Dolby International Ab & Anr vs Lava International Limited on 10 July, 2025

Author: Amit Bansal

Bench: Amit Bansal

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*     IN THE HIGH COURT OF DELHI AT NEW DELHI
%                          Judgment Reserved on : 27th March, 2025
                           Judgment Pronounced on : 10th July, 2025

+     CS(COMM) 350/2024 with I.A. 9655/2024, I.A. 9658/2024,
      I.A. 9659/2024, I.A. 9660/2024 and I.A. 9666/2024

      DOLBY INTERNATIONAL AB & ANR.          .....Plaintiffs
                  Through: Mr. Chander M. Lall, Sr. Advocate
                           with Mr. Ashutosh Kumar, Ms. Saya
                           Kapur Choudhary, Mr. Devanshu
                           Khanna,    Mr.      Swarnil      Dey,
                           Mr.    Harsshita      Pothiraj    and
                           Ms. Annanya Mehan, Advocates.

                                versus

      LAVA INTERNATIONAL LIMITED             .....Defendant
                  Through: Mr. Jayant Bhushan, Sr. Advocate
                           with Mr. Ashok V. Aggarwal,
                           Mr. Mudit Sharma, Ms. Nandini
                           Sharma, Mr. Parvez A. Khan and
                           Mr. Abhishek Rathi, Advocates.

CORAM:
HON'BLE MR. JUSTICE AMIT BANSAL

                                JUDGMENT
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AMIT BANSAL, J.

I.A. 9655/2024 (u/O XXXIX Rules 1 and 2 and Section 151 of CPC, 1908)

1. The present application has been filed on behalf of the plaintiffs (hereinafter 'Dolby') under Order XXXIX Rules 1 and 2 and Section 151 of the Civil Procedural Code, 1908 (CPC) seeking interim reliefs. One of the reliefs sought is grant of a pro tem order (prayer iv of the captioned application) directing a deposit of security by the defendant (hereinafter 'Lava').

2. The present suit has been filed seeking inter alia, relief of permanent injunction restraining Lava from infringing the following patents granted in favour of the plaintiffs: -

i. Indian Patent Number: IN 315744 titled "MDCT-Based Complex Prediction Stereo Coding" valid till 6th April, 2031. ii. Indian Patent Number: IN 331640 titled "Advanced Stereo Coding Based on a Combination of Adaptively Selectable Left/Right Or Mid/Side Stereo Coding And of Parametric Stereo Coding" valid till 5th March, 2030.

iii. Indian Patent Number: IN 350055 titled "Processing Of Audio Signals During High-Frequency Reconstruction" valid till 14th July, 2031.

iv. Indian Patent Number: IN 230121 titled "An encoder, a decoder and method for encoding/decoding an audio signal" which expired on 28th November, 2022.

v. Indian Patent Number: IN 224775 titled "An apparatus and method for spectral envelope adjustment of a signal" which expired on 27th August, 2023.

vi. Indian Patent Number: IN 264129 titled as "Method for reduction of aliasing introduced by spectral envelope adjustment in real-valued filter banks" which expired on 27th August, 2023. vii. Indian Patent Number: IN 242206 titled "Apparatus for generating a decorrelation signal, multi-channel decoder and method for multi- channel decoding" which expired on 30th April, 2024.

viii. Indian Patent Number: IN 286020 titled "Efficient and scalable parametric stereo coding for low bitrate audio coding applications"

which expired on 10th July, 2022.

3. The aforesaid patents (hereinafter 'Suit Patents') are stated to be a representative group of Standard Essential Patents (SEPs) from Dolby's Advanced Audio Coding (AAC) portfolio of patents relating to audio coding technology, enhancing the functionality of systems/devices such as mobile phones and tablets.

4. Summons in the suit and notice in the application were issued on 1st May, 2024. On the said date, Lava sought time to conclude licensing negotiations with Dolby and the court directed Lava to give a counter-offer. The court gave time to the parties to engage in a discussion towards arriving at a license agreement. The Court further directed Lava to furnish details of devices sold by them which were subject matter of the present suit along with the sales reports and revenues earned from the sale of such devices.

5. On 22nd May, 2024 the Court recorded that the negotiations between the parties have failed and listed the present application for adjudication. The Court also directed Lava to start making deposits of INR 5.13 per device sold, as volunteered by Lava before the Court. However, the Predecessor Bench clarified that the security deposit amount would be suitably revised, if required.

6. Thereafter, the matter was listed on various dates and pleadings have been completed in the suit as well as the present application. The arguments qua the relief of pro tem security were heard on 13th November, 2024, 14th November, 2024, 9th December, 2024, 7th January, 2025, 27th January, 2025, 11th February, 2025, 28th February, 2025 and 27th March, 2025 after which the judgment was reserved.

CASE SET UP IN THE PLAINT

7. Briefly stated, the case set up in the plaint is as follows: -

I. The plaintiff no.1, Dolby International AB, is a company incorporated under the laws of Sweden and the plaintiff no.2 company, Dolby Laboratories Inc., was founded by Mr. Ray Dolby in the United Kingdom.

II. The plaintiff no.l is the current proprietor of all the Suit Patents and is a wholly owned subsidiary of 'Dolby International Holding BV', which in turn is a wholly owned subsidiary of the plaintiff no.2. III. The plaintiffs are known for their extensive research and development ("R&D") conducted in the field of audio/video processing, inasmuch as the plaintiffs have spent more than USD 225 million per year on average towards R&D in each of the past five years. In fact, around USD 272 million were invested by the plaintiffs in R&D in the year 2023.

IV. The constant innovation by the plaintiff no.2 is indicated by the fact that around 92% of its revenues are generated from licensing its technologies and patents. As a result, it has a current portfolio of around 19,300 granted patents and around 1,900 pending patent applications worldwide. The plaintiff no.2 has realized a total licensing (technologies and patents) revenue of USD 1.3 billion for the fiscal year 2023.

V. Dolby, vide its e-mail dated 31st December, 2018, offered Lava the option to enter into a global Fair, Reasonable And Non- Discriminatory (FRAND) license and conducted good-faith FRAND negotiations with Lava, to obtain a bilateral license, or to obtain a pool license from its agent, Via LA.

VI. Dolby complied with its FRAND commitment by offering a FRAND license to Lava and by continually engaging with them to conclude a license.

VII. Lava throughout the negotiations engaged in dilatory tactics and never provided Dolby with a counter-offer.

VIII. As Lava refused to enter into the required license, or even negotiate in good faith with Dolby, and continued selling infringing devices without paying any royalties, Lava obtained an unfair price advantage over the compliant licensees of Dolby who are market competitors of Lava.

IX. The Suit Patents map onto the relevant standard pertaining to the AAC portfolio of technologies and are thus SEPs. As a result, devices/products/apparatus that implement the AAC portfolio of technologies necessarily infringe the asserted claims of the Suit Patents. Lava itself on its website has admitted that several of its models are AAC compliant.

X. Lava has taken a position which is akin to 'patent holdout' behaviour. The extensive data inquiry of irrelevant information hindered the negotiation process significantly, particularly when such exhaustive information is sought to frustrate the negotiation with mala fide intentions.

XI. Accordingly, Dolby has filed the present suit claiming the following reliefs: -

i. A decree of Permanent Injunction be passed in favour of the Plaintiffs and against the Defendant, its affiliates, subsidiaries, officers, Directors, Agents, Distributors and Customers restraining them from manufacturing/assembling, importing, selling, offering for sale, advertising including through its own and third party websites, mobile phones, including the models mentioned in paragraph 128 of the Plaint and any future or other devices (tablets etc.) or models, that implement the AAC portfolio of technologies and result in infringement of any of the suit patents being, IN 315744, IN331640, IN 350055 and IN 230121, IN 264129, IN 224775, IN 242206, IN 286020 until the Defendant has procured appropriate licenses therefor from the Plaintiffs in respect of Dolby's AAC patents portfolio;

ii. An order declaring that the Plaintiffs have acted in accordance with their FRAND commitment and the Portfolio licensing rates that are offered by Dolby are FRAND in nature;

iii. An order declaring the Defendant as unwilling licensees; iv. An order directing the Defendant to render sales accounts qua the infringing devices/products sold by it in India that incorporated the Plaintiffs' patented technologies till date; v. A decree of damages, for the past sale as also punitive damages be passed in favour of the Plaintiffs and against the Defendant on ground of its mala fide and egregiously insidious conduct; vi. An order for delivery up of infringing products manufactured using the patented technology/devices/apparatus including packaging, labels, brochures and other printed material for the purposes of destruction;

vii. An order for disclosure by the Defendant of particulars of all its assets in the form of an affidavit as also an interim disclosure of the period of infringement along with the sales made and the net selling prices; viii.Cost of suit be awarded to the Plaintiffs;

