex v. Ericsson* case, to assess the current responsibilities of licensors when it comes to SEPs to ensure infringement is avoided at the end of an agreement.

A division bench of the Delhi High Court ('Court') in its judgment dated 3 July 2023, in the matter of *Nokia Technologies OY v. Guangdong Oppo Mobile Telecommunications Corp Ltd & Ors.*, ruled that payment of pro-tem security is the implementer's obligation in the negotiation phase itself of a Standard Essential Patent (SEP) infringement suit. The division bench of Justice Manmohan and Justice Saurabh Banerjee clarified that, depending on facts, the Court has the power to pass a Pro-Tem Order in order to balance the interests of both parties.

Factual matrix

Nokia and Oppo entered into a cross-license agreement for use of Nokia's SEPs in 2018 for a period of three years which expired 30 June 2021. Nokia filed the underlying suit for infringement of its three SEPs upon failure of execution of a fresh license agreement between the parties. The underlying suit was filed before a Single Judge in July 2021. The Single Judge dismissed Nokia's application stating that the court lacked the power to do so without examining the merits of the case. The Appellant, Nokia, then filed the present appeal before the division bench against the order dated 17 November, 2022 passed by the Single Judge.

Pleadings and arguments on behalf of Nokia

Nokia contended that while seeking the pro-tem deposit, sufficient facts and law had been pleaded by it before the learned Single Judge.



Manisha Singh



Virender Singh

Nokia submitted that admitting to the past licensor-licensee relationship between the two companies, Oppo had also offered to make payments of royalties for a fresh license. It was further contended by Nokia that international and local jurisprudence mandate payment of security deposits by an implementer of SEPs at the pro-tem stage in almost all cases. Nokia stated that Oppo had been subject to injunction orders in Germany as it had been found to be an unwilling licensee by the Courts in Germany.

Nokia further contended that most of the issues raised in the present appeal have been recently decided by the Court in *Intex Technologies (India) Ltd. v. Telefonaktiebolaget L.M. Ericsson* and are no longer res integra. Relying on the judgment in *Intex v. Ericsson*, Nokia stated that the judgement specifically held that implementers of SEPs are obligated to furnish security to the owner of the SEP. Lastly, citing the unstable financial condition of Oppo India, Nokia contended that it is also important to secure Nokia's interests and an order for deposit of money on a pro-tem basis won't enrich Nokia's account as it will only be deposited in the Court.

Oppo's arguments

Oppo argued that a patent holder cannot seek an interim or even a permanent injunction as a matter of right in SEP matters. Comparing a pro-tem arrangement to a conditional injunction order, Oppo submitted that before the grant of relief, the plaintiff must pass the four-fold test



stipulated by the learned Single Judge. Oppo further argued that there can be no finding of "unwillingness" prior to an assessment of the infringement, essentiality, and validity claims made by an SEP holder which is in accordance with the judgment in *Intex v. Ericsson* and is also a consistent practice across the world.

Oppo contended that only on the basis of Oppo being an ex-licensee or having admitted an obligation to make interim payments, a *prima facie* case cannot be said to be established against Oppo. Arguing further against the pro-tem security deposit, Oppo submitted that the claimed assurances given to make interim payments cannot be construed to be an admission of any liability or requirement to submit any deposits during litigation in Court as the same were made in an effort to settle the dispute outside of litigation.

Court's analysis and findings

The Court, after hearing both parties, held that payment of a pro-tem security is the implementer's obligation in the negotiation phase itself. The implementer cannot continue to derive benefit by using the SEP technology without making any payments for such use if the negotiations between the parties fail. The Court, referring to *Intex v. Ericsson*, affirmed that the Indian Courts have the power to pass deposit orders even on the first date of hearing, if the facts so warrant. The Court observed that it takes time to examine various aspects on merits for deciding an application for interim relief and if no security is offered to the SEP holder during the interregnum, the implementer gets an unfair advantage over the SEP holder as well as other willing licensees in the market.

Résumés

Manisha Singh, Partner

Manisha is known to be one of the most reputed lawyers in the intellectual property domain, with a decorated career of over 25 years. She has served as a vital advisor to corporations and research organizations in handling intellectual property matters and developing strong IP portfolios. She is ceaselessly engaged in endeavors to strengthen India's IP protection and enforcement system to align it with international standards and work closely with industry associations and the government. Manisha has served as the leading counsel for a client base in over 138 countries in their IP management and litigation matters. She is identified by her clients as a seasoned and reliable counsel for the prosecution and enforcement of all forms of IP rights, and planning and management of global patents, trademarks, and designs portfolios. She has also led numerous negotiation deals on behalf of her clients for both IP and non-IP litigation and dispute resolution.

