

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

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Judgment reserved on: 24th April, 2015
Judgment delivered on: 08th October, 2015

+ FAO(OS) 220/2015 & CM Nos.7502/2015, 7504/2015

**SERGI TRANSFORMER EXPLOSION PREVENTION
TECHNOLOGIES PRIVATE LIMITED**

..... APPELLANT

VERSUS

CTR MANUFACTURING INDUSTRIES LIMITED & ORS

..... RESPONDENTS

Advocates who appeared in this case:

For the Appellant : Mr Sudhir Chandra, Sr Advocate with Mr Pravin Anand
and Mr Aditya Gupta, Advocates

For the Respondent: Mr Rahul Lamba, Advocate.

+ FAO(OS) 323/2014 & CM Nos.552/2015, 2088/2015

CTR MANUFACTURING INDUSTRIES LIMITED

..... APPELLANT

VERSUS

**SERGI TRANSFORMER EXPLOSION PREVENTION
TECHNOLOGIES PRIVATE LIMITED**

..... RESPONDENT

Advocates who appeared in this case:

For the Appellant : Mr Rahul Lamba, Advocate.

For the Respondent: Mr Sudhir Chandra, Sr Advocate with Mr Pravin Anand
and Mr Aditya Gupta, Advocates

CORAM:-

HON'BLE MR JUSTICE BADAR DURREZ AHMED

HON'BLE MR JUSTICE SANJEEV SACHDEVA

JUDGEMENT

SANJEEV SACHDEVA, J

1. Both these cross appeals arise out of the judgment dated 16.04.2014, whereby the learned Single Judge has held that the suit cannot be rejected or dismissed at this stage as prayed for by the defendants and has directed that the pending application of the plaintiff for registration of the exclusive licence agreement dated 01.08.2006 shall be decided by the Patent Office within six months from the date of the judgment and pending the decision in the said application, all pending applications in the suit and the suit have been adjourned *sine-die*.

2. The plaintiff SERGI Transformer Explosion Prevention Technologies Private Limited has filed the present suit against the defendants - CTR Manufacturing Industries Limited seeking permanent injunction restraining them from infringing the registered Indian Patent No. 189089 and for damages, rendition of accounts, delivery, etc. Defendant No. 1 Mr. Kumar Pratap Anil is Managing Director of Defendant No. 2 – CTR.

3. As per the plaint, the plaintiff is the exclusive licensee of defendant No.3 - Mr. Philippe Magnier in respect of its Indian patent No. 189089 in respect of "Method and Device for Preventing/Protecting Electrical Transformer against Explosion and Fire" by virtue of a licence agreement dated 01.08.2006.

4. It is contended that in terms of the licence agreement dated 01.08.2006 all rights in the suit patent vest solely with the plaintiff. The plaintiff has taken steps to register the said licence agreement with the

Indian Patent Office at Kolkata and an application for the same has been filed on 16.03.2010. The Defendant No. 3 - Mr. Philippe Magnier has been impleaded as a proforma defendant in the suit in view of Section 109 (2) of the Indian Patents Act, 1970 (hereinafter referred to as 'the Act'). The Patentee of the suit patent has been awarded several patents worldwide including India for protection of explosion in transformers.

5. The disputes arose when pursuant to floating of a tender by North Delhi Power Limited, the plaintiff became aware from the technical bid submitted by the defendant no. 2 that the defendant no. 2 had offered to supply infringing products to NDPL. It is stated in the plaint that the cause of action arose on 29.06.2010 when the plaintiff became aware of the technical specifications of the tender submitted by defendant no. 2. The suit has been filed on 06.08.2010.

6. Pending the suit, the defendant no. 2 filed the application under Order VII Rules 10 and 11 of the Code of Civil Procedure, 1908. The defendant no. 2 sought rejection of the plaint contending that the plaintiff was not an exclusive licensee of the suit patent and as such, the plaintiff has no right to sue the defendant under Section 109 of the Act. It is contended that the plaintiff is not an exclusive licensee as another company, namely, SERGI Holding along with the defendant no. 3 had instituted a suit for infringement in Kolkata against the defendant no. 2 in February, 2006 claiming that SERGI Holding was the exclusive licensee of the suit patent and had the sole authority to use the suit patent. It is contended that in the said suit the plaintiff therein was not granted an interim injunction. However, defendant

no. 2 was directed to keep the record of the said figures. It is stated that the said suit has since been withdrawn.

7. It is contended in the application by the defendant no. 2 that the plaintiff's exclusive licence is not a valid /legal document and has been made fraudulently. It is also contended that the said document suffers from various legal defects and cannot be relied upon in evidence. It is contended that the said document is a backdated document and has been created for the purpose of filing the suit in order to harass the defendant no. 2 and with a view to obtain an interim order to block the tender process. It is contended that application to seek registration of the alleged agreement of assignment was filed on 15.03.2010 and the alleged exclusive agreement compulsorily requires registration and since the same is not registered, it is not a valid document.

