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

+ **FAO (OS) (COMM) 338/2019**

ACE TECHNOLOGIES CORP. & ORS. Appellants

Through: Mr. Sandeep Sethi, Sr. Advocate with
Mr. Peeyoosh Kalra, Mr. Vineet Rohilla, Mr.
Rohit, Advocates.

versus

COMMUNICATION COMPONENTS ANTENNA INC.

....Respondent

Through: Mr. Ranjeev Virmani, Sr. Advocate
Mr. Sidhant Goel, Mr. Deepankar Mishra,
Mr. Aditya Goel and Mr. Faizan Nazir, Advocates.

CORAM:

HON'BLE MS. JUSTICE HIMA KOHLI

HON'BLE MS. JUSTICE ASHA MENON

ORDER

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28.11.2019

FAO (OS) (COMM) 338/2019, C.M. No.50965/2019 (stay), C.M. No. 50966/2019 (Exemption) and C.M. No. 50967/2019 (by the appellants for filing additional documents under Order XLI Rule 27 CPC)

1. The appellants/defendants are aggrieved by the order dated 31.10.2019, passed by the learned Single Judge disposing of two applications filed by the respondent/plaintiff. I.A. No. 10684/2019 was filed by the respondent/plaintiff on 01.8.2019, praying *inter alia* for clarifying the order dated 12.7.2019, relating to the terms on which the appellants/defendants would be permitted to manufacture, sell and offer for sale, any of the models of the antennae that infringed the patent of the

respondent/plaintiff in the future. The other application, I.A. No. 13480/2019, was moved by the respondent/plaintiff on 23.9.2019, praying *inter alia* for modifying the order dated 30.8.2019, in terms of the earlier order dated 12.7.2019, upheld by the Supreme Court vide order dated 20.9.2019, insofar as it related to the terms on which the appellants/defendants were permitted to supply antennae under particular model numbers.

2. By the impugned order, the learned Single Judge has allowed both the captioned applications filed by the respondent/plaintiff, firstly, by clarifying that the conditions imposed in para 82 of the judgment dated 12.7.2019 on the stay application moved by the respondent/plaintiff relating to sales of the antennae in question made during the pendency of the suit, would operate in respect of the sales made after 12.7.2019 as well and resultantly, the appellant/defendant would be required to deposit 10% of the sale consideration. The appellants/defendants have also been directed to submit a monthly statement of account on an affidavit along with the deposit required to be made in respect of the sales made in that month, if any. Further, it has been directed that the Corporate Guarantee furnished by the appellants/defendants in terms of the order dated 30.8.2019, ought to be replaced by a deposit in the like amount.

3. A quick glance at the orders passed and the sequence of events that have unfolded in the course of the suit instituted by the respondent/plaintiff [CS (COMM) 1222/2018], is necessary.

4. The subject suit for infringement of patent was filed by the respondent/plaintiff on 31.10.2018. Vide order dated 02.11.2018, the learned Single Judge had passed an *ex-parte ad interim* injunction order in favour of

the respondent/plaintiff. The appellants/defendants entered appearance and filed a written statement and reply to the stay application. After arguments were addressed on the stay application, the learned Single Judge passed a detailed order on 12.7.2019, the operative paras whereof are reproduced herein below for ease of reference:-

“80. The Defendants have placed on record, the purchase orders for the various models of its antennae. Owing to the fact that the Defendant No.1 which is the manufacturer and seller claims to not have any assets in India, and in view of the discussion above, where the Defendants are clearly infringing the Plaintiff’s patent, the Defendants are liable to deposit some amounts in the Court in order to continue the sales of these antennae in India. The total value of the exports made till date, as per the disclosures made by the Defendants, is as follows:-

<i>S. No.</i>	<i>Antenna</i>	<i>Quantity</i>	<i>Amount</i>	<i>Date</i>
1.	XXDW-18-33i-iVT-DB8P	67,627 Units	\$64,405,583	Between October, 2016 and October, 2018
2.	XXDW-18-33i-iVT-DB8P-V2	10,000 units	\$8,380,000	18th December, 2018
3.	XXDW-18-33i-iVT-DB8P-V2	5000 units	\$3,930,000	22nd February, 2019
4.	XXDGL-15-33i iVT-DB-4P	15,000 units	\$9,525,000	2 nd May, 2019
	Total	97,627 units	\$86,240,583	

81. Insofar as the sales made prior to date of suit to the tune of \$64,405,583, which, at the current rate of exchange (1USD = approx. Rs.68) comes to Rs.437,95,79,644/- the Defendants are

directed to give a Bank Guarantee for a sum of Rs.40 crores, which is approximately ten percent of the above amount.