Virender Singh, Associate Partner

Virender is a registered Indian patent agent and an Advocate with a graduate degree in Electronics & Communication Engineering. Virender is a member of the Delhi High Court Bar Association. He has more than 16 years of rich experience in the field of intellectual property and a total experience of more than 18 years including corporate and academic experience. His expertise includes end-to-end portfolio/asset management for big corporations, patent prosecution, innovation management, IP strategy, and patent search and analytics. He has substantial experience in prosecuting international patent applications before the USPTO, EPO, etc., and national phase applications before the Indian Patent Office. He has worked closely with several national and international clients to manage their patent portfolios. Virender also speaks at various seminars/conferences and actively publishes articles on various subjects related to patents.

The Court clarified that a pro-tem security order does not confer any advantage upon an SEP holder as it only balances the asymmetric advantage that an implementer has over an SEP holder. Further, it clarified that a pro-tem security order is not like an injunction order as it does not stop or prevent the manufacturing and sale of infringing devices. The Court also clarified that Section 140(1)(iii)(d) of the Patents Act is not applicable to the facts of the present case as the said Section only prevents a patent licensor from including terms that prevent a challenge to the validity of the patent in question in a license agreement. The said Section does not warrant that an ex-licensor shall not be required to provide pro-tem security payment, at the interim stage, to the SEP holder.

Further, the Court, in agreement with Nokia's contentions and referring to the judgment in *Intex v. Ericsson*, held that the four-fold test as stipulated in the impugned judgment passed by the learned Single Judge is contrary to law. The Court, while taking into account Section 151, Order XII Rule 6, Order XXXIX Rule 10 CPC held that Indian law under the said sections empowers the Courts to pass orders for deposit of a pro-tem amount with the court in case the Defendant admits that it owes money to the Plaintiff. The Court stated that in view of the suit filed by Oppo in China for

“**An SEP holder can secure an injunction even if the infringement of one patent is established either prima facie or at the final stage.**”

the determination of the FRAND rate and the fact that Oppo had already paid a royalty for three years without raising any dispute over the essentiality or validity of Nokia's patents at any stage earlier, a *prima facie* case of infringement can be made out in the present case.

Conclusion

The Court, while holding Oppo an unwilling licensee, held that an SEP holder can secure an injunction even if the infringement of one patent is established either *prima facie* or at the final stage. The Court while allowing the appeal observed that the impugned judgment is contrary to the facts as well as settled principles of law. Further, the Court directed Oppo to deposit 23% of the amount Oppo paid under the expired 2018 License Agreement within four weeks as the portion of Oppo's sales in India is 23% of its global sales.

Contact

LexOrbis

709/ 710, Tolstoy House, 15-17, Tolstoy Marg, New Delhi- 110001, India
 mail@lexorbis.com
 www.lexorbis.com



Your most
trusted
 IP Partner

- » **IBLJ:** 2019 Indian Law Firm Awards, IP Protection
- » **WTR 1000:** 2019 Indian Law Firm Awards, IP Protection
- » **Managing Intellectual Property:** 2019, Tier 3, Trademark Prosecution
- » **Legal Era:** 2019 IP Star women of the year, Manisha Singh
- » **GIPC:** 2019 Award for Excellence for invaluable services in the field of IP to Manisha Singh
- » **IAM Patent 1000, 2018:** Recommended Law Firm - Patent Prosecution
- » **India Business Law Journal, 2018:** Manisha Singh recognized as one of India's Top 100 Lawyers, The A-List
- » **Asia Law Profile 2018:** Rated as Notable Firm, Asia Pacific Region
- » **Asialaw 2018:** Manisha Singh recognized as Leading Lawyer for IP
- » **Managing Intellectual Property, 2018:** Rated as a Tier 3 Firm in Patent Prosecution
- » **World Intellectual Property Forum:** 2018, Ranked and Awarded amongst the Top 10 most Prestigious & Trusted IP Law firms of India, 2018
- » **World HRD Congress:** 2018, ET NOW, Stars of the Industry Award for Excellence