

The Patent Lawyer

GLOBAL REACH, LOCAL KNOWLEDGE

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**Up, up,
and away:
navigating
the skies
of future
telecoms with
Farnaz Massoumian,
Vodafone**



Farnaz sits down with *The Patent Lawyer* to discuss her unique journey into intellectual property, the critical role of patents in driving innovation within the telecoms industry, and the company's strategic efforts to harness emerging technologies like AI, 5G, and IoT for future growth and development.

**One year patents
in Brazil?**

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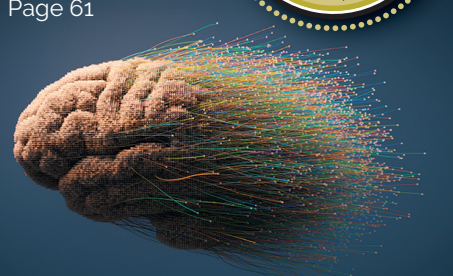
Landmark SEP patent battle

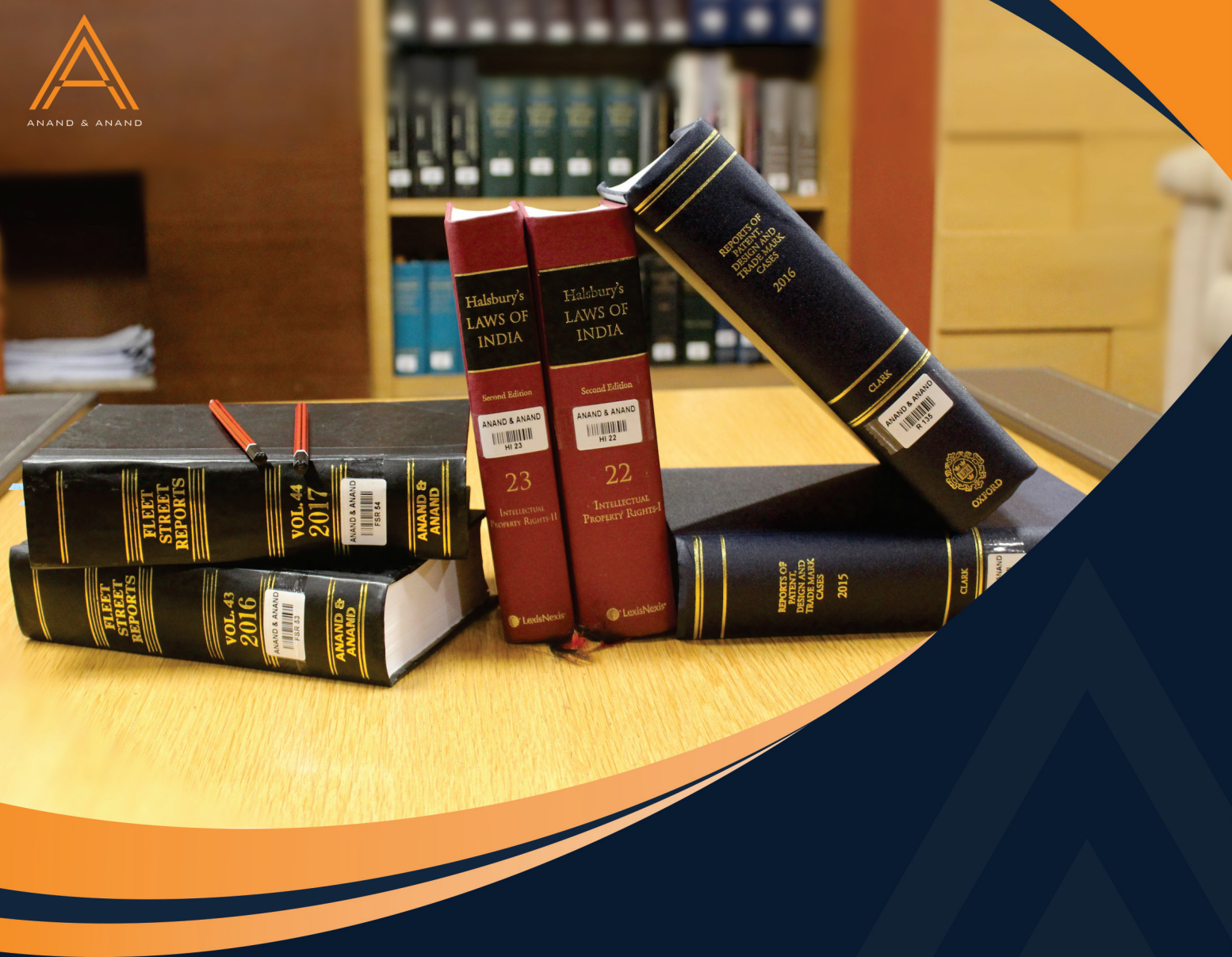
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Agentic AI

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ANAND AND ANAND

PRACTICE AREAS

Patents | Litigation and Dispute Resolution | Trademarks | Designs
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Anti-Counterfeiting | Criminal law | Customs and Border Enforcement

Breaking barriers: landmark SEP patent battle redefines future litigation in India

Pravin Anand and Vaishali Mittal of Anand and Anand report on a pivotal ruling for patent law concerning the enforcement of standard-essential patents, with the Indian Court navigating the complexities of infringement and patent validity in the technology sector.