82. Insofar as the sales made during the pendency of the suit are concerned, the total sales are to the tune of \$21,835,000, which come to Rs.148,47,80,000/-, ten percent of which is approximately Rs.14.5 crores. The Defendants are directed to deposit the Bank Guarantee and the said sum with the Registrar General of this Court, within one month from date of judgment. If the Defendants do not comply with the above directions within one month, the Defendants shall stand restrained from manufacturing, selling, offering for sale any models of antennae which infringe suit patent number IN 240893.”

5. Aggrieved by the order dated 12.7.2019, the appellants/defendants filed an intra Court appeal registered as FAO(OS) (COMM) No. 186/2019, on which an order came to be passed on 08.8.2019. In the said proceedings, the appellant No.1/defendant No.1 offered to deposit a Corporate Guarantee in favour of the Registrar General of this Court, which was allowed and further, affidavits were directed to be filed by the Directors of each of the remaining three appellants undertaking inter alia that in the event the respondent/plaintiff succeeds in the suit, the appellant/companies shall comply with the judgment and decree passed.

6. After the order dated 8.8.2019 was passed in FAO (OS)(COMM) No.186/2019, the appellant No.1/defendant No.1 filed an application in the suit proceedings asking for permission to place on record, the purchase orders placed upon it for the supply of the subject antennae (I.A. No. 11928/2019). Vide order dated 30.08.2019, the said application was disposed of by the learned Single Judge, permitting the appellant No.1 to make the supply in terms of the purchase orders filed by it in a sealed cover,

on the condition that it shall furnish a Corporate Guarantee in favour of the Registrar General of this Court to the tune of 10% of the sale consideration of the antennae in question.

7. It is noteworthy that though the learned Single Judge had permitted the appellant No.1 to furnish a Corporate Guarantee to the tune of ‘10% of the sale consideration of the antenna in question’, the appellant No.1 on its own furnished a Corporate Guarantee for the entire value of the purchase order placed on it.

8. Aggrieved by the order dated 8.8.2019 passed in the appeal, the respondent/plaintiff preferred an appeal before the Supreme Court, on which an order dated 20.9.2019 was passed directing that the order dated 12.7.2019 passed by the learned Single Judge whereby as an interim measure, the appellants/defendants were called upon to submit a Bank Guarantee for a sum of Rs.40.00 crores and make a deposit of Rs.14.05 crores, be maintained.

9. In this backdrop, the respondent/plaintiff filed an application in the suit (I.A. No. 13480/2019) asking for modification of the order passed on 30.8.2019. By the impugned order, the learned Single Judge has allowed an earlier application filed by the respondent/plaintiff (I.A. No. 10684/2019) for seeking clarification of the order dated 12.7.2019 as also a subsequent application for seeking substitution of the Corporate Guarantee offered by the appellants/defendants with an actual deposit of the amount. Aggrieved by the said order, the present appeal has been filed.

10. Mr. Sandeep Sethi, learned Senior Advocate appearing on behalf of the appellants/defendants submits that the impugned order has been passed by the learned Single Judge in violation of the principles of *res-judicata*

inasmuch as the order dated 12.7.2019 passed by the predecessor Bench had not imposed any obligation on the appellants/defendants to deposit 10% of the value of the future sales of the infringing antennae and nor did the Supreme Court issue any such direction *qua* the future sales for the learned Single Judge to have directed the appellants to deposit 10% of the sale consideration of the antennae in question, during the pendency of the suit proceedings. It is submitted that judicial propriety demanded that the application moved by the respondent/plaintiff ought to have been placed before the author of the judgment dated 12.7.2019 as the said application was more in the nature of a review application and by merely describing it in the cause title as a clarificatory application, would make no difference. Learned counsel submits that one can discern from the order dated 06.8.2019 passed by the learned Single Judge, who had authored the judgment dated 12.7.2019 passed on the stay application filed by the respondent/plaintiff that the court was not inclined to direct the appellants/defendants to deposit any amount towards the future sales, else such an order could have been passed on the very first date.