CASE SET UP IN THE WRITTEN STATEMENT AND COUNTER- CLAIM

8. In the written statement and counter-claim filed by Lava, the following averments have been made: -

> I. It is admitted in the plaint that five out of the eight suit patents, i.e. IN 230121, IN 224775, IN 264129, IN 242206 and IN 286020, which are also referred to as '2-Series Patents', have expired prior to the institution of the Suit. Dolby cannot charge royalty and cannot claim injunction for the use after its patents have admittedly expired. The remaining suit patents, i.e. IN 315744, IN 331640 and IN 350055, which are presently valid, are also referred to as '3-Series Patents'. II. Dolby has failed to specify that the purported Suit Patents are essential to which ETSI Standard. The absence of the ETSI standards demonstrate that the claim of the Suit Patents being SEPs is false. III. The Suit Patents are not SEPs and alternate technology and prior arts are admitted.
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> IV. The claim charts presented by Dolby lack clarity and fail to conclusively demonstrate essentiality. Thus, there is no reasonable basis to believe or presume that the Suit Patents qualify as SEPs. V. The validity of the Suit Patents is questionable and they should be invalidated under Section 64 of the Patents Act, 1970. The mere grant of a patent does not inherently establish its validity, as explicitly stated in Section 13(4) of the Patents Act, 1970. VI. The conduct of Dolby is also that of an unwilling licensor since Dolby did not enter into negotiations with the defendant in good faith and the offer made was, thus, not FRAND.
>
> VII. The alleged FRAND royalty rate as pleaded is false and misleading, which is also contradicted by Dolby's own working statements concerning the Suit Patents, filed with the Indian Patent Office. SUBMISSIONS OF THE PLAINTIFFS

9. Mr. Chander M. Lall, learned senior counsel appearing on behalf of Dolby has made the following submissions:-

> i. A pro tem order is not granted as an alternative to an interim injunction order, but precedes an injunction. It emanates from the FRAND protocol. Dolby has met the threshold for the grant of a pro tem order where this Court may pass a temporary arrangement without going into a detailed exploration of merits. ii. The suit patents map onto the relevant sections of the standards published by the ISO/IEC i.e. ISO/IEC 23003-3 and ISO/IEC 14496-3 standards, as is evident from the claim charts filed by the plaintiffs. Lava has admitted that the suit patents are SEPs and has failed to object to the claim charts provided by Dolby during negotiations. iii. Lava's smartphone devices are admittedly Android-compliant. Since Android itself mandates the implementation of AAC standardized technologies in every Android-compatible device, any device built or made by or on behalf of Lava to be compatible with Android will necessarily implement Dolby's patented technologies. iv. Lava's own technical experts have admitted that Dolby's suit patents have a technical effect and read onto the asserted standards and that Lava's devices are AAC

compliant. Dolby has also filed test reports of Lava's devices which confirm Lava's devices are AAC compliant. v. Dolby is seeking a pro tem deposit for its existing patent portfolio. When Dolby first approached Lava for negotiations on 31st December, 2018, all the suit patents were valid and being used by Lava in its devices.

vi. Lava's conduct is that of an 'unwilling licensee' as Lava delayed licensing negotiations for over six years, asking for more information every time, without making any counter-offer with the aim to allow the suit patents to expire.

vii. Lava, despite being aware of Dolby's portfolio of AAC patents, did not seek any declaration of non-infringement or challenged any of Dolby's patents during the six years of negotiations. Lava also sought time to negotiate with Dolby on the first date of hearing of the present suit, i.e. 1st May, 2024.

viii. The strength of Dolby's AAC patent portfolio has been tested and upheld by this Court before in multiple cases where pro tem orders were passed, and Dolby has over 940 licenses for its AAC portfolio with various entities.

ix. Lava has failed to disclose the use of any alternate technologies as mandated by the Delhi High Court Rules Governing Patent Suits, 2022.

x. Lava's financial position is bleak due to liabilities resulting from unsuccessful litigations.

xi. The counter-offer of INR 5.13 per device sold by Lava is wholly inadequate and has no sound economic basis, and also does not cover sales of Lava's infringing feature phones.

SUBMISSIONS OF THE DEFENDANTS

10. Mr. Jayant Bhushan, learned senior counsel appearing on behalf of Lava has made the following submissions:-

i. A pro tem order is an extraordinary relief as an alternative to an interim injunction and requires satisfying the triple test for making out a prima facie case.

ii. Rule 5(v) of the Delhi High Court Patent Rules, 2022 mandates that monetary relief can be granted only in exceptional circumstances and upon prima facie proof of infringement.

iii. The test to be satisfied before grant of pro tem is :

(i) Prima facie finding of essentiality
(ii) Prima facie finding of validity
(iii) Prima facie finding of infringement

(iv) Exceptional circumstances as described in Rul

Delhi High Court Rules Governing Patent Suits, 2022. iv. Since five (2-Series Patents) of the suit patents have expired, no relief of injunction qua the expired patents can be granted. Therefore, no pro tem deposit can be granted in respect of the said expired patents. v. The 3-Series Patents have no independent existence in the absence of the 2-Series Patents and are not entitled to any separate protection after the 2-Series Patents have become res nullius. vi. The standard ISO/IEC 23003-3 is merely a modified form of an old standard ISO/IEC 14496-3:2019. Thus, no new patentable invention arises from compliance with the new standard, ISO/IEC 23003-3. vii. The orders relied upon by Dolby, where pro tem orders were passed, pertain to expired 2-Series Patents. In those suits, the rates were reduced after expiry and the same were consent orders. viii. The methodology for the determination of pro tem rate cannot be to take Dolby's rate as the gospel truth because the same is not based on any disclosed material and lacks transparency. ix. Lava's counter-offer of INR 5.13 per Android device is based on Dolby's own publicly available patent working statements and cannot be called unreasonable.

x. The suit patents in Dolby v. Das Telecom,1, Dolby v. GDN2, and CS(COMM) 1426/2016 CS (COMM) 1426/2016 Dolby v. Reliance Jio Infocomm3, were only 2-Series Patents which have expired and therefore the rates in the said suits cannot be relied upon.

xi. Alternative technologies exist and are being used by implementors such as the defendant, and the same has been explained in the expert report of the defendant.

xii. The method for determining pro tem rate cannot be by placing reliance on the plaintiffs' documents and the expired patents must be excluded from such determination.

xiii. Payments, if any, must be prospective only from the date of the order as per Rule 5(v) of the Delhi High Court Rules Governing Patent Suits, 2022. In Intex Technologies v. TLM Ericsson4, the Single Judge directed payment of royalty from the date of filing of the suit. xiv. No ETSI TS mapping, no SEP declaration and no technical effect evidence support Dolby's claim of essentiality. xv. The doctrine of exhaustion is attracted inter alia due to implementation by the chipset manufacturers, software and contribution to the Android operating system. ANALYSIS AND FINDINGS

11. I have heard the rival submissions and perused the material on record. To begin with, I deem it necessary to review the judicial precedents with regard to the grant and determination of pro tem deposits. Judicial precedents with regard to pro tem deposits

12. The Division Bench of this Court in Xiaomi Technology v. TLM CS(COMM) 99/2024

2023:DHC:2243-DB Ericsson5 highlighted the difference between the analysis required for the purposes of a pro tem order and for the purposes of grant of an interim injunction. The relevant observations of the Division Bench are set out below: -

"13. We are passing the pro tem order keeping in view the fact that treating the averments in the plaint to be true, the adverse effect upon the first respondent would be the finances which would otherwise flow to the coffers of the first respondent if ultimately it is found that the appellants is infringing the patent of the first respondent. The measure of the infringement would be the amount which the appellants would then have to pay to the first respondent as per policy of the first respondent while granting licenses. It is trite that the measure of damages for infringement of a patent would be the revenue loss to the patentee which it would have got by way of royalty while granting the license.

14. Striking a balance between the right of the appellants, which even as per the plaint, is concededly in business in India since July, 2014, we dispose of the appeal directing that as a pro tem measure the appellants would be permitted to import and sell the devices containing chipsets sold to it by Qualcomm upon the following terms:

> (1) The pro tem measure would be restricted to import and sale of devices in which Qualcomm chipsets are used.
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> (2) By January 5, 2015, Rs. 100 per device imported would be deposited in the name of the Registrar General of this Court by the appellants, which would be kept in a fixed deposit by the Registrar General; term of the deposit being three months.
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> (3) Affidavit would be filed by January 5, 2015 disclosing the import of devices in India containing chipset of Qualcomm pursuant to the present order.
>
> (4) Particulars of invoices of purchase of chipsets from Qualcomm shall be disclosed in the affidavit.
>
> (5) Imports made in the month of January, 2015 would likewise be disclosed by way of an affidavit and Rs. 100/- per device deposited in 2014 SCC OnLine Del 7688 the name of the Registrar General of this Court by February 03, 2015."

[Emphasis supplied]

13. Next, a reference may be made to the judgement of the Division Bench in Intex Technologies v. TLM Ericsson, (supra) wherein the Division Bench has elucidated on the concept of FRAND protocol as interpreted by the European Court of Justice in Huawei Technologies v. ZTE Corp.6 The relevant observations of the Division Bench are set out below: -

> "67. The step by step process to be followed by the patent holders and implementers under FRAND Protocol as interpreted in the Huawei v. ZTE (supra) decision can also

be explained in the following flow chart:-

68. Accordingly, the Standard Essential Patent regime envisages a candid and transparent negotiation between a willing licensor (Patentee) and willing licensee (implementer).

69.A licensor will be considered a willing licensor only if it gives a FRAND offer and in certain situations provides information necessary, subject to confidentiality agreement, for a licensee to Decision dated 16th July, 2015 in Case no.C-170/13 by the European Court of Justice.

evaluate an offer (relevant to 'ND' part of FRAND). If the licensor offers a supra-FRAND offer i.e. exorbitant royalty rates, it will not be considered a willing licensor.

