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IN THE HIGH COURT OF DELHI AT NEW DELHI

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**Reserved on: 09th October, 2017
Pronounced on: 24th October, 2017**

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**CS(COMM) 434/2016, CC Nos.60-65/2015, CC (O) No.11/2015
IANos.24580-81/2014, 11784/2015, 17428/2015, 25545/2015,
9253/2016**

TELEFONAKTIEBOLAGET LM ERICSSON(PUBL)..... Plaintiff

**Through : Mr. R. Virmani and Mr. Sandeep Sethi,
Senior Advocates with Mr. Ashutosh
Kumar, Ms. Saya Chaudhary Kapoor,
Mr. Adithya Jayaraj, Mr. Prateek
Sehrawat, Mr. Devanshu Khanna & Mrs.
Karnika Kanwar & Mr. Ujjwal Sinha,
Advocates.**

versus

XIAOMI TECHNOLOGY & ORS Defendants

**Through : Mr. Saikrishna Rajagopal with Ms. Julin
George, Ms. Raxchel Mamatha, Ms. Anu
Paarcha, Mr. Yatinder Garg,
Mr.Yashwant Prasad & Ms. Nilofar
Abbasar, Advocates for D-1.
Ms. Ria Anand, Advocate for D-3.**

CORAM:

HON'BLE MR. JUSTICE YOGESH KHANNA

YOGESH KHANNA, J.

IA No. 5893/2016

1. This is an application by the plaintiff seeking constitution of confidential club. The plaintiff has filed the suit for permanent injunction

against the defendants seeking inter alia a restrain qua violation and infringement of its rights in its patents being as follows :

- (i) IN 203034 titled as “Linear predictive Analysis by synthesis encoding method and encoder”;
- (ii) IN 203036 titled as “apparatus of producing from an original speech signal a plurality of parameters”;
- (iii) IN 234157 titled as “A method of encoding/decoding multi-codebook fixed bitrate CELP signal block”;
- (iv) IN 203686 titled as “Method and system for alternating transmission of codec mode information”;
- (v) IN 213723 titled as “Method and apparatus for generating comfort noise in a speech decoder”;
- (vi) IN 229632 titled as “Multi service handling by a Single Mobile Station”;
- (vii) IN 240471 titled as “A mobile radio for use in a mobile radio communication system”;
- (viii) IN 241747 titled as “A transceiving unit for block automatic retransmission request”;

Along with damages, delivery-up etc. The said suit is pending adjudication before this Court and is currently at the initial stages of trial.

2. It is argued that this court shall be determining as to whether the plaintiff has offered to defendant No.1 a licence on fair, reasonable and non-discriminatory (FRAND) terms and whether the Plaintiff is entitled to damages or payment of royalties from the Defendants for sales made by it devices infringing the Plaintiffs patented technology and if so, for

what period and on what terms. To discharge its onus and in order to fully assist and in determining the issues of FRAND, the Plaintiff would be producing various patent licensing agreements with similarly placed parties, including competitors of the Defendants. These agreements are highly confidential in nature and contain, apart from licensing rates, business sensitive information relating to such similarly placed parties, hence the plaintiff is seeking constitution of confidentiality club wherein all confidential licence agreements relating to similarly placed parties be permitted to be filed in sealed cover and be kept in the safe custody of the Registrar General and its access shall be to limited personnel from either side.

3. It is argued that such confidentiality clubs have been constituted even in past in cases involving patents, trade etc. and in the disputes involving FRAND issues it is legitimate for the courts to constitute a confidentiality club with a view to ensure the sanctity and confidentiality of business and commercial sensitive information/material, filed by a party is maintained.

4. During the course of arguments, though, the defendants were not averse to the constitution of such confidentiality club but pressed the defendant/clients be allowed to be a party to such club or to have an access to the information. For the learned counsel for the defendant there is no jurisdiction in the world as known to him wherein the parties are kept out of such confidential clubs and since as the lawyers, though act on instructions of their clients, if are not in a position to discuss the contents of the documents would not be in a position to seek instructions

qua the similarly placed organizations with whom the plaintiff has entered into licence agreements.

