Revolutionizing Patent Law: Landmark SEP Ruling Sets Precedent in India

Thought Leadership • March 31, 2025

'First published on Asia IP'

By: Vaishali R Mittal

A groundbreaking legal battle has reshaped the landscape of patent enforcement in India, particularly concerning standard-essential patents (SEPs). This landmark case underscores the vital role of intellectual property rights in fostering technological innovation and ensuring fair compensation for patent holders. The dispute revolved around the plaintiff's patented Eight-to-Fourteen Modulation Plus (EFM+) technology, a revolutionary method that significantly enhanced data storage capacity in DVDs.

With multiple defendants accused of infringing upon this crucial technology, the case serves as a reminder of the intricate balance between innovation, fair licensing, and legal compliance. The judgment navigates complex legal and technical issues, setting an important precedent for future SEP litigation in India and beyond.

Background of the case and parties Involved

At the heart of the dispute was Suit Patent IN 218225, which detailed the EFM+ modulation process used in encoding information onto DVDs. This innovation allowed DVDs to store more data compared to traditional formats like video compact discs (VCDs).

The plaintiff, a pioneer in optical disc technology, initiated legal action against multiple defendants, including Pearl Engineering, Siddharth Optical, and Balaji Optical Disc Private Limited. These companies were accused of replicating, selling, and distributing DVDs using EFM+ without obtaining a license, thereby violating the Plaintiff's exclusive patent rights.

Legal issues and defenses raised

The case centred around key legal arguments, including the validity of the patent and the alleged infringement. The defendants put forth several defenses:

1. Patent invalidity: The defendants argued that the plaintiff failed to comply with disclosure requirements under Section 8 of the Patents Act, thereby rendering the patent invalid.

2. Non-essentiality: They claimed that the EFM+ technology was not essential to the DVD standard and thus did not warrant SEP protection.
3. No infringement: The defendants contended that their DVD replication processes differed from those covered under the plaintiff's patent claims.

Court's ruling on patent validity

The court conducted a thorough legal examination and rejected the defendants' claims:

1. **Section 8 compliance:** While acknowledging an administrative filing error, the court ruled that the plaintiff had made a good faith effort to disclose relevant foreign applications, and this did not amount to deliberate non-compliance.
2. **Novelty and non-obviousness:** The court reaffirmed the uniqueness of the EFM+ technology, finding no prior art that fully anticipated its claims.
3. **Fraud allegations:** The court dismissed arguments of fraudulent division of patent applications, clarifying that filing a divisional application was lawful and did not affect the validity of the granted patent.
4. **Patent clarity:** The court found that the plaintiff's patent sufficiently described the technology, enabling industry professionals to implement it without ambiguity.
5. **Patent exclusions:** The defendants contended that the patent fell under exclusions for software-related inventions. However, the court held that the invention involved a real-world process combining hardware and software, thus making it patentable.
6. **Essentiality to DVD standard:** Expert testimony and claim charts demonstrated that the patented technology was crucial for the implementation of DVD standards, reaffirming the SEP status of the patent.

Finding on infringement

The court adopted a purposive approach to claim construction and concluded that any record carrier incorporating the encoded EFM+ signal fell under the scope of the patent, regardless of manufacturing variations. The defendants were held liable for both direct and indirect infringement. Notably, the court dismissed the late-stage defense argument that the replication process merely used pre-encoded stampers, ruling that such activities still constituted infringement.

Relief and damages awarded

1. Damages calculation: Given that the patent had expired, monetary compensation was the primary remedy. The court considered various factors, including industry-standard royalty rates and the defendants' refusal to negotiate licenses, ultimately using the plaintiff's proposed royalty rate.
2. Punitive damages: The court imposed aggravated damages, citing the defendants' willful infringement and deliberate misconduct.
3. Computation period: The damages were calculated based on a three-year period preceding the lawsuit's filing, ensuring the plaintiff was fairly compensated.
4. Interest on damages: A 12% interest rate was applied to both past and future damages to account for economic loss due to delayed payments.
5. Exchange rate consideration: To prevent unjust enrichment of the defendants, the court opted for the current exchange rate rather than historical rates, setting the royalty rate at US$0.03 per unit.

Conclusion

This ruling marks a pivotal moment in India's SEP litigation landscape. By reinforcing the significance of patent protection in technological advancements, the court has sent a strong message about the importance of compliance with licensing agreements. The decision establishes a crucial precedent, particularly for industries relying on standardized technologies such as optical media, telecommunications, and software.

With evolving technological standards and increasing patent disputes, this case underscores the critical role of legal frameworks in maintaining a fair and balanced ecosystem for innovators, businesses, and consumers alike. As India continues to strengthen its IP enforcement regime, this judgment will serve as a guiding reference for future patent battles in the country and beyond.

KEY CONTACT

Vaishali R Mittal

Senior Partner

View Bio of Vaishali R Mittal

RELATED INDUSTRIES

ARTIFICIAL INTELLIGENCE

RELATED PRACTICES

COPYRIGHT

PATENTS