70.Similarly, an implementer has no right of silence or inaction at this stage. It is not correct to suggest that without access to other agreements executed by the Patentee no counter-offers can be made. Normally, an implementer can take recourse to its own license agreements executed with other Standard Essential Patent proprietors/licensors, to determine an appropriate FRAND rate that it would be willing to pay or to determine if the rate offered by an Standard Essential Patent proprietor is FRAND or not. This is evident from the judgment of the Dutch Court of Appeal in Koninklijke Philips N.V. v. Wiko SAS [Case Number 200.219.487/01 decided on 02.07.2019] wherein it has been held as under:-

"4.37. Wiko pointed out that it does not have the licence agreements that Philips concluded with other parties for the same patent portfolio, so that Wiko is unable to demonstrate that Philips' proposal is not FRAND. Even apart from the fact that according to the above findings, Wiko failed on several points to substantiate its arguments and furnish evidence of its arguments and its defence should already fail on this basis, this point of view does not hold, Wiko concluded licence agreements for UMTS and LTE portfolios with Qualcomm, Huawei and Nokia. By providing insight into the fees and stipulations agreed upon with those parties in relation to (the value of) the SEPs held by those parties, Wiko could have substantiated (a suspicion of) the alleged fact that Philips' offer was not FRAND and the alleged fact that its own counter-offer was FRAND; however, Wiko failed to do this. Under those circumstances, the Court of Appeal does not see any reason to reverse the burden of proof or to assume an increased duty to contend facts and circumstances for Philips, as Wiko argued."

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72.Further, the implementer has to either accept the licensor's offer or give a counter offer along with an appropriate security in accordance therewith to prove its bonafides as in the interregnum it cannot freely sell its devices using such Standard Essential Patents. If no ad-hoc royalty is paid during the interregnum, such party

benefits, to the disadvantage of other willing licensees, and gets an unfair competitive edge in the market.

73.Accordingly, FRAND obligations have been interpreted to impose a burden not just on Standard Essential Patent holders, but on implementers as well. The Standard Essential Patents regime incorporates mutual reciprocal obligations on both the Essential Patent holder and the implementer. It is not a 'one way street' where obligations are cast on the Essential Patent holder alone. Consequently, the Standard Essential Patents regime balances the equities between the Patentee and the implementer and ensures a level playing field. This Court is also of the view that the conduct of the parties during negotiations is one of the key factors to be kept in mind while assessing whether a potential licensor and licensee were a willing licensor or a willing licensee. The said finding is normally fact sensitive."

[Emphasis supplied]

14. A reading of the aforesaid extracts from the judgement of the Division Bench in Intex v. Ericsson (supra) demonstrates that the FRAND protocol comes into play at the stage of negotiation between the patent holders and the implementers itself. Whereas it is the obligation of the patent holder to give a FRAND offer, it is the obligation of the implementer to respond to the offer and in the event, the offer is not acceptable, give a counter-offer.

15. The other significant observations of the Division Bench are as under:-

i. The implementor has no right to seek access to third-party agreements executed by the patentee with other entities to make such a counter- offer.

ii. The FRAND protocol requires the balancing of equities between the patent holder and the implementor in order to ensure a level playing field.

iii. The conduct of the parties during negotiations is one of the key factors to be kept in mind, whether the licensor and the licensee are a willing licensor or a willing licensee, respectively.

16. A Single Bench of this Court in Nokia Technologies v. Guangdong Oppo7, laid down a four-fold test for the purposes of grant of a pro tem order, in terms of which there has to be unequivocal admission by the implementor with regard to the following:-

I. Essentiality and validity of the suit patents II. Fact of utilisation III. Such utilisation would amount to infringement IV. Royalty rate proposed by the defendant

17. The Division Bench in Intex v. Ericsson (supra) held that the aforesaid four-fold test laid down by the learned Single Judge in Nokia v. Oppo (supra), is not good law.

18. The relevant observations of the Division Bench in this regard are set out below: -

> "114. Further, the learned Single Judge in Nokia Vs. Oppo (supra) has set an impossibly high bar for admission in a case of Standard Essential Patent FRAND infringement, i.e., there has to be an unequivocal admission on (i) essentiality and validity of the suit patents (ii) fact of utilization (iii) fact that such utilization, absent payment of liability would amount to infringement (iv) that the royalty rate proposed by the Plaintiff was FRAND. If there was an unequivocal admission on all four counts, there would be no necessity to file a suit for infringement at all and otherwise also, same would mean seeking/passing of a final decree at the interim stage!
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> 115. In the opinion of this Court, the four-fold test casts an onerous burden upon the Standard Essential Patentee and that too at the interim stage itself. In fact, the said burden is completely alien to the patent jurisdiction and does not apply even in normal patent suits.
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> 116. It is also pertinent to mention that the learned Single Judge in Nokia Vs. Oppo (supra) judgment does not consider or discuss the Delhi High Court Rules Governing Patent Suits 2022, even when the 2022 SCC OnLine Del 4014 said rules specifically empower this Court to pass deposit orders even on the first date of hearing.
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> 117. Moreover, if the four-fold test stipulated in paragraph 77 of the Nokia Vs. Oppo (supra) is applied, then effectively there will be no interim order like a temporary injunction or conditional order of deposit in the Standard Essential Patent suits. Such a view, in the Court's opinion, would be contrary to Section 48 of Patents Act, Code of Civil Procedure as well as Standard Essential Patent regime which is aimed at achieving a uniform standard in technologies. If the four-fold test is accepted, there will be no incentive to innovate and it will have a 'Domino Effect' as pointed out hereinabove. Consequently, the four-fold test in Nokia vs. Oppo (supra) is neither applicable at Order 39 Rule 10 CPC stage nor at Order 39 Rules 1 and 2 CPC stage."

[Emphasis supplied]

19. The power of the Court to pass a pro tem order came up for consideration before the same Division Bench in Nokia Technologies v. Guangdong Oppo8. The issue as flagged by the Division Bench in paragraph no.1 of the said judgement is set out below: -

> "1. The main issues that arise for consideration in the present appeal are whether this Court has the power to pass a pro-tem order without an exhaustive exploration on merits and whether in the facts and circumstances of the present case a pro-tem order is called for, especially in view of the bank guarantee furnished by the respondents- defendants No. 1 and 2 (hereinafter referred to as 'Oppo') in Germany"

[Emphasis supplied]

20. In the aforesaid case, the Division Bench was seized of an appeal filed by Nokia challenging the order passed by the Single Judge dismissing Nokia's application under Order XXXIX Rule 10 of the CPC, wherein Nokia had sought a direction to Oppo to deposit interim security of an amount based on the counter-offer made by Oppo for a global license of 2023:DHC:4368-DB Nokia's portfolio of SEPs.

21. Placing reliance on the judgment of the European Court of Justice in Huawei v. ZTE, (supra), the Court held that payment of a pro tem security is the implementer's obligation in the negotiation phase itself. The relevant observations made in Huawei v. ZTE (supra) are set out below: -

> "67. Furthermore, where the alleged infringer is using the teachings of the SEP before a licensing agreement has been concluded, it is for that alleged infringer, from the point at which its counter-offer is rejected, to provide appropriate security, in accordance with recognised commercial practices in the field, for example by providing a bank guarantee or by placing the amounts necessary on deposit. The calculation of that security must include, inter alia, the number of the past acts of use of the SEP, and the alleged infringer must be able to render an account in respect of those acts of use."

22. The relevant findings of the Court with regard to passing a pro tem Order are set out below: -

> "52. Further, if the negotiations between the parties fail, it does not mean that an implementer can continue to derive benefit by using the technology of the Standard Essential Patent proprietor in the interregnum without making any payments for such use.
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> 53. This Court in Intex. vs. Ericsson (supra) relying on the Delhi High Court Rules governing patent suits, 2022 has recognized the concept of protem security and has held that the Courts have the power to pass deposit orders even on the first date of hearing, if the facts so warrant.
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> 54. This Court is of the view that it may not be necessary for a Standard Essential Patent holder to seek any pro-tem order in foreign jurisdictions/other jurisdictions because proceedings elsewhere are significantly faster than in India. In Germany, for instance, Nokia had pressed for final relief and had attained final decisions in several cases in a short time.
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> 56. Additionally, in order to decide an application for interim relief under Order XXXIX Rules 1 and 2 CPC, the Court has to examine various aspects on merits, which would necessarily take time. In the interregnum, the infringing party would freely sell its devices using such Standard Essential Patents. If no security is offered during the interregnum, such party benefits, to the disadvantage of the Standard Essential

Patent holder as well as the other willing licensees and gets an unfair competitive edge in the market.

57. In the present case, nearly two years have lapsed since the institution of the suit and not a 'single farthing' has been paid by Oppo.

58. Consequently, to balance the equities between the parties, this Court has the power, if the facts so warrant, to pass a pro-tem order being a temporary arrangement without a detailed exploration of merits. This view, according to the Court, promotes a modernized and fair patent system, encourages ingenuity, creativity and intellectual activity as well as provides for a conducive environment for knowledge transfer. Needless to state that the nature of pro-tem security/deposit order as well as interim order will necessarily depend on the factual matrix of each case.