11. *Per contra*, Mr. Rajeev Virmani, learned Senior Advocate appearing for the respondent/plaintiff supports the impugned order and states that there is no illegality or impropriety on the part of the successor court to have dealt with the applications. He submits that the impugned order is nothing but a step-in-aid of the earlier order passed on 12.7.2019, by the predecessor Bench, which is apparent on a bare reading of the earlier order. Learned counsel clarifies that on 06.8.2019, when I.A. No. 10684/2019 was listed for the very first time, only notice was issued thereon to enable the appellants/defendants to file a reply and as an interim measure, it was

directed that if any further sales are made of the models of the antennae by them, then details thereof shall be disclosed in a sealed envelope. Thereafter, the matter was adjourned to await a reply from the appellants. It is thus stated that there was no occasion for the predecessor Bench to have expressed a view on the application at the very threshold. Learned counsel adds that the plea now sought to be taken in the appeal that the clarificatory application moved by the respondent/plaintiff was nothing but a review application, was never even taken by the appellants/defendants in the reply filed in response to the interim application.

12. We have heard the arguments advanced by the learned counsel for the parties and examined the impugned judgment in the light of the pleadings in both the applications that have been disposed of by a common order (I.A. Nos.10684/2019 and 13480/2019) and find ourselves in complete agreement with the view expressed by the learned Single Judge who has repelled the argument advanced on behalf of the appellants/defendants that the application moved by the respondent/plaintiff for clarification was more in the nature of a review of the order dated 12.7.2019. The learned Single Judge has rightly clarified in para 13 of the impugned order that on 12.7.2019, the predecessor Bench was considering an application for injunction filed by the respondent/plaintiff for restraining the appellants/defendants from manufacturing or dealing in the antennae, which allegedly infringed the suit patent.

13. The arrangement spelt out in paras 80 to 82 of the order dated 12.7.2019 extracted above, must be understood in the context of the view taken by the learned Single Judge, who desisted from completely restraining the appellants/defendants from doing business and at the same time,

balanced the equities in view of a *prima facie* view taken that the appellants/defendants were infringing the patent of the respondent/plaintiff and if they wished to continue the sale of the antennae in India, they would be required to deposit amounts in the court. Keeping this in mind, the learned Single Judge directed the appellants/defendants to deposit the pre-suit amount towards the sales conducted, quantified at Rs.40 crores and offer a Bank Guarantee for the said sum. As regards the sales to be made by the appellants/defendants during the pendency of the suit, it was directed that 10% of the total sales value that would come to a fixed amount, shall be deposited by them in the Registry, failing which, they were cautioned that they would be restrained from manufacturing, selling or offering for sale any models of the antennae which infringed the suit patent.

14. There is no justification for the learned counsel for the appellants/defendants to urge that since the learned Single Judge had only confined the order dated 12.07.2019 to pre-suit sales and sales conducted during the pendency of the suit and had not passed any order as to the future sales of the antennae in question that the appellants/defendants may make in India, there was no question of directing them to deposit the value of 10% of the sales made during the pendency of the suit, as such a direction runs contrary to the very spirit of the order dated 12.7.2019 passed by the predecessor Bench. The moment the learned Single Judge observed that the appellants/defendants could continue selling the subject antennae in India without suffering a restraint order, the writing on the wall was clear. Pending disposal of the suit, to secure the interest of the respondent/plaintiff, the appellants/defendants were required to continue depositing 10% of the value of the sales conducted by the appellant No.1 in India. We are therefore

in complete agreement with the observations made by the learned Single Judge in para 14 of the impugned order that reads as under:-

“14.A meaningful reading of paragraphs 80 to 82 of the judgment is that the defendants was required to furnish a bank guarantee in respect of pre-suit sales, and a deposit in respect of all sales made after the institution of the suit. The amount of the bank guarantee was quantified at approximately 10% of the value of the pre-suit sales. The value of the deposit was calculated at 10% of the sales made during the pendency of the suit till the date of the judgment.