In a landmark decision that underscores the significance of patent rights in the evolving technology landscape, a recent case has drawn attention to the importance of protecting standard-essential patents (SEPs) and ensuring fair compensation for their use. At the heart of the dispute was the Plaintiff's suit over its patented EFM+ modulation technology, which revolutionized DVD production by enabling greater data storage capacity. With multiple defendants allegedly infringing upon this critical technology, the case serves as a poignant reminder of the role patents play in fostering innovation, the responsibilities of licensees, and the legal recourse available to patent holders.

In this detailed judgment, the Court navigated complex issues surrounding patent validity, infringement, and the calculation of damages, ultimately reaffirming the value of intellectual property rights in safeguarding technological advancements and maintaining industry standards.

Background of the case and parties involved

The central subject of the litigation was the Suit Patent IN 218225, which deals with a method of encoding information onto DVDs using Eight-to-Fourteen Modulation Plus (EFM+). This technology was groundbreaking, as it allowed for enhanced data storage capacity on DVDs compared to earlier technologies like Video Compact Discs (VCDs). The Plaintiff, who holds the patent, was involved in enforcing its rights against several entities,

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The defendants were found to have utilized the EFM+ modulation method without a license, thereby infringing the plaintiff's exclusive rights under the patent.”

including Pearl Engineering, Siddharth Optical, and Balaji Optical Disc Private Limited, engaged in the replication, selling, and distribution of DVDs.

The cases stemmed from claims of patent infringement, where the Defendants were found to have utilized the EFM+ modulation method without a license, thereby infringing the Plaintiff's exclusive rights under the patent.

Legal issues and defenses raised

At the heart of the case was the validity of the Suit Patent and the Defendants' claim of non-infringement. The Defendants raised several defenses, including:

1. **Patent invalidity:** they alleged that the suit patent was invalid due to failure to comply with the disclosure requirements under Section 8 of the Patents Act. The Defendants argued that the Plaintiff had failed to disclose relevant foreign applications during the patent filing process.
2. **Non-essentiality:** the Defendants contested that the patent was not essential to the DVD standard and, therefore, did not apply to their replication processes.
3. **No infringement:** the Defendants also argued that their DVD replication process was different from the process outlined in the Plaintiff's patent claims.

Court's ruling on patent validity

The Court addressed each of the Defendants' defenses with a robust legal analysis:

1. **Section 8 compliance:** the Court dismissed the argument regarding Section 8 non-compliance, noting that the Plaintiff had made a good faith effort to disclose relevant information and concluded that the Plaintiff had met the disclosure obligations despite an error in the filing process. The Court emphasized that the absence of complete compliance does not automatically imply deliberate violation. It also referred to the US decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, where a reference or withheld information is considered material only if the Patent Office would not have granted the patent had it been aware of the undisclosed information.
2. **Novelty and non-obviousness:** the Court rejected the Defendants' argument that the patent lacked novelty, pointing out that EFM+



Pravin Anand



Vaishali Mittal

modulation, present in the Suit Patent, was not disclosed in the cited prior art. The Court also referenced the Plaintiff's US patent 5696505, where similar prior art was considered, and still, the US examiner did not find it to anticipate the invention. Therefore, the Court concluded that the patent was novel and non-obvious.

3. **Fraud and suppression on the IPO:** the Defendants argued that the Suit Patent had been obtained through fraud due to the division of the patent application. The Court clarified that the filing of divisional applications in different branches was not a violation of any law and that the fact that the parent application was abandoned did not invalidate the divisional application.
4. **Patent clarity and sufficiency:** the Court found that the Plaintiff's patent sufficiently described the coding process for skilled practitioners in the field to adopt and implement the technology. It ruled that the ambiguities raised by the Defendants regarding terms like "modulated signal formation" did not render the patent invalid.
5. **Invention under Section 3(k) and 3(m):** the Defendants argued that the patent fell under exclusions due to its reliance on computer programs. The Court disagreed, stating that the invention involved a real-life process combining hardware and software to achieve a tangible result, not merely a mental operation.
6. **Essentiality of the Suit Patent:** The Court accepted the Plaintiff's expert testimony and claim charts correlating the patent's claims with the DVD standard, which showed that the patented technology was essential for the implementation of the standard.

Résumés

Pravin Anand is the Managing Partner at Anand and Anand. In a career spanning over four decades, Pravin has emerged as an IP trailblazer with experience of appearing in over 2500 cases. He has strengthened India's IP jurisprudence with a practice encompassing all areas of IP litigation, including patents, copyright, design, trademarks, enforcement, and dispute resolution.