A PRO-TEM SECURITY ORDER CANNOT BE LIKENED TO AN INJUNCTION

59. This Court is further of the opinion that a pro-tem security order cannot be likened to an injunction order because unlike an injunction order it does not stop or prevent the manufacturing and sale of the infringing devices. The intent of a pro-tem security order is to either ensure maintenance of status-quo or to retain the Courts's power and ability to pass appropriate relief at the time of disposal of the injunction application under Order XXXIX Rules 1 and 2 or at the final stage. In the facts of the present case, the pro-tem security order does not confer any advantage upon Nokia as it only balances the asymmetric advantage that an implementer has over a Standard Essential Patent holder. This Court in Intex vs. Ericsson (supra) has held as under:-

...

60. Oppo's reliance on Natco Pharma Ltd. Vs. Bristol Myers Squibb Holdings Ireland Unlimited Company (supra) is misplaced as it is a case in relation to injunction orders at the stage of Order XXXIX Rules 1 and 2 CPC. The Court in that case recognised that "matters involving alleged infringement of patents constitute a separate species of litigation. A further sub-species would be those concerning pharmaceutical patents." In the same vein, cases concerning Standard Essential Patents would also constitute a separate subspecies of patent litigation as has already been recognized in Intex v. Ericsson (supra). In fact, this Court in Intex v.

Ericsson (supra) has recognized that Standard Essential Patent cases are different as a Standard Essential Patent holder does not have the freedom to claim an injunction against an infringer, without prior negotiations under FRAND terms. This Court is of the view that principle underlying the Standard Essential Patents is that everyone has the right to enjoy the benefits of scientific progress and its applications, provided the user pays reasonable compensation to the patent owner

or furnishes an appropriate security to prove its bonafides, as in the interregnum, it cannot freely sell its devices using such Standard Essential Patents. Consequently, the principles that are to be kept in mind while deciding applications for interim reliefs have to be tailored to suit the sub-species of the case being decided."

[Emphasis supplied]

23. From a plain reading of the aforesaid extracts, it is abundantly clear that the Court has the power, in order to balance the equities between the parties, to pass a pro tem order as a temporary arrangement without a detailed examination of the merits of the case. The Division Bench highlighted the difference between the level of scrutiny required for the purposes of passing a pro tem order and an order of interim injunction.

24. The underlying principle, as emphasised by the Division Bench, is that while the implementor has a right to enjoy the benefits of the invention of the SEP holder, it has to pay reasonable compensation or furnish an appropriate security in the interregnum.

25. Counsel for Lava places reliance on the observations of the Division Bench that "Normally speaking, a pro-tem deposit should be directed only after a prima facie finding of essentiality and validity of the suit patents has been recorded.". Paragraph 81 of the judgement is set out below: -

> "81. Normally speaking, a pro-tem deposit should be directed only after a prima facie finding of essentiality and validity of the suit patents has been recorded, but in the present case where Oppo itself licensed the Standard Essential Patents of Nokia against royalty payments running into XXXXXXX under the 2018 Agreement over a three year period and admitted its obligation in law to secure a new licence agreement commencing July, 2021 for Standard Essential Patents of Nokia, there arises a prima facie presumption that the challenge to essentiality and validity of Nokia's patents is merely an afterthought. This Court is in agreement with learned counsel for Nokia that at this prima facie stage it would be fair to infer that no one pays good money for generally disputed patents. In fact, it was Oppo's case in its pleading before the learned Single Judge that during the course of pre-suit negotiations, the new licensing rate offered by Nokia was unreasonably higher than what was previously agreed to."

[Emphasis supplied]

26. From a reading of paragraph 81 of Division Bench's judgment in Nokia v. Oppo (supra), it is clear that the Court has to arrive at a prima facie finding of essentiality and validity of the suit patent before making an order of pro tem deposit in normal circumstances. However, in the case before the Division Bench, since Oppo itself had licensed the SEPs of Nokia under an earlier agreement, the Court held that there is a prima facie presumption that the challenge to essentiality and validity of Nokia's patent was mainly an afterthought.

27. The Division Bench specifically held that non-furnishing of the comparable third-party license agreements is irrelevant as the Court, at the stage of determining the pro tem deposit, is not determining FRAND rate. The relevant paragraph is set out below: -

> "88. As regards non-furnishing of comparable PLAs is concerned, this Court is of the view that the said issue is irrelevant as the Court is not directing Oppo to pay the FRAND rate at this stage. Even the learned Single Judge has noted held that Nokia ought to have supplied its PLAs to Oppo."

28. In paragraph 90, the Division Bench observed that since the delay in adjudication of the cases benefits the implementers, the deposit at a pro tem stage would balance the interest of the right owners, with a larger public interest. The said paragraph is set out below: -

> "90. As the delay in adjudication of cases tends to benefit the implementer/ Oppo, this Court is of the view that a deposit at the pro- tem stage with the Registry of this Court of the last paid amount attributable to India under the 2018 Agreement which is lower than what Nokia had claimed as FRAND and what Oppo had itself offered to pay as interim payments (vide emails dated XXXXXXX would balance the equities. Such an approach balances the interests of right owners with the larger public interest. Keeping in view the aforesaid findings, this Court is of the opinion that the balance of convenience is in favour of Nokia and if a pro tem order is not passed, Nokia shall suffer irreparable harm and injury."

29. The SLP(C) 15938/2023 filed against the aforesaid judgement was dismissed by the Supreme Court vide order dated 4th August 2023.

30. The judgment of the Division Bench in Nokia v. Oppo (supra) was followed by a Co-ordinate Bench of this Court in Philips v. Oplus Mobitech India9.

31. The argument raised before the Co-ordinate Bench by the defendant in the said case was that the Court cannot order a pro tem deposit without giving a prima facie view on essentiality, validity and FRAND. Further, pro tem cannot be ordered without looking into third-party licenses.

32. Placing reliance on the judgements of the Division Bench in Intex v. Ericsson (supra) and Nokia v. Oppo (supra), the Co-ordinate Bench held that in order to balance equities between the parties, Court has the power to pass orders and put in place a temporary arrangement, without a detailed explanation on merits.

33. It was also held that there was no requirement for the plaintiff to file a separate application for seeking relief of a pro tem deposit. The Court rejected the argument of the defendant that a pro tem deposit can be ordered only if the plaintiff satisfies the requirement for grant of an interim injunction.

34. In the facts of the said case, the Co-ordinate Bench, based on the negotiations between the parties and the claim charts filed on behalf of the plaintiff, ordered the defendant to make a pro tem deposit.

35. In Guangdong Oppo v. Interdigital Technology,10 another Division Bench of this Court was considering an appeal against the judgment of a single judge wherein a pro tem deposit was ordered to be deposited by the appellant/defendant (Oppo).

36. The relevant observations of the Division Bench with regard to pro tem orders are set out below: -

> "97. The record of the proceedings indicate that the plaintiffs had sought pro tem directions to cover at least "the counter offer made by the defendants" pending consideration of the matter including in regard to interim orders. It is also apparent that the defendants were agreeable to the same. As noticed above, the expression pro tem literally means 'for the time being'. Pro tem measures are granted where the circumstances of the case warrant, pending consideration of the interim orders. Pro tem measures are thus protective orders and mostly in the nature of ad-interim orders.
>
> 98. Since the learned Single Judge had come to the conclusion that the plaintiffs' application for pro tem order were required to be relooked it was necessary for the Court to consider the same afresh.
>
> 99. The contention that there is no necessity to form a prima facie view before issuing pro tem orders is erroneous. Pro tem measures are also in the nature of an interim / ad-interim measures. It is thus necessary that in a contested case the court form a prima facie before granting any interim relief. The reliance on the decision of the Coordinate Bench of this Court in Nokia Technologies OY v. Guangdong OPPO Mobile Telecommunications Corp. Ltd. & Order dated 20th December, 2023 in CS (COMM) 574/2019 2024:DHC:4547-DB Ors.(supra) is misplaced. In the said case, the Division Bench of this Court had observed that "normally speaking a pro tem deposit should be directed only after a prima facie finding of essentiality and validity of the suit patents have been recorded". However, in the peculiar facts of that case, the Court had proceeded to direct pro tem deposit as it found that respondents had licensed the SEPs of the appellants (hereafter Nokia) in consideration of royalty payments for a period of three years and, thus, had admitted its obligation in law to secure a new license for the SEPs. The Court held that there was a prima facie presumption that the challenge to the essentiality and validity of Nokia's patent was merely an afterthought. The Court accepted Nokia's contention that at the prima facie stage it would be fair to infer that no one pays good money for disputed patents and thus there was no real dispute regarding the validity of the patents in question. The Court had also noted the course of negotiations between the parties. It also noted that the respondents had agreed to make interim payments to Nokia and had also filed a

> suit for determination of FRAND. The decision in Nokia Technologies OY v. Guangdong OPPO Mobile Telecommunications Corp. Ltd. & Ors. (supra) is not an authority for the proposition that pro tem deposits/payments can be ordered without even considering the defenses raised by the defendants and taking a prima facie view."

[Emphasis supplied]

37. The Division Bench observed that the pro tem measures are protective orders in the nature of ad-interim orders, i.e. pending consideration of the interim orders. The Division Bench rejected the contention of the plaintiff that there is no necessity for a Court to form a prima facie view before passing pro tem orders. Ultimately, the Division Bench disposed of the appeal by accepting the bank guarantees furnished by the defendant towards pro tem deposit.