5. To support this view the learned counsel for the defendants relied upon the following judgments:

(a) *Himalayan Cooperative Group Housing Society vs. Balwan Singh* Civil Appeal Nos.4360-61/2015 decided on 29.04.2015 wherein the Supreme Court had noted the importance of obtaining instructions from the client and it notes:

32. Therefore, it is the solemn duty of an advocate not to transgress the authority conferred him by the client. It is always better to seek appropriate instructions from the client or his authorized agent before making any concession which may, directly or remotely, affect the rightful legal right of the client. The advocate represents the client before the Court and conducts proceedings on behalf of the client. He is the only link between the Court and the client. Therefore his responsibility is onerous. He is expected to follow the instructions of his client rather than substitute his judgment.

33.Thus, according to generally accepted notions of professional responsibility, lawyers should follow the client's instructions rather than substitute their judgment for that of the client."

(b) *Patrick McKillen vs. Misland (Cyprus) Investment Limited* (2012) EWHC 1158 (Ch) wherein it was held:-

45. While both these statements refer to the possibility of an "exceptional" or "very exceptional" course that might be taken in a patent or trade secret case, it is, as I have said, unknown that it has ever in fact been adopted. The only cases in which it is known that access is sometimes

denied are those concerning the welfare of children: see paragraph 63 of Lord Dyson's judgment in Al Rawi.

47. The conclusions reached by the majority in the Supreme Court, for the reasons explained by Lord Dyson, are that such a procedure was impermissible as a matter of common law and required statutory intervention to override the common law principles. One of the particular features to which Lord Dyson drew attention in his judgment was that the special advocate was in the difficult, if not impossible, position that he was unable to take instructions from his client in relation to the closed material which formed part of the case against his client.

50. In the light of the decision and discussion in Al Rawi, it is my view that at common law the court has no jurisdiction to deny a party access to the evidence at trial. But if the jurisdiction does exist, it is in my judgment so exceptional as to be of largely theoretical interest only.”

(c) an order dated 14.12.2016 of the Dusseldorf Court of Appeal in FRAND cases (docket numbers 1-2 U 31/16)

“The Court of Appeal held that the current German law does not provide for such an order excluding the defendant from crucial information filed with the Court. The defendant has a right to be heard and this includes access to all pleadings and information filed in the litigation. In the absence of a waiver of this right by the defendant (which the defendant refused to give), the Court therefore cannot enjoin the defendant to take notice of the pleadings brought forward by the claimant.”

(d) *Warner-Lambert Co. v. Glaxo Laboratories Ltd. [1975] R.P.C.*
wherein it was held:

“We do not know whether Mr. Burke Giblin, the principal executive officer of the plaintiff company, has sufficient technical knowledge 5 to enable him to understand the niceties of the technical information which has been disclosed in the present case. It may be that he has not, but Mr. Gratwick for the plaintiff company has stated that he finds himself unable to advise Mr. Burke Giblin in any helpful and intelligible sense without either expressly or by implication disclosing the nature of that technical information. In these circumstances I for my part 10 do not consider that it would be right to refuse to let Mr. Burke Giblin know the information. If, however, it is to be disclosed to him, this should, in my judgment, be on terms that he will not disclose it to anyone else without the consent of the defendant or by the leave of the court.”

(e) and *Roussel Uclaf V. Imperial Chemical Industries* wherein it was held :

“I think, and I understand that the judge thought, that there is a stark difference between advisers on the one hand and persons employed by a corporate party on the other, who are invested with the power to bind the party in the light of the advice given by the advisers. Be that as it may as a general proposition, the judge was entitled to take the view that there was a necessity for the plaintiffs to have that method of operation in the present case. As for Mr. Floyd’s alternative submission, the judge was again entitled to hold, for the reasons stated in the passage lastly quoted, that disclosure to M.Davind on the terms which he

ordered did not involve unnecessary risk to the defendants.”