Pravin joined Anand and Anand in 1979 as an extension of the law firm established by his grandfather in 1923. From a one-room office in Old Delhi, he took the firm to new heights, with offices in four major cities and a diverse gene pool of 400 professionals.

His approach in and out of court has broken new grounds in Intellectual Property Rights and today, from Christian Louboutin to Cartier, from pharma to tech majors to policymakers and from art to entertainment, Pravin represents most famous brand owners, leading industries and eminent personalities who rely on his matchless experience for protection of their Intellectual Property.

Vaishali R Mittal is a litigation partner and strategist at Anand and Anand. In 21 years of practice, Vaishali has engendered some of the most ground-breaking judgments, including recent works such as the order protecting personality rights of celebrities against misuse of Generative AI and dark patterns (*Anil Kapoor v. Simply Life India*); India's first judgment on Product-by-Process Patent (*Vifor International v. MSN Labs*); India's first pro tem security order (*Nokia v. Oppo*); India's first Anti-Anti Suit injunction, India's first final judgment on SEP; order directing an implementer to deposit pro-tem security in favor of an owner of SEP, before determination of infringement, validity etc. (*InterDigital v. Oppo (2022-24)*; *Nokia v. Oppo (2022)*).

Finding on infringement

The Defendants argued that their replication process, which simply reproduces content from a master DVD, did not infringe the Suit Patent. However, the Court applied a purposive approach to claim construction, emphasizing that the patent's protection should be understood in a broader context. The Court concluded that the patent covered any record carrier incorporating the encoded EFM+ signal, regardless of the manufacturing process.

The Court held the Defendants liable for both direct and indirect infringement. It noted that the Defendants had raised the issue of using pre-encoded stampers only during oral arguments, not in their pleadings, and thus allowed the Plaintiff to present standard license agreements. The Court ruled that the Defendants were still liable for infringement even if the activity was outsourced.

Reliefs

Damages:

The Court awarded damages to the Plaintiff due to the expiry of the patents, which limited the Plaintiff's remedies to monetary compensation. The calculation of damages required considering several factors, including the nature of the invention, typical royalty rates, the Defendants' willingness to negotiate, the duration of the infringement, and the financial impact on the Plaintiff. The Defendants did not challenge the essentiality of the patent or the fairness of the royalty rate, which led the Court to use the Plaintiff's standard royalty rate for the calculation.

Punitive/aggravated damages:

The Court recognized that the Defendants' conduct warranted aggravated damages due to willful infringement. Aggravated damages serve not only to compensate the Plaintiff for the loss suffered but also to act as a deterrent against future misconduct. The Court emphasized that the infringement was not a mere oversight but a deliberate act by the Defendants, further justifying the imposition of punitive damages.

Period of computation:

The Court considered the Defendants' pre-trial conduct, including their refusal to engage in licensing negotiations and provide necessary sales data. These actions were significant in determining the damages. The Court took the three-year period preceding the filing of the suit as the cut-off period for the computation of damages, establishing a clear timeframe for calculating the loss suffered by the Plaintiff. By keeping the computation period open until the Plaintiff's actual realization of damages, the Court ensured fair compensation for the full extent of the harm caused by the Defendants' actions.

Interest rate:

The Court awarded a 12% interest rate on the damages, both **pendente lite** (during the litigation) and future interest. This interest was deemed necessary to reflect the true economic value of the loss suffered due to the infringement, compensating the Plaintiff for the deprivation of the rightful use of money during the period of litigation and beyond.

“**The Court clarified that the filing of divisional applications in different branches was not a violation of any law and that the fact that the parent application was abandoned did not invalidate the divisional application.**”

Exchange value of 0.03 cents:

In determining the damages, the Court decided to apply the current exchange rate rather than the historical exchange rate, ensuring that the Defendants did not benefit unfairly from the unauthorized use of the Plaintiff's patent. For the damages calculation, the Court used a royalty rate of USD 0.03 per unit, as provided by the Plaintiff, which formed the basis for determining the total compensation due.

Conclusion

This case represents a significant development in the enforcement of patent rights, especially in the context of standard essential patents (SEPs) in India. The Court's ruling affirmed the importance of ensuring that technology essential to industry standards is properly protected and licensed. It also established a strong precedent for patent holders in high-tech industries like DVD manufacturing to assert their rights in the face of infringement.

The Court's decision reaffirms the importance of intellectual property protection in fostering innovation and technological development, while also sending a clear message to companies that fail to comply with licensing requirements. The case serves as a reminder that patent infringement, especially when involving essential technologies, can result in substantial financial and legal consequences.

The ruling also highlights the evolving landscape of patent law in the digital age, where technological standardization plays a critical role in shaping industries. As the case continues to resonate in legal circles, it sets an important precedent for future patent disputes in India and abroad, reinforcing the need for fair compensation and respect for intellectual property rights.

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