38. From an analysis of the aforesaid judgements passed by the Division Benches of this Court in Intex v. Ericsson (supra), Nokia v. Oppo (supra) and Guangdong Oppo v. Interdigital Technology (supra), the following legal principles can be culled out: -

> I. The SEP cases are different from normal patent infringement cases to the extent that an SEP holder does not have the right to claim an injunction against an implementor without holding negotiations with the implementor, as per the FRAND protocol;
>
> II. Indian courts are empowered to pass a direction for a pro tem deposit, and this power can be exercised under Section 151 of the CPC, without filing a separate application for the same; III. Pro tem orders are in the nature of ad-interim orders, which operate till the time an application for interim injunction is decided by the Court;
>
> IV. Pro tem deposits are granted to balance the SEP holders' right to receive value for the use of their technology with the implementor's right to contest the patent. This ensures that the implementor does not unfairly benefit from the use of patented technology during the course of a potentially lengthy litigation, where the issues such as validity, essentiality and FRAND terms have to be determined; V. Normally speaking, a pro tem order should be directed only after a prima facie finding on essentiality and validity of the suit patents. However, for passing pro tem orders, no detailed exploration of merits of the case is required, as is required for purposes of grant of an interim injunction;
>
> VI. The four-fold test laid down by the Single Bench in Nokia v. Oppo (supra) would not apply for purposes of grant of a pro tem order;

VII. The Court can form a prima facie view based on surrounding factors.

Where the Court is of the view that the challenge to essentiality and validity of the SEP is merely an afterthought, it would be a relevant factor in determining the question of prima facie essentiality and validity of the suit patents. Therefore, determination of pro tem would depend upon the facts and circumstances of a case;

VIII. Conduct of the parties during negotiations is one of the key factors to be kept in mind while determining whether a potential licensor and licensee were willing licensors or willing licensees, respectively. An unwilling licensee cannot be permitted to freely sell its devices using the SEPs of the patent owner, without making a pro tem security deposit;

IX. There is no requirement for the patent owner to furnish any third-

party licensing agreements to the implementor at the stage of negotiations or at the stage of determining pro tem deposit.

39. In my considered view, the expression, used by the Division Bench in Nokia v. Oppo (supra) in paragraph 81, "Normally speaking, a pro-tem deposit should be directed only after a prima facie finding of essentiality and validity of the suit patents has been recorded" has to be reconciled with the observations made in paragraph 58 that "Consequently, to balance the equities between the parties, this Court has the power, if the facts so warrant, to pass a pro-tem order being a temporary arrangement without a detailed exploration of merits.". Therefore, even though the Court is required to give a prima facie finding of essentiality and validity of the suit patents, the level of scrutiny would depend upon the facts and circumstances of the case. Where the conduct and actions of the implementor during the negotiations stage indicates no serious challenge to the essentiality and validity of the suit patents, the Courts may not get into a detailed exploration of merits. To arrive at a prima facie finding with regard to the essentiality and validity of the suit patents the Court can look at the surrounding factors such as the number of licenses entered into by SEP owners in respect of the portfolio of SEPs relating to the same technology; enforcement of the said SEPs before competent Courts; pro tem orders passed by the courts relation to the said SEPs. Where it is found that a significant number of competitors and players in the market, including entities that are in a better bargaining position on account of their volumes or market share, are paying royalties for such SEPs, it would be a relevant factor.

40. If in every case the Court were to conduct an in-depth examination of issues relating to the essentiality and validity of the suit patents, the whole objective behind a pro tem deposit would be defeated. Judicial notice can be taken of the fact that once in litigation, the implementors take all possible defences relating to essentiality, validity and non-infringement even though these have not been raised during the negotiations. Therefore, in my considered view, the determination of pro tem deposit has to be very fact- centric. In cases where the implementor has not made a credible challenge to the essentiality and validity of the suit patent during the negotiations stage and makes a challenge only during the litigation as an afterthought, the Court can look at the surrounding factors to determine prima facie validity and essentiality of the suit patents. Otherwise, the threshold for deciding a pro tem deposit would become the same as that for deciding an interim injunction application. This is not to say that the Court does not have to examine the aspects of validity and

essentiality of the suit patents at all.

41. In a recent judgment titled Atlas Global Technologies v. TP Link Technologies11, a Co-ordinate Bench of this Court, relying upon the judgments of the Division Bench in Intex v. Ericsson (supra) and Nokia v. Oppo (supra), enlisted the factors that weighed with the Court to pass an interim direction for making a pro tem deposit. The relevant extracts from the judgment are set out below: -

> "39. Considering the offers and the counter offers made and bearing in mind the ratio of the two decisions of the ld. Division Bench, as also the fact that the Defendants have a substantial business and sale in India, in the opinion of this Court, some interim directions need to be passed to secure the interest of the Plaintiff. The following factors persuade the Court, at this stage, to pass an order for interim arrangement:
>
> i) The patents of the Plaintiff have been well within the knowledge of the Defendants;
>
> ii) The Defendants have engaged in negotiations with the Plaintiff for obtaining a license;
>
> iii) The Plaintiff's patents are SEPs which have been licensed to various third parties including some market leaders like xxxxx;
>
> iv) The Plaintiff has offered its patents for license but the Defendants have launched their products without clearing the way. The negotiations have been going on for almost two years.
>
> v) Despite litigation ensuing in two countries, there has been no licence agreement signed between the parties;
>
> vi) As of August, 2023 a counter offer xxxxxxxx, has been made by the Defendants;
>
> vii) The Plaintiff has filed on record, claim charts mapping in order to establish its case of essentiality and infringement in respect of the suit patents;
>
> viii) A substantial portion of the business of the Defendants in India is by importation of devices from China without payment of any royalty to the Plaintiff;
>
> ix) Even the local manufacturing which is being undertaken by Defendant No. 4 is without payment of any royalty.
>
> x) Despite advance service and notice issued by the Court, most of the Defendants have chosen not to appear before the Court.

> xi) India is one of the biggest market of the Defendants, as is clear from the documents of negotiation which shows xxxxxxxx devices of Judgment dated 28th August, 2023 in CS(COMM) 575/2023 the Defendants being sold in the US and xxxxxxxx devices in the rest of the world.
>
> xii) The Defendants continue to sell their products and earn revenues while the Plaintiff is asserting its patents in different jurisdictions without receiving any royalties;"

[Emphasis supplied]

42. With the aforesaid background, I proceed to examine the merits of the case.

Analysis of the Correspondence Exchanged between Dolby and Lava before filing of the Suit

43. Dolby contacted Lava as far back as 31st December, 2018 via e-mail, asserting its Advanced Audio Coding (AAC) Patent Portfolio and calling upon Lava to obtain a global license from Dolby with regard to the aforesaid portfolio of patents. Dolby clearly explained to Lava that the USAC group of patents are a part of the AAC portfolio of technologies, which has been identified as a mandatory codec for Android versions 9 and above. Along with the said e-mail, Dolby shared the following documents with Lava: -

> i. Illustrative List of Dolby AAC Patents which include the suit patents. ii. Claim charts for the 5 AAC suit patents.
>
> iii. Technical specifications of Lava's devices that comply with the AAC standard.
>
> iv. Dolby's bilateral royalty rates.

44. Lava responded to the aforesaid e-mail on 16th January, 2019, denying the claims of Dolby. In turn, Lava took a stand that it would take a license only for patents that are held to be valid and essential and are being infringed by Lava's devices. Pertinently, no counter-offer was made by Lava. Clearly, this was not a response in terms of the FRAND protocol as recognized by the Division Bench in Intex v Ericsson (supra). In the subsequent correspondence exchanged between Dolby and Lava, Lava kept raising various technical queries and seeking information, which was duly provided by Dolby.

45. Lava sent an email to Dolby on 17th September, 2021, asking Dolby to send a revised commercial offer. In the e-mail dated 28th October, 2021 sent by Dolby to Lava, Dolby once again made an offer to Lava and asked for Lava's response. This e-mail was followed by a subsequent reminder on 24th January, 2022. However, Lava failed to respond to the offer made by Dolby and kept on raising further technical queries. Despite repeated reminders, Lava neither agreed to the rates offered by Dolby nor did it provide any counter-offer.

46. In its e-mail dated 23rd August, 2023, Dolby responded to various queries raised by Lava and called upon Lava to furnish its audited statements in respect of sales of Lava's devices. As requested by Lava, Dolby once again provided all claim charts for the asserted USAC (3-Series) patents.

47. From an analysis of the aforesaid correspondence exchanged between the parties, the following aspects can be discerned: -

> i. Dolby initiated communication with Lava as early as 31st December, 2018, demonstrating its willingness to enter into a license with Lava. ii. Dolby provided the technical information regarding its SEPs.
>
> including claim charts and details about the standards they correspond to.
>
> iii. Dolby provided all technical clarifications sought by Lava. iv. Dolby offered royalty rates that were similar to rates offered to other similarly situated entities.
>
> v. Lava never made any counter-offer during the course of the negotiations.
>
> vi. Lava insisted on a license only in respect of a subset of the standard SEP portfolio offered by Dolby, which is contrary to the established industry practice.
>
> vii. Lava kept on insisting that Dolby should provide third-party confidential licensing agreements to Lava, which was unjustified. viii. Lava never disputed or questioned the validity of the SEPs asserted by Dolby, nor did it counter Dolby's claim charts on merits.

48. In light of the above, I am of the view that Dolby complied with the FRAND protocol by asserting its AAC portfolio of patents and calling upon Lava to enter into a license agreement with Dolby. However, Lava failed to comply with the obligations of an implementor under the FRAND protocol of showing the willingness to negotiate and execute a FRAND license and to make a counter-offer. Throughout the negotiations that were carried out for six years, Lava kept on asking for details and information from Dolby, without providing any evidence to show that it is not using Dolby's technology. Lava's strategy was simply to delay the negotiations.