(f) and *Sangram Singh vs. Election Tribunal, Kotah and Bhurey Lal Baya AIR 1955 SC 425* which notes :

“17. Next, there must be ever present to the mind the fact that our laws of procedure are grounded on a principle of natural justice which requires that men should not be condemned unheard, that decisions should not be reached behind their backs, that proceedings that affect their lives and property should not continue in their absence and that they should not be precluded from participating in them. Of course, there must be exceptions and where they are clearly defined they must be given effect to. But taken by and large, and subject to that proviso, our laws of procedure should be construed, wherever that is reasonably possible, in the light of that principle.”

6. On the basis of the aforesaid judgments the defendants intend to bring home the point the defendant be allowed to have an access to the information lying with the confidentiality club. The issue of constitution of confidentiality club is no longer res-integra as has been dealt with in various judgments viz. :-

a) *Mr.M.Sivasamy v. M/s Vestergaard Frandersen A/S & Ors.[FAO (OS) 206/2009]* which notes:

“12. We therefore, have to examine the matter in such a manner that rights of none of the parties are in any manner prejudiced and no one can steal a march over the other. While on the one hand the plaintiffs are not entitled to unconditional access to the confidential/proprietary information of the defendants with respect to its product, on the other

hand we must also keep in mind that the defendants should not be able to get away if their product is nothing but a copy of the product of the plaintiff and as claimed in the plaint.

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18..... It is, therefore, necessary to decide first the complete procedure for ensuring that the confidentiality which the defendants claim in their product is kept, before directing production of such documents, whether in the Court in a sealed cover or before any competent authority or person who would examine the confidential information, in order to determine the respective claims and contentions of either parties. The Court will necessarily have to devise a detailed procedure before directing production of the documents in a sealed cover because, as already stated, filing of documents in the Court in a sealed cover will serve no purpose unless and until a further procedure is devised with respect to the comparison and analysis of the confidential information of both the parties and as to an issue of "confidentiality club" with its requirements including constitution, which is to be first decided by the Learned Single Judge.

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20. In view of the above, we set aside the order of the Learned Single Judge except to the extent as stated in para 18 above. We also direct that the Learned Single Judge before directing the production of the documents of the defendants so far as they pertain to Para 11(b) in I.A. 8624/07 is concerned and para (b) of I.A.8625/07, and as detailed in para 18, the Learned Single Judge may first devise a procedure to ensure as to how the information, documents, data base etc. of which production is sought and which pertain to the product of the defendants that the same can be kept confidential so as to not prejudice the

defendants in any manner, besides also further providing how such confidential information of the defendants will be looked into, and by which person, and in what manner and other relevant matters, so as to decide the injunction application of the plaintiffs, considering the fact that vital stakes of the parties are involved. We would, of course, like to clarify that the Learned Single Judge may call for the documents for his personal perusal only if he thinks it so appropriate and if he thinks that he is in a position to arrive at a decision as to the respective proprietary information contained in the respective products of the plaintiffs and the defendants. In such a case, the documents would be again kept back in a sealed cover and returned to the defendants after perusal of the same and subject to such further directions as the Learned Single Judge may deem fit.”

b) and *Mvf3 APS & Ors. V. Mr.M.Sivasamy and Ors. [CS(OS) 599/2007]* in I.A. No.10268/2009 in CS (OS) No.599/2007 on 31.08.2012 which notes:

"11. In the order dated 7th August, 2009, the Division Bench also directed the learned Single Judge to first devise a procedure to ensure that the information, documents, databases, etc. of which production is sought may be kept confidential before directing the production of the documents of the defendants as ordered. The Division Bench has also noticed the UK Court proceedings while passing the said order where the disclosure of confidential information or information containing trade secrets is involved;

a "Confidentiality Club" is set up. This operates by way of :

(a) an agreement signed between the parties to the proceedings that information which is designated as confidential will only be seen by a limited number of people on each side usually almost entirely consisting of professional, technical and sometimes foreign legal advisors as is the case herein). All of these people are bound by confidentiality undertakings in relation to the confidential information which is disclosed to them;