15. In the face of these findings, it is not possible to read the judgment dated 12.07.2019 in the restrictive manner articulated by Mr.Sethi. There is no meaningful distinction at all between sales made during the pendency of the suit but prior to disposal of the injunction application, and sales made thereafter. In the injunction application, the quantification of the amounts of bank guarantee and deposit is based upon the sale consideration derived by the defendants. The ultimate expression of the amount as a lumpsum does not imply that future sales are permissible without any enhancement in the amount of deposit. Mr. Sethi’s construction of the judgment would lead to a situation where the deposit furnished by the defendants can potentially be reduced to a much smaller proportion of the sales made during the pendency of the suit than 10%, as directed.”

15. There is no manner of doubt that the underlying intent of the judgment dated 12.7.2019 was that the appellants/defendants shall continue depositing in court, 10% of the sale value of the product in question till the disposal of the suit and that being a future event, would actually be covered

by the order dated 12.7.2019, but for the fact that it needed some amplification which is all that has been done by the learned Single Judge by virtue of the impugned order dated 31.10.2019.

16. We are not persuaded by the submission made on behalf of the appellants/defendants that under the garb of moving a clarificatory application, the respondent/plaintiff was in fact seeking review of the order dated 12.7.2019. A review application would only lie if the respondent/plaintiff had a grievance against the order dated 12.7.2019. But that is not the case. The respondent/plaintiff was not aggrieved by the said order. It was the appellants/defendants, who had assailed the said order by filing an intra-court appeal, which is still pending consideration. We are therefore not inclined to accept the submission made by learned counsel for the appellants/defendants that upon the appellants/defendants depositing the Bank Guarantee as also the value of the sales conducted by it in respect of the antennae, till the date of passing of the order dated 12.7.2019, the clock would stop ticking during the pendency of the suit.

17. On the contrary, the directions issued by the predecessor Bench on 12.7.2019, if read in the correct perspective, make it clear that the appellants/defendants were required to continue abiding by the said order on a month to month basis, by depositing 10% of the total sales value of the antennae in question, till the suit instituted by the respondent/plaintiff would be finally decided.

18. Coming lastly to the submission made by Mr. Sethi, learned counsel for the appellants/defendants to the effect that the order dated 30.8.2019 directing that the Corporate Guarantee to be furnished by the appellants, must be replaced by a deposit in the like amount, runs contrary to the

directions issued on 12.7.2019 and reiterated on 30.8.2019, we are of the opinion that the piquant situation they find themselves in, is of their own creation. When the appellants/defendants were permitted to deposit 10% of the sale consideration of the antennae in question, there was no occasion for them to have offered a Corporate Guarantee for the entire value of the purchase orders. This generosity on the part of the appellants/defendants is understandable as by offering such a Corporate Guarantee, they were not feeling the pinch of coughing up the actual amounts that would have been payable, if calculated @ 10% of the value of the purchase order in respect of the antennae sold by them.

19. Now that the Supreme Court has restored the order dated 12.7.2019 passed by the learned Single Judge and further, the impugned order dated 31.10.2019 has been passed by the successor Bench directing the appellants/defendants to continue depositing 10% of the purchase value of the antennae in question, it is faced with a situation where it is required to replace the Corporate Guarantee with an actual sum of money which would be in excess of 10% of the purchase value. If it is the stand of the appellants/defendants that the Corporate Guarantee offered for the purchase value of the orders placed on them is in excess of what was ordered, then they are at liberty to point out the error in para 20 of the impugned order dated 31.10.2019, to the learned Single Judge.

20. Lastly, learned counsel for the appellants/defendants submits that the directions contained in the impugned order calling upon the appellant No.1 to submit a monthly statement of account on an affidavit, alongwith the deposit required to be made in that month in respect of the conducted sales, would be too onerous and instead of a monthly statement, the same may be

permitted to be filed on a quarterly basis.

21. The directions issued in para 19 of the order dated 31.10.2019, are modified to the extent that the appellant No.1 shall submit a bi-monthly statement of account on an affidavit alongwith the deposit required to be made in respect of the sales made by it in that month.

22. As Mr. Sethi, learned Senior Advocate for the appellants points out that the period of four weeks granted to the appellants/defendants in the impugned order for making compliances shall expire today, the appellants/defendants are granted time upto 23.12.2019 to make compliances.

23. The appeal is disposed of on the above terms along with the pending applications with no orders as to costs.

HIMA KOHLI, J

ASHA MENON, J

NOVEMBER 28, 2019

ap/na/rkb