8. The learned Single Judge by the impugned order has disposed of the application with the following directions:-

“The pending application of the plaintiff for registration of the alleged exclusive licence agreement dated 1st August, 2006 which is pending since 15th March, 2010 in the office of Controller of Patents shall be decided by the Patent Office within 6 months from today. Hearing in all pending applications and suit proceedings are adjourned sine die would be revived as and when the orders are passed in the application for registering the document with the patent office filed on 15th March, 2010.”

9. The Plaintiff/Appellant in FAO (OS) 220 of 2015 has impugned the order adjourning the pending applications and the suit *sine die*. The

defendant/Appellant in FAO (OS) 323 of 2014 has impugned the said order as the application under Order VII rule 10 and 11 has been dismissed. Though in the title of the application the same is stated to be under order VII rule 10 and 11 but in substance the same is an application under order VII rule 11 for rejection of the plaint.

10. Order VII Rule 11 of the CPC reads as under:

Order VII

11. **Rejection of plaint** – The plaint shall be rejected in the following cases:-

- (a) where it does not disclose a cause of action;
- (b) where the relief claimed is undervalued, and the plaintiff, on being required by the Court to correct the valuation within a time to be fixed by the Court, fails to do so;
- (c) where the relief claimed is properly valued but the plaint is written upon paper insufficiently stamped, and the plaintiff, on being required by the Court to supply the requisite stamp-paper within a time to be fixed by the Court, fails to do so;
- (d) where the suit appears from the statement in the plaint to be barred by any law;
- (e) where it is not filed in duplicate;
- (f) where the plaintiff fails to comply with the provisions of rule-9:

Provided that the time fixed by the Court for the correction of the valuation or supplying of the requisite stamp-paper shall not be extended unless the Court, for reasons to be recorded, is satisfied that the plaintiff was prevented by any cause of an exceptional nature for correcting the valuation or supplying the requisite stamp-paper, as the case may be, within the time fixed by the Court and that refusal to extend such time would cause grave injustice to the plaintiff.

12. An application under Order VII Rule 11 has to be decided on the basis of the plaint as well as the documents submitted in support of the plaint. The defence of the defendant or the defence taken by the defendant in the written statement cannot be considered at the stage of disposal of the application under Order VII Rule 11 of the CPC.

13. The learned Single Judge vide the impugned order has disposed of the application under Order VII Rule 11 CPC holding that the suit cannot be rejected or dismissed at this stage as prayed for by the applicant even if, the plaintiff had a weak case on merit and the technical objections raised by the defendant no. 2 had some force. The learned Single Judge has further held that the right in favour of the plaintiff under Section 69 (5) of the Patents Act, 1970 would accrue for the purpose of seeking any relief in case of infringement in case the exclusive agreement dated 01.08.2006 is registered in the Patent Office in favour of the plaintiff.

14. The learned Single Judge while dismissing the application under order VII rule 10 and 11 holding that the same was not maintainable and the plaint could not be rejected at the said stage, has adjourned the suit *sine-die*.

15. Sections 68 and 69 of the Patents Act, 1970 that form the basis of the subject application under order VII rule 10 and 11 read as under: -

68 Assignments, etc.. not to be valid unless in writing and duly executed - An assignment of a patent or of a share in a patent, a mortgage, license or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and obligations and duly executed.

69. Registration of assignments, transmissions, etc.—(1) Where any person becomes entitled by assignment, transmission or operation of law to a patent or to a share in a patent or becomes entitled as a mortgagee, licensee or otherwise to any other interest in a patent, he shall apply in writing in the prescribed manner to the Controller for the registration of his title or, as the case may be, of notice of his interest in the register.

(2) Without prejudice to the provisions of sub-section (1), an application for the registration of the title of any person becoming entitled by assignment to a patent or a share in a patent or becoming entitled by virtue of a mortgage, licence or other instrument to any other interest in a patent may be made in the prescribed manner by the assignor, mortgagor, licensor or other party to that instrument, as the case may be.

(3) Where an application is made under this section for the registration of the title of any person the Controller shall, upon proof to title of his satisfaction,—

- (a) where that person is entitled to a patent or a share in a patent, register him in the register as proprietor or co-proprietor of the patent, and enter in the register particulars of the instrument or even by which he derives title; or
- (b) where that person is entitled to any other interest in the patent, enter in the register notice of his interest, with particulars of the instrument, if any, creating it:

Provided that if there is any dispute between the parties whether the assignment, mortgage, licence, transmission, operation of law or any other such transaction has validly vested in such person a title to the patent or any share or interest therein, the Controller may refuse to take any action under clause (a) or, as the case may be, under clause (b), until the rights of the parties have been determined by a competent court.