(b) the hearings pertaining to or involving perusal of or making submissions on the confidential documents filed by both the parties are conducted in camera with only the members of the Confidentiality Club being present in Court."

c) and Roche Products (India) Pvt. Ltd. & Ors. Vs. Drugs Controller General of India and Ors. [CS(OS) 355/2014] on 25th April, 2016 which held :

"135. Under such circumstances, I do not find any impediment in allowing the application seeking discovery of the documents in as much as the moment the approval has been allowed, the document submitted before the defendant No.1 can be examined by the plaintiffs being aggrieved party. However, in order to strike the balance between the parties and concerns raised by the learned counsel for the defendant No.2 about confidentiality of the document, it would be proper that let the documents as mentioned in the application be filed in sealed cover within two weeks from today. The same be kept in safe custody of Registrar General. Two lawyers and an

expert from the plaintiffs side would inspect the said documents in the presence of two Advocates from the side of defendant No.2. They (members of club) would be bound by confidentiality and shall not make copies or disclose the contents of the said aforesaid documents to anyone, oral and written communications to the press, blog publications etc. in order to maintain the confidentiality except in the present proceedings. The inspection can only be done through the confidentiality club members and no copies will be made of such confidential documents. After the inspection, the aforesaid confidential documents, the same be resealed and again deposited with the Registrar General of this Court. After inspection, the plaintiffs would be at liberty to amend their pleadings if so required.”

d) *and Dolby International AB & Anr. V. GDN Enterprises Pvt. Ltd.*

[CS(Comm) 1425/2016] on 04.08.2017 which held :

“The opposition to this application by learned counsel for contesting defendants is that for effective defence in the suit, name of the licensee, date of the patent license agreement and the license of patent product as well as licensing rate needs to be known to contesting defendants and for this purpose, defendant seeks one representative in the Confidentiality Club, apart from the lawyers and experts.

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Upon hearing and on perusal of documents on record and the decision cited, I find that the fundamental issue answered in Aqua Global Solutions Limited (supra) is not an absolute proposition of law. It is a rider. That is, in a case where defendant can demonstrate that there are good grounds for limiting the right of inspection on the grounds of confidentiality, then access to

confidential documents can always be denied. There are two decisions of this Court in MVF 3 APS (Supra) and Roche Products (India) Pvt. Ltd. (Supra) wherein consistent view taken by this Court is that only lawyers (not past and present in house) and external experts can be permitted to be the members of a Confidential Club. The reasoning to reach such a conclusion has been succinctly spelt out in these two decisions and it need not be recapitulated here. No other Indian decision contrary to the decision in MVF 3 APS (Supra) and Roche Products (India) Pvt. Ltd. (Supra) was cited during the course of hearing. I have no reason to take a different view than the one taken in MVF 3 APS (Supra) and Roche Products (India) Pvt. Ltd. (Supra), as the nature of litigation in the instant case, is such that access to confidential documents in question by a representative of contesting defendants is not warranted.”

7. In SLP No.7595/2016 wherein the issue of principles of natural justice in excluding the defendants from viewing the confidential agreements was set up by arguing that under the Indian legal system an advocate has duty to assist the Court based on the instructions of the client and it is not possible or desirable to impose upon advocates the responsibility of reviewing the evidence filed by the counter-party and then deciding on their own without instructions on how to defend the case. However, the Supreme Court vide its order dated 01.04.2016 disposed of the SLP in the following terms:-

*“SLP (Civil) No.7595/2016 Lava International Ltd. v. Telefnaktiebolaget L.M.Ericsson on 01.04.2016
SLP(Civil) No.7595/2016*

At the time of hearing of the petition, it has been submitted by the learned senior counsel appearing for the respondent-plaintiff that the respondent is willing, upon being directed by the Court, to give copies of the documents to the petitioner-defendant by redacting the confidential information including the name of the parties. However, the rates will not be redacted. In view of the above statement made by respondent, the learned senior counsel appearing for the petitioner seeks permission to withdraw this petition.”