49. Based on the aforesaid analysis of the correspondence exchanged between the parties, in my prima facie view, the conduct of Lava amounts to 'patent holdout'. Therefore, in terms of the FRAND protocol, as laid down in the judgment of the European Court of Justice in Huawei v. ZTE (supra), and followed by the Division Bench in Intex v. Ericsson (supra), Lava would be deemed to be an unwilling licensee.

50. At this stage, reference may be made to the Judgment of this Bench in Ericsson v. Lava (supra) where, after analysing the correspondence exchanged between Lava and Ericsson at the stage of negotiations, the Court came to the conclusion that Lava was an unwilling licensee. The relevant paragraphs of the said judgment are set out below: -

> "675. Examining the correspondence exchanged between the parties in light of the legal principles, it is abundantly clear that Lava never had any intention to enter into a FRAND licensing agreement with Ericsson. Lava employed all means and methods for delaying the execution of license with Ericsson. Lava does not dispute the fact that Ericsson conveyed to Lava the rates that were offered by Ericsson to Micromax in terms of the orders dated 19th March, 2013 passed by this Court. However, Lava failed to give a definitive response to the said offer. Nor did Lava give any counter offer to Ericsson.
>
> ...
>
> 678. In view of the discussion above, it is clear that Lava did not engage in negotiations with Ericsson in good faith. Lava's actions, including the failure to respond to queries, the strategic filing of a lawsuit just before a scheduled meeting, the insistence on third-party confidential information and the lack of responsiveness to Ericsson's offers and even the Court queries, collectively demonstrate a pattern of behaviour that is inconsistent with the principles of fair and constructive negotiation. Consequently, Lava can aptly be described as an 'unwilling licensee' in respect of Ericsson's SEPs."

[Emphasis supplied] Analysis of the Correspondence Exchanged between Doby and Lava Post Filing of the Suit

51. Even at the time of filing of the present suit, when summons were issued on 1st May, 2024, Lava sought time from the Court to conclude licensing negotiations with Dolby. The Predecessor Bench in its order dated 1st May, 2024 gave time to Lava to submit its counter-offer to Dolby.

52. Soon thereafter, in its communication dated 10th May, 2024, Lava took the stand that five of the suit patents have expired and therefore, Lava was not liable to pay any royalty in respect of the said patents. As regards the remaining three patents, Lava took a stand that the said three patents were never discussed in their meetings with Dolby and therefore, Lava is getting them assessed. The relevant extracts from the said communication are set out below: -

> [Emphasis supplied]

53. The aforesaid communication was replied to by Dolby on 11th May, 2024, rebutting the claims made by Lava. The relevant extracts from the said communication are set out below: -

54. This was followed by another e-mail dated 14th May, 2024 by Dolby once again calling upon Lava to make a counter-offer. The relevant extracts of the said communication are set out below: -

> By:DHARMENDER SINGH Signing Date:11.07.2025 19:46:07

55. In its e-mail of 15th May, 2024, Lava enclosed a draft of a License Agreement to Dolby and made a counter-offer of INR 5.13 per device.

56. Dolby promptly replied to the said communication on 16th May, 2024, highlighting the discrepancies in the methodology adopted by Lava to arrive at the rate for calculating royalty. It was stated that the terms proposed by Lava cannot be considered as a counter-offer by any industry standards.

57. It is evident from the above that even after the filing of the present suit, Lava kept on insisting that various third-party agreements entered into between Dolby and third parties be shared with them, which Dolby refused to provide as it would amount to a breach of third-party confidentiality obligations.

58. Dolby offered to Lava a pool-licensing programme through Via LA in addition to its own bilateral rates, which is compatible with its FRAND commitment. Lava neither made a counter-offer to Dolby nor approached the Via licensing pool engaged by Dolby. While delaying negotiations, Lava continued to sell its infringing phones in the market. Accordingly, Lava has not only acted as an unwilling licensee but has also derived an unfair advantage in the market by selling infringing devices without paying the requisite royalties. The conduct of Lava in making its first counter-offer only after the initiation of the present suit clearly reflects an attempt to delay proceedings and is not reflective of good faith behaviour in FRAND licensing negotiations. Despite being in discussions with Dolby for over five years, Lava failed to propose any quantifiable licensing terms or provide its sales data until the present suit was instituted. Such conduct undermines the very spirit of good faith negotiations that is central to the FRAND framework.

59. Ultimately, in the order passed by the Predecessor Bench on 22nd May, 2024, it was recorded that the negotiation between the parties had not been successful and listed the present application seeking inter alia, a pro tem deposit, for adjudication. The Court also directed Lava to make deposits of INR 5.13 per device sold, as had been voluntarily offered by them. However, it was made clear that the security deposit amount could be suitably revised, if so required.

60. In light of the aforesaid legal principles, I now proceed to examine if Dolby has made out a prima facie case in respect of: -

i. Validity of the suit patents.

ii. Essentiality of the suit patents.

iii. Infringement of the suit patents by the defendant. Validity

61. As noticed above, throughout the course of negotiations, Lava took a stand that it is agreeable to take a license in respect of patents that are held to be essential and valid. In fact, in its e-mails dated 13th June, 2020 and 4th April, 2022, Lava stated that it is getting a technical evaluation of the suit patents conducted. However, Lava never got back to Dolby as to whether any of the suit patents are

invalid on the basis of a technical evaluation conducted by Lava. Neither did Lava file any legal proceedings to seek a declaration that any of Dolby's patents relating to the AAC technology are invalid. The ground of invalidity was taken by Lava for the first time in the present proceedings.

62. Lava has challenged the validity of the suit patents in the present suit on various grounds, such as non-patentability under Section 3(k) and lack of inventive step under Section 2(1)(ja) of the Patents Act, 1970. Pertinently, in the six years of negotiations, Lava has never questioned the validity of the suit patents on these grounds. From time to time, Lava called upon Dolby to provide technical details and information regarding the suit patents which were duly provided by Dolby to Lava. At no point has Lava questioned the adequacy of the technical information provided by Dolby. Clearly, the attempt of Lava to raise issues of validity at this stage is only to avoid making a pro tem deposit and delay the adjudication of the present suit.

63. Lava also contends that the new standard, i.e. ISO/IEC 23003-3 is merely a rehashed version of the old standard, i.e. ISO/IEC 14496-3:2019 and hence the new 3-Series Patents of Dolby would not be patentable. Technical standards, particularly those in the domain of audio codecs and compression technologies, like other standards, evolve incrementally. Merely because the new standard is an evolution from the previous standard would not by itself render the patents invalid.

64. Dolby has averred in the plaint that more than 940 licenses have been issued by Dolby related to its AAC patents portfolio, including all top handset vendors and manufacturers. This averment has not been disputed by Lava in its written statement. When the Court is considering the grant of a pro tem deposit, it is also to be kept in mind that Dolby has entered into Licensing Agreements with other players in the market in respect of its SEP Portfolio relating to AAC technologies, some of which are selling mobile phones in India and are competitors of Lava. Dolby has provided a list of entities who have executed a Patent License Agreement, in relation to the AAC patents, through Via Licensing Corporation, as available on the website of Via LA. Dolby has also placed on record third-party License Agreements in sealed covers relating to its AAC portfolio.

65. Dolby has also placed on record various court orders in suits filed by Dolby, against third parties in India, where its SEPs relating to its AAC portfolio have been asserted and pro tem orders have been passed in favour of Dolby. In Dolby v. GDN Enterprises (supra) (Oppo Suit) and Dolby v. Das Telecom, (supra) (Vivo Suit) vide 27th October, 2016 this Court directed Oppo and Vivo to deposit a sum of INR 34/- per unit in Court by Oppo and Vivo. Subsequently, this order was modified and the deposit was reduced to INR 20/- per unit. However, Vivo and Oppo were directed to file bank guarantees for a differential amount of INR 14/-. Subsequently, an interim arrangement was entered into between the parties, which was recorded in the order dated 14th December, 2016, wherein Vivo and Oppo agreed to secure the future royalties at the rate of INR 30/- per device by way of a bank guarantee. Ultimately, the matter was settled and Vivo and Oppo took a Global Patent License Agreement.

66. Even though the said orders have primarily been consent orders, at a prima facie stage, they do reflect the essentiality and validity of the suit patents. After all, no licensee/implementor would pay royalty/pro tem deposits in respect of SEPs that are neither essential nor valid. As recognised by the

Division Bench of this Court in Nokia v. Oppo (supra), it may be fairly presumed, for the purpose of assessing prima facie validity at the interim stage, that "no one pays good money for bad patents.". While such a presumption is not conclusive and does not foreclose a full trial on validity, it enables the Court to strike an appropriate interim balance between the rights of the SEP holder and the alleged infringer.

67. Lava, during the pendency of the present suit vide email dated 15th May, 2024 has made a counter-offer of INR 5.13 per device sold. Even though Dolby has outrightly rejected this offer, the fact that an offer was made by Lava would amount to a prima facie admission with regard to the essentiality and validity of at least some of the suit patents and a prima facie admission of the fact that Lava's devices implement the suit patents.

68. On a prima facie view, this reflects the strength of Dolby's patent portfolio, as well as the FRAND nature of its licenses.