(4) There shall be supplied to the Controller in the prescribed manner for being filed in the patent office copies of all agreements, licences and other documents affecting the title to any patent or any licence thereunder authenticated in the prescribed manner and also such other documents as may be prescribed relevant to the subject matter: Provided that in the case of a licence granted under a patent, the Controller shall, if so requested by the patentee or licensee, take steps for securing that the terms of the licence are not disclosed to any person except under the order of a court.

(5) Except for the purposes of an application under sub-section (1) or of an application to rectify the register,

a document in respect of which no entry has been made in the register under sub-section (3) shall not be admitted by the Controller or by any court as evidence of the title of any person to a patent or to a share or interest therein unless the Controller or the court, for reasons to be recorded in writing, otherwise directs.

16. Since the learned Single Judge has returned findings on the applicability of Section 68 of the Patents Act, 1970, it would be necessary to examine the scope of Section 68. We may notice that Section 68 has been amended by the Patents (Amendment) Act, 2005. A comparison of the said section prior to the amendment and post amendment would shed some light on the controversy in the present appeals. For the purposes of comparison, section 68 pre and post amendment is extracted here in below:

Section 68 (pre amendment)	Section 68 (post amendment)
68. Assignments, etc. not to be valid unless in writing <u>and registered</u> An assignment of a patent or of a share in a patent, a mortgage, license or the creation of any other interest <u>or of a share in a patent, a mortgage, license or the creation of any other interest in a patent</u> shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and	68. Assignments, etc.. not to be valid unless in writing <u>and duly executed</u> An assignment of a patent or of a share in a patent, a mortgage, license or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and

conditions governing their rights and obligations <u>and the application for registration of such document is filed in the prescribed manner with the Controller within six months from the commencement of this Act or the execution of the document, whichever is later or within such further period not exceeding six months in the aggregate as the Controller on application made in the prescribed manner allows:</u> <u>PROVIDED that the document shall, when registered, have effect from the date of its execution.</u> <i>(underlining supplied to highlight the amendment)</i>	obligations <u>and duly executed.</u> <i>(underlining supplied to highlight the amendment)</i>
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17. A comparison between Section 68 as it stood prior to the year 2005 amendment shows that prior to 2005 for an assignment to be valid the same had to be registered. The amended Section 68 does not mandate that for an assignment to be valid, the same should be registered. The amended provision requires that the assignment should be in writing and the agreement between the parties is reduced to a form of a document embodying all the terms and conditions governing their rights and obligations and duly executed. The Parliament has specifically excluded from the amended provision the words '*and the application for registration of such document is filed in the prescribed manner with the Controller*

within six months from the commencement of this Act or the execution of the document, whichever is later or within such further period not exceeding six months in the aggregate as the controller on application made in the prescribed manner allows’.

18. The fact that the above words have been omitted from Section 68 clearly shows that for the assignment to be valid, registration is not mandatory and the limitation for applying for registration has also been done away with. This clearly shows that under the amended provision there is no period prescribed for making an application for registration of the agreement. The omission of the proviso to section 68 prior to its amendment i.e. *‘PROVIDED that the document shall, when registered, have effect from the date of its execution’* shows that prior to the amendment for the document to be valid the registration was a must and once registered, the assignment would be valid from the date of its execution.. Post deletion, for the document to be valid registration is not a pre-condition and the assignment is valid from the date of its execution.

19. In the present case, the licence agreement is stated to have been executed on 01.08.2006 and application seeking registration has been filed with the Controller of Patents on 15.03.2010. The suit has been filed on 06.08.2010.

20. For consideration of an application under order VII rule 11 what is relevant is the averments in the plaint and not the defense set up by the defendants in the written statement.

21. The plaintiff in the plaint has contended that there is a licence agreement dated 01.08.2006 between the plaintiff and the patentee. The suit has been based on the said licence agreement.

22. Though the said licence agreement has been denied by the defendant as not being a legal and valid document but for consideration under Order VII Rule 11 what is to be *prima facie* seen is whether there is an assignment deed in terms of section 68 of the Act. The defence of the defendant about the validity or otherwise of the said document is not to be gone into at the stage of consideration of the application under Order VII Rule 11 CPC. Further, merely because the document is not registered on the date of the filing of the suit does not *ipso-facto* imply that the suit would not be maintainable. The fact that a document has been set up by the plaintiff stating the document to be a licence agreement, the plaint cannot be rejected at this stage under Order VII Rule 11 of the CPC.

23. We are unable to accept the argument of the defendant that the suit is not maintainable as an unregistered licence agreement cannot be admitted as evidence of title in view of Section 69(5) of the Act. Section 69(5) of the Act reads as under:

(5) Except for the purposes of an application under sub-section (1) or of an application to rectify the register, a document in respect of which no entry has been made in the register under sub-section (3) shall not be admitted by the Controller or by any court as evidence of the title of any person to a patent or to a share or interest therein unless the Controller or the court, for reasons to be recorded in writing, otherwise directs.