8. I may also refer to sub-section 3 of Section 103 of the Patent Act :

“Section 103. Reference to High Court of disputes as to use for purposes of Government. –

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(3) If in such proceedings as aforesaid any question arises whether an invention has been recorded, tested or tried as is mentioned in section 100, and the disclosure of any document regarding the invention, or of any evidence of the test or trial thereof, would, in the opinion of the Central Government, be prejudicial to the public interest, the disclosure may be made confidentially to the advocate of the other party or to an independent expert mutually agreed upon.”

The above section contemplates a situation where the disclosure of any document regarding the invention may be made confidentially only to an advocate or to an independent expert mutually agreed upon. The reason probably is in today's world of globalization, where competition is at its peak, the organizations may not be inclined to disclose trade secrets/confidential agreements or its details, it had entered with different parties lest may cause serious prejudice to such parties because of

competition involved. A trade secrets may make or break a company hence need to be protected. Once such disclosure is made or is misused by a competitor no order of the Court can save the company from loss or could retrieve it to its original position. Even the *Patrick McKillen* (supra) para 41 notes:

“41. In patent and similar cases it may be necessary to limit severely the officers or employees of a party who may have access to the evidence.”

9. The law discussed above rather furthers the argument of the plaintiff that such confidential club though can be created but the access to information may be restricted, especially in patent cases. Hence there is no impediment if the confidential club is created and its access is limited with procedure to be adopted as below:

(i) All confidential license agreements relating to similarly placed parties be permitted to be filed in a sealed cover and be kept in the safe custody of the Registrar General;

(ii) Each party be directed to provide on an affidavit, a list of no more than five lawyers (who are not and have not been in-house lawyers of one of the parties) and no more than three external expert witnesses, who alone will be entitled to see the aforesaid confidential documents/patent license agreements;

(iii) Said lawyers and expert witnesses will be bound by confidentiality orders passed by this Court and will not make copies or disclose the contents of the said aforesaid confidential documents/patent license agreements to anyone else or anywhere else, including in other legal proceedings, oral and written communications to the press, blog publications etc., so

that the spirit of the confidentiality regime would be preserved;

(iv) The parties i.e. the Plaintiff and the Defendant No.1 and Defendant No. 2 will be allowed to inspect said patent license agreements only through the confidentiality club members and no copies will be made of such confidential documents/license agreements. After the inspection, the aforesaid confidential documents/patent license agreements be resealed and again deposited with the Registrar General of this Court;

(v) Direct that during recordal of evidence w.r.t aforesaid confidential documents/patent license agreements etc. only members of the confidentiality club shall be present;

(vi) During proceedings of this Court, when the said documents are being looked at, would be in camera to the effect that only members of the confidentiality club be permitted to be present.

(vii) The parties would give copies of the aforesaid confidential documents/patent license agreements to the members of the confidentiality club only after redacting the confidential information including the name of the parties. However, the rates/products will not be redacted.

(viii) Any evidence by way of affidavit/witness statement which may contain aforesaid confidential information/terms of the agreement(s) shall be kept in a sealed cover and would only be accessible to the members of confidentiality club. However, a party filing such evidence by way of affidavit would give to the opposite party a copy of such affidavit after redacting the confidential information/ terms of the agreement(s);”

10. The grievance of the defendant qua inclusion of its representative in the club to have access to the documents, of similarly placed competitors is duly taken care of by clause (i) and (vii) of para 9 above wherein the plaintiff has been directed to file agreements pertaining to only similarly placed parties and may even get the copies thereof, without redacting rates and products.

11. The application IA No.5893/2016 is disposed of in above terms.

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IANos.24580-81/2014, 11784/2015, 17428/2015, 25545/2015,
9253/2016

12. List on 29.01.2018.

YOGESH KHANNA, J

OCTOBER 24, 2017
VLD