69. Therefore, in the facts and circumstances of the present case, the Court can take into account the aforementioned factors for forming a prima facie view on the validity of suit patents and need not conduct an in-depth examination on the issue of invalidity of the suit patents raised by Lava for the first time in its counter-claim filed in the present suit. In my view, this approach would be in line with the observation of the Division Bench in Nokia v. Oppo (supra) that the Court must pass a pro tem order without a detailed exploration into the merits of the case. Therefore, in my considered view, Dolby has made out a prima facie case for validity of the suit patents. Essentiality

70. Along with the plaint, Dolby has filed claim charts to show that the suit patents map onto the relevant sections of standards published by ISO/IEC, i.e. relating to the AAC portfolio of technologies.

71. The aforesaid claim charts were furnished by Dolby to Lava during the stage of negotiations. However, the same were not questioned or objected to by Lava in any manner at that stage. Lava has also not filed any counter-claim charts to dispute the claims of essentiality made by Dolby.

72. In the preliminary report of Dr. G.S. Madhusudan on behalf of Lava, it has been admitted that at least three of the suit patents (3-Series Patents) map onto the relevant standard, i.e. ISO/IEC 23003-3:201 (defendant's documents, page 629), even though the report does not confirm the infringement of the patent.

73. Therefore, in my prima facie view, Dolby, on the basis of claim charts filed by it, which remained unrebutted, has established the essentiality of the suit patents.

Infringement

74. The Division Bench in Intex v. Ericsson (supra) has approved the two-step test for establishing infringement of SEPs. The relevant observations of the Division Bench are set out below : -

"93. There is the direct test of infringement which is applied in all standard patent cases. The other is the indirect method which involves proving the following steps: (i) Mapping patentee's patent to the standard to show that the patent is a Standard Essential Patent. (ii) Showing that the implementer's device also maps to the standard.

94. This is akin to the Law of Transitivity, i.e., if A=B and B=C, then A=C, where

95. To show that the patent maps onto the standard (A=B), courts take into consideration "claim charts", which show that the claims of a patent are also present in the technical features of a standard.

96. To show that the implementer's device conforms to the standard (B=C), courts can either consider authentic sources like test reports which show that the device conforms to the standard. However, this is not a necessary requirement, as most devices declare their compliance with a given standard. For instance, all mobile phones declare that they are 3G/4G/5G compliant.

97. The indirect test for proving Standard Essential Patent infringement is decades' old. For instance, the US Court of Appeals for the Federal Circuit in Fujitsu Ltd. v. Netgear Inc., (620 F.32 1321) held:

"We hold that a district court may rely on an industry standard in analysing infringement. If a district court construes the claims and finds that the reach of the claims includes any device that practices a standard, then this can be sufficient for a finding of infringement We agree that claims should be compared to the accused product to determine infringement However, if an accused product operates in accordance with a standard, then comparing the claims to that standard is the same as comparing the claims to the accused product."

(emphasis supplied)

98. This Court is of the opinion that Delhi High Court Patent Rules and International jurisprudence are unanimous in holding that the "indirect" method is a sure shot and better method of proving Standard Essential Patent infringement and essentiality."

75. Applying the aforesaid test to the facts of the present case, it has already been held above that the suit patents map onto the prescribed standards. Now, I proceed to examine whether Lava's devices implement the standards.

76. Lava, on its own website has given technical specifications of its following devices that show that the said devices are AAC and UACC compliant (page no. 8632 to 8655, plaintiffs' documents): -

> i. Lava Z60s, ii. XOLO Era 2v, iii. XOLO Era 3, iv. XOLO Era 3x, v. Lava Agni 2, vi. Lava Blaze Pro vii. Lava Blaze NXT

77. The website also provides that the devices of the defendant are Android compatible. Attention of the Court has been drawn to Android 14 compatibility documents (page no.6421 to 6768, plaintiffs' documents) which demonstrate that in order for a handheld device to be compatible with the Android Operating System, the same has to implement the AAC Plus feature. In fact, in the aforesaid document, Google makes it clear that to implement the aforesaid standards, a patent license may be required from the relevant patent holders. The relevant extracts (from page no.6558) are set out below: -

> "Please note that neither Google nor the Open Handset Alliance make any representation that these codecs are free from third- party patents. Those intending to use this source code in hardware or software products are advised that implementations of this code, including in open source software or shareware, may require patent licenses from the relevant patent holders"

78. In the affidavit filed on behalf of Dr. Anil Kumar Voppala on behalf of Lava (page no.4819 to 4874, defendant's documents), it has been confirmed that the Lava devices, which were tested by the said expert, comply with the standards. The relevant extracts from page no.4868 are set out below: -

> "Summary of test results for lava LZX404 BLAZE PRO SBR with Sine wave addition: Yes (infringes IN 230121) LP-SBR (Low power mode): Yes (infringes IN 224775 and IN 264129) HQ-SBR (High quality mode): Yes (reference analysis only)"

79. In fact, a specific query was put to Dr. Voppala with regard to Lava's devices complying with the standard, the same is set out below: -

> "Answers to the Queries xvi. Whether the test was conducted to check the achievement of the standard or infringement of the patent?
>
> Answer : The test was conducted to check the achievement of the standard. The primary goal was to determine if the Lava LZX404 BLAZE PRO meets the technical specifications of SBR decoding as per the ISO/IEC 14496-3:2019 standard. The means of how the standard has been achieved have not been tested in this report, thus it does not confirm that infringement of the patent. The test results show compliance with the standard, but they do not directly address whether the specific patented technologies have been used."

80. Even though the experts of Lava confirm the fact that Lava's devices implement the standard, it is stated that the said devices do not infringe the suit patents. However, Lava's experts failed to disclose any alternate technology adopted by Lava to implement the standard. Rule 3(B)(vi) of the Delhi High Court Rules Governing Patent Suits, 2022 clearly mandates that the implementor has to

disclose the details of the alternate technology adopted by the implementor to implement the standards. The burden to prove the alternate technology cannot be shifted by Lava to Dolby. Reference in this regard may be made to the judgments in Strix v. Maharaja12 and Ericsson v. Lava (supra).

81. Therefore, in terms of the two-step test approved by the Division Bench in Intex v. Ericsson (supra), a prima facie case of infringement of the suit patents is made out.

82. On the aspect of doctrine of exhaustion pleaded by Lava in paragraph 46 of its written statement, once again reference may be made to the 2009 SCC OnLine Del 2825 judgment in Ericsson v. Lava (supra) where a similar defence taken by Lava was rejected. Relying upon the judgment in Strix v. Maharaja (supra) it was held that in order to claim the benefits of defence of exhaustion, a party has to prove that the product in question was obtained in a manner that respects a patent holder's rights.

83. In the present case, there is nothing to demonstrate that Lava had any agreement with its suppliers or component manufacturers or sellers of the end-user devices to show that they had a license from Dolby which covered the products imported by Lava.

Financial Condition of Lava

84. One of the key objectives for passing a pro tem deposit order is to secure the interest of the plaintiff in the event that the plaintiff eventually succeeds in the suit.

85. Therefore, while deciding whether a pro tem deposit is to be made or not, the Court has to consider the financial condition of the defendant. It has to be weighed that in the event the Court comes to a conclusion that the implementor is liable to pay damages in the form of FRAND rate to the patent owner, the said amount can be recovered by the patent owner from the implementor. The Court has to be conscious of the fact that trials in India take a long time to conclude, and therefore, there has to be a mechanism put in place to ensure that a patent owner is not left with a paper decree, in the event it ultimately succeeds.

86. In the present case, Dolby has placed on record the following documents to reflect the financial condition of Lava: -

> i. The judgment of this Court in Lava v. Ericsson (supra), where a decree of approximately INR 300 crores has been passed against Lava and in favour of Ericsson. Though Lava has filed an appeal against the aforesaid judgment, there is no stay granted by the Division Bench till date.
>
> ii. Documents to show that Lava is under investigation by the Directorate of Enforcement for alleged violations under the Prevention of Money Laundering Act (PMLA).

87. From a prima facie consideration of the aforesaid documents, it can be seen that the financial condition of Lava does not inspire confidence and there is genuine apprehension that in the event a decree of damages is passed against Lava, it may not be in a financial condition to pay the same. Therefore, it is imperative that, in line with the FRAND protocol recognized by the Division Bench in Intex v. Ericsson (supra), the Court passes a pro tem order requiring Lava to make a deposit in Court, so as to secure the interest of Dolby in the event Dolby eventually succeeds in the present suit. Such an arrangement is necessary in order to balance the equities between the parties.

Conclusion

88. Based on the aforesaid analysis, in the facts and circumstances of the present case, the following conclusions emerge:-

> i. Dolby's patents have been within the knowledge of Lava at least since 31st December, 2018, when they were first asserted by Dolby. During that period, Lava kept on implementing suit patents. ii. The parties have been in negotiations from 31st December, 2018, which went on at least till May, 2024.
>
> iii. Even after the filing of the present suit, a License Agreement could not be negotiated between the parties.
>
> iv. Lava's conduct during negotiations has been that of an 'unwilling licensee'.
>
> v. The suit patents have been licensed by Dolby to various third parties in India and across the world.
>
> vi. A Prima facie case of validity of the suit patents has been made out in favour of Dolby.
>
> vii. Dolby has placed on record claim-chart mapping in order to prima facie establish essentiality of the suit patents. viii. Lava's devices implement the standards and this fact has been admitted by them on their website and is also evidenced by the test reports filed by Dolby. Hence in terms of the test laid down in Intex v. Lava (supra), a prima facie case of infringement is made out. ix. The financial condition of Lava is such that it is necessary to direct Lava to make a pro tem deposit.