24. Reading of Section 69(5) shows that the said provision does not completely prohibit the admission of a document by Controller or by any Court as evidence of title under each and every circumstance. The court or the Controller before whom an unregistered licence agreement is produced as an evidence of title is empowered, for reasons to be recorded in writing, to accept the same as an evidence of title. Admissibility of such an agreement is not completely prohibited. The Court or Controller are empowered to admit such an agreement in evidence even though the same may not have been registered with the Controller of Patents. Prima facie it cannot be said that the document i.e. a deed of assignment would not be admissible under each and every circumstance in the absence of registration. At the prima facie stage of consideration of an application under Order 39 Rules 1 and 2 of the CPC for grant of injunction or otherwise, the court would be empowered to take into consideration the same as a document of title.

25. Further, the requirement of Section 68 is that the assignment should be in writing and should embody all the terms and conditions. It is not mandated that the assignment has to be registered for it to be valid. The assignment would be valid the moment the same is executed. Registration does not validate the assignment. The assignment would be effective from the date of its execution. The validity of the assignment would not be dependent on its registration. The only embargo under Section 69(5) is that the assignment would not be admitted as a document of title, unless the

Controller/Court for reasons to be recorded, directs otherwise. This clearly shows that the registration of the assignment does not validate the same. The assignment is valid the moment it is executed and the non registration thereof does not invalidate the same. At the prima facie stage, the court can always refer to the assignment deed without formal proof thereof. At a prima facie stage, the Court has only to take a prima facie view of the matter and is not to form an opinion on the basis of proven documents.

26. The learned Single Judge has erred in holding that in the present case no order under Section 69(5) had been passed and unless the document is registered or the court passes such order, the exclusive agreement is not to be considered in evidence by the Court and the benefit of the document would accrue as and when the said document is registered in the office of the Controller. Since, the case is being considered at a prima facie stage, the learned Single Judge is empowered to take into consideration the said deed of assignment, even in the absence of its registration. If the learned Single Judge felt that there was an embargo in considering the assignment deed even at the prima facie stage in view of section 69(5), then the learned Single Judge should have taken a decision in terms of section 69(5) whether to admit the document as an evidence of title or not. He should not have adjourned all the pending applications and the suit *sine die* pending the decision of the controller of patents on the application of registration by the plaintiff.

27. Learned Single Judge has further erred in holding that the right in favour of the plaintiff under Section 69(5) as amended would accrue for the

purposes of seeking relief in a case of infringement only in case the document is registered in the Patent Office in favour of the plaintiff. Section 69(5) empowers the Court, for reasons to be recorded, to take into consideration an unregistered assignment as a document of title. Learned Single Judge has erred in refusing to take into consideration the said document by stating that no Court had passed an order under Section 69(5). The learned single judge should have formed an opinion in terms of section 69(5) of the Act, whether to take the said document into account or not.

28. The learned Single Judge has further erred in adjourning the case *sine-die* to await the decision of the Controller on the application for registration filed by the plaintiff. Without forming an opinion in terms of section 69(5) of the Act, the suit could not have been adjourned sine-die, pending the decision of the said application for registration. If the learned single Judge forms an opinion to take the said unregistered agreement into account in terms of section 69(5), he should proceed with the suit and only where he forms an opinion not to admit the said assignment as a document of title, he may have adjourned the suit *sine die*, if at all.

29. In view of the above, the appeals are disposed of with the following directions:

- (i) the directions given by the learned Single Judge to the Controller of Patents to decide the pending application of the plaintiff for registration of the licence agreement dated 01.08.2006 are confirmed; and

- (ii) the Controller of Patents shall now decide the application for registration within a period of six months if not already decided; and
- (iii) the order dismissing the application under order VII rule 11 filed by the defendant is not interfered with; and
- (iv) the direction adjourning the pending applications and the suit *sine-die* is hereby set aside; and
- (v) learned Single Judge shall form an opinion in terms of section 69(5) of the Act and in case he forms an opinion to admit the said unregistered agreement as a document of title in terms of section 69(5), he should proceed with the pending applications and the suit and only if he were to form an opinion not to admit the said assignment as a document of title, he may adjourn the pending applications and the suit *sine-die*, if at all.

30. In view of the above, the appeal being FAO (OS) No. 323/2014 is dismissed and the appeal being FAO (OS) No. 220/2015 is allowed in the above terms. There shall be no order as to costs. List the suit and the pending applications before the learned Single Judge in the first instance for directions on 04.11.2015.

SANJEEV SACHDEVA, J

BADAR DURREZ AHMED, J

October 08, 2015
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