89. Taking into account all the aforesaid factors, in my considered view, Dolby has made out a case for the grant of a pro tem deposit. Whether a pro tem deposit is to be made for expired patents

90. It is contended on behalf of Lava that it is not liable to pay any royalty or pro tem deposit in respect of expired patents. In this regard, the Court has to take note of the fact that when the negotiations commenced between the parties on 31st December, 2018, all the suit patents were valid and subsisting. It was only because of delay being attributable only to Lava that the negotiations were delayed and five of the suit patents expired. Clearly, Lava cannot take advantage of its own

wrong - on one hand delaying negotiations and on the other hand seeking to take advantage of the fact that suit patents have expired during the course of negotiations.

91. It is a settled position of law that, in SEP cases, a party files its suit on the basis of certain patents, which are representative of the entire portfolio of the patents relating to the said technology. Based on these representative patents, the plaintiff seeks reliefs pertaining to the patentee's global portfolio.

92. It has categorically been held by the Division Bench in Intex v. Ericsson (supra) that in respect of SEPs, the license has to be for the entire portfolio and not on a patent-by-patent basis. It necessarily means some of the patents in the entire portfolio would expire, however, new patents would come into being. Therefore, I do not find any merit in the submissions of Lava that a pro tem deposit should be calculated on the basis of patents that are valid and subsisting.

93. The relevant paragraphs of the aforesaid judgment are set out below:

> "104. Consequently, to restrain an infringing device, a Standard Essential Patent holder does not have to sue based on each of the thousands of patents that it claims to own in the product; it can do so by showing that one, or a handful of representative patents are infringed.
>
> ...
>
> 111. Consequently, as value is in the technology which forms a part of the standard and the suit patents is just representative of that technology, Ericsson is not required to offer individual patent licences or country specific licences and that global portfolio licences are capable of being FRAND."

94. Following the aforesaid judgment of the division Bench, this Bench in Ericsson v. Lava, (supra) held that when an implementor is implementing a standard, it is automatically implementing all the patents essential to that standard. Therefore, the license that would be required to be taken would be for all the SEPs and not just patents asserted in the suit. The relevant paragraphs of the said judgment are set out below: -

> "715. In Intex v. Ericsson (supra), the Division Bench of this Court has held that a patentee can seek global portfolio rates on the basis of the representative patents asserted in the suit. Further, it has also been held that seeking a global portfolio rate cannot be said to be against FRAND and in fact, it is the industry practise to seek royalty rates based on the entire portfolio..."

95. Therefore, I do not find any merit in Lava's contention that the pro tem deposit cannot be ordered for expired patents.

Date from which pro tem deposit will be payable

96. It has also contended on behalf of the Lava that in the event the Court orders for a pro tem deposit, the same should only be from the date of institution of the suit and not from any prior date.

97. I cannot accept this submission. I have already taken a view in Ericsson v. Lava (supra) that royalty would be payable from the date when the suit patents were asserted by the SEP holder to the implementor. The relevant paragraphs of the aforesaid judgment are set out below: -

> "817. Lava seeks to take benefit of Section 111 of the Patents Act, which provides that the damages cannot be granted against a defendant if he was not aware or there were no grounds to believe that the patent existed. In this regard, Lava has submitted that the information pertaining to 2G/3G patents was provided to Lava by Ericsson only in May, 2013. I do not find merit in the aforesaid submission of Lava as Ericsson had duly provided details of its patents and had informed Lava of its infringing activities on 1st November, 2011. Further, it has already been held above that Lava did not negotiate with Ericsson in good faith and was an 'unwilling licensee' and therefore, despite negotiations commencing on 1st November, 2011, no License Agreement could be executed.
>
> 818. Applying the aforesaid position of law to the facts of the present case, there is no doubt that the publication of the eight suit patents took place between 1998 and 2000. However, Ericsson asserted its rights in respect of the aforesaid patents and its portfolio of SEPs for the first time in its email dated 1st November, 2011. It was in the said email that Ericsson informed Lava about its patents and asserted that Lava's products involve Ericsson's patents and hence, Lava should obtain the necessary license from Ericsson. Therefore, in my considered view, in the facts and circumstances of the present case, the relevant date for determining damages would be 1st November, 2011."

98. In the present case, the first offer was made by Doby to Lava on 31st December, 2018. Thereafter, Lava delayed the negotiations for almost six years and ultimately, when no agreement was reached, Dolby had to file the present suit. Therefore, Lava would be liable to make pro tem deposit from 31st December, 2018, when Dolby asserted its SEPs for the first time. Quantification of the pro tem deposit

99. As noted above, during the course of negotiations, Dolby has made offers to Lava, asserting that the said offers are FRAND offers based on similar offers made to similarly placed entities. The relevant extracts from the first offer made to Lava via e-mail dated 31st December, 2018 are set out below: -

> [Emphasis supplied]

100. 'Appendix D' referred to above which was attached to the said e-mail provided a table giving the bilateral royalty rates offered by Dolby to entities based in R-2 countries13, which would include India. For the sake of convenience, the said rates are set out below: -

101. The aforesaid rates were also reiterated in Dolby's e-mail dated 28th October, 2021. However, Lava did not accept the rates offered by Dolby and neither did Lava provide any counter-offer to Dolby.

102. After the filing of the present suit, Lava made an offer of INR 5.13 per unit sold in terms of 'Appendix A' to the draft FRAND patent license Rates in respect of R2 countries were higher than rates for R1 countries agreement attached to its e-mail communication dated 15th May, 2024. A perusal of the aforesaid 'Appendix A' reveals that Lava has given no basis whatsoever for setting out the figures therein. It is not discernible as to from where Lava has derived these figures on the basis of which Lava has arrived at a royalty rate of INR 5.13 per device sold, nor have any submissions been advanced on this aspect. Lava claims to have relied upon the working statements filed by Dolby before the Patent Office. However, Lava has not filed the said working statements on the basis of which it has purportedly arrived at the figures mentioned in 'Appendix A'. Therefore, the counter-offer made by Lava of INR 5.13 per device sold cannot be accepted.

103. In order to determine that the licensing rates offered by Dolby to Lava are comparable with the rates offered by Dolby to other similarly placed entities and to satisfy the conscience of the Court, I have perused the License Agreements filed by Dolby relating to the suit patents. A perusal of the same shows that the rates offered to Lava are comparable to the rates offered to other similarly placed entities.

104. Therefore, I proceed to determine the quantum of pro tem deposit on the basis of the aforesaid rates offered by Dolby to Lava.

105. Pursuant to the order passed by this Court on 11th February, 2025, Lava has placed on record in a sealed cover its sales figures of its Android devices from 1st January, 2019 till date. I have perused the said sales figures filed by Lava. In terms of the sales data filed by Lava, the annual sales of its devices are tabulated below: -

106. Applying the aforesaid rates offered by Dolby to the sales figures provided by Lava, the yearly license fee payable to Dolby by a willing licensee would be as follows: -

107. In terms of the aforesaid conclusion, the total royalty that would be payable by a willing licensee to Dolby would have amounted to USD 2,340,456.98, which, based on the prevailing exchange rate as on date, would be equivalent to INR 20,08,06,293.9214.

108. Accordingly, the present application is disposed of with the following directions: -

> i. Lava shall deposit a sum of INR 20,08,06,293.92 covering all past sales from the year 2019 till 2024 with the Registrar General of this Court within a period of eight weeks from today. The said amount shall be kept in an interest-bearing fixed deposit on an auto-renewal mode.

ii. In the alternative, in terms of the judgment of the Division Bench in Oppo v. Interdigital (supra), Lava shall be permitted to submit an unconditional Bank Guarantee from an Indian Bank for a sum equivalent to INR 20,08,06,293.92 in favour of the Registrar General of this Court and to his satisfaction within a period of eight weeks from today.

iii. From the aforesaid amount, i.e. INR 20,08,06,293.92, Lava would be entitled to adjust amounts deposited by it in court in terms of the direction given in paragraph 4.1 of the order passed by the Predecessor Bench on 22nd May, 2024.

iv. Failure to deposit the abovementioned amount or the Bank Guarantee in the aforesaid terms would entitle Dolby to move an application before the Court for seeking an interim injunction/restraint order against Lava from selling any further devices in India which As per exchange rate prevailing on 10th July, 2025 USD = INR 85.7979 implement the suit patents on account of non-compliance of the Court order by Lava.

v. Based on the sales made by Lava for the subsequent period beginning from 1st January, 2025, Lava shall continue to deposit amounts in terms of the aforesaid rates or furnish a bank guarantee before the Registrar General of this Court as directed above on a half-yearly basis.

vi. An expeditious trial is ordered in the present suit. Parties are given the liberty to move an appropriate application for case management.

109. It is also clarified that the present order does not confer any final finding on infringement or liability, nor does it mandate acceptance of the plaintiffs' licensing rate as binding. The scope of the pro tem order is limited to ensuring that during the pendency of the suit, the SEP holder is not left without any security, while the implementer retains full opportunity to contest all substantive issues.

110. The application is disposed of in the aforesaid terms.

AMIT BANSAL (JUDGE) JULY 10, 2025 Vivek/-