

## A BRIEF ANALYSIS OF BAJAJ AUTO LTD. V. T.V.S. MOTOR COMPANY LTD. CASE ((2008) ILLJ 726 Mad)

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### Abstract

*The DTSi technology used by the plaintiff in the present case, i.e. Bajaj Auto has been a breakthrough invention by the plaintiff. For the same it has obtained patent. It is widely used by the motorbike Pulsar by the Plaintiff, who is a well known manufacturer and producer of two wheelers and three-wheelers in India. The facts of the present case are centred around the controversy of unauthorized application of the DTSi technology. The essence of this case lies in the application of the Doctrine of Equivalents, which is also termed as the doctrine of pith and marrow.*

**Keywords:** *patent law, injunction, DTSi, equivalents, pith and marrow, defence of variant.*

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## PATENT OF DTSI: THE BONE OF CONTENTION

At the core of the facts of the case lies the matter of patent infringement by the defendant and the damages for the same. For which the case was brought by the plaintiff before the Madras High Court in 2007.

**Bajaj's patent.** Bajaj Auto Limited (hereinafter Bajaj), the applicant, claimed that it was granted patent titled “*An Improved Internal combustion engine working on four stroke principle*” which had a priority date of 16th July 2002<sup>1</sup>.

The subject-matter of the patent was called *DTS-i Technology*. It was related to the use of twin spark plugs for efficient combustion of lean air fuel mixture in small bore ranging from 45 mm to 70 mm internal combustion engine working on 4 stroke principle.

**Tests of Patentability.** The applicant contended following points to substantiate their claim that their invention qualified the tests of *novelty*, *non-obviousness* and *industrial application*, hence was patentable:

1. Even though, there was awareness in the automobile industry about the use of two spark plugs in large bore engines or in high performance or racing bikes, the **invention of the applicant was not known in the industry**.
2. Before the DTSi technology was invented, the need and advantage of having more than one spark plug was never observed in the automobile industry. On the other hand, DTSi technology was based on the application of twin plugs in small bore engine, which showed positive merits of improved fuel efficiency and emission characteristics.

**TVS's FLAME.** In December 2007, the Respondents, (M/s. TVS Motor Company Limited) announced to launch motor bikes of 125-CC under the trade mark 'FLAME'. What caused the tussle between the parties was the use of a lean burn internal combustion engine having a twin spark plug configuration. According to the applicant, the use of such engine by the Respondent infringes its patent.

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<sup>1</sup>Indian Patent No. 195904.

Therefore, Bajaj brought the suit before the court to prevent the alleged infringement before the launch of the Respondent's product.

**TVS's suit of Groundless Threat and Defamation.** In October, 2007, the respondent brought a suit before the Madras High Court<sup>2</sup>, alleging that the statement made by the applicant constituted a groundless threat. Also, they brought a suit for defamation against the applicant in the Bombay High Court.

Roughly, a week before the launch of its product FLAME, the respondent had filed an application for revocation of applicant's patent for DTSi before Indian Patents Appellate Board ("IPAB")<sup>3</sup>.

While these suits were pending, in the month of December, 2007, the respondents launched FLAME.

### JUDGMENT AND ITS ANALYSIS:

After hearing the contentions of both sides, the learned single judge considered various facets of the case and came to the conclusion.

**Issue of Interlocutory Injunction.** The court considered the following principles in granting interlocutory injunction in the present patent action:

- Prima facie case to be proved by the Plaintiff that the *patent is valid and infringed*;
- Balance of convenience is in favour of the plaintiff; and
- *Irreparable loss* that may be caused to the plaintiff if an order of injunction is not granted in his favour.

On the above principles, the court observed following findings:

1. **Prima Facie Case.** Before finally deciding whether the Plaintiff has made a prima facie case, the Court had to analyse the contention of the applicants that after the amendment in Section 48 of the Patents Act, 1970<sup>4</sup>, if a patentee files a suit for infringement based on the patent

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<sup>2</sup> Under Sections 105 and 106 of the Patents Act, 1970.

<sup>3</sup> Under Section 64 of the Patents Act, 1970.

<sup>4</sup> After 2003 amendment, Section 48 says:

granted to him, the court should prima facie presume the patent to be valid until the same is revoked or set aside under any one of the grounds under Section 64 of the Patents Act, 1970 or in any other manner.

In the opinion of the Court, amendment granted the patentee an exclusive right to *prevent third parties from using or selling etc.*; whereas, before the amendment, the patentee enjoyed an exclusive right to *use himself or through agents or through licencees and also to exercise or sell or distribute the inventions in India.*

The court also considered the contention of the respondent that section 13(4) of the Patents Act, 1970 states that mere grant of patent does not guarantee the validity of patent. The Court referred to Hon'ble Supreme Court judgment of ***Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries***<sup>5</sup>.

In this judgment, the SC held validity of patent is *not guaranteed by grant and sealing of the patent, or the decision rendered by the Controller in the case of opposition*, as it can be challenged before the High Court on various grounds in revocation or infringement proceedings<sup>6</sup>. Now section 13(4) of the Act substantiates this position.

Coming back to the question of presumption of validity of patents, the court observed that though the amended section 48 gives the patent much significance. But, the provision pertaining to the onus of proving prima facie case about the validity of the patent and its infringement has remained unchanged. Hence, it is the plaintiff, who has to prove the prima facie case.

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***Rights of patentees.***-Subject to the other provisions contained in this Act and the conditions specified in Section 47, a patent granted under this Act shall confer upon the patentee-

(a) where the subject-matter of the patent is a product, the exclusive right to prevent third parties, who do not have his consent, from the act of making, using, offering for sale, selling or importing for those purposes that produce in India;

(b) where the subject-matter of the patent is a process, the exclusive right to prevent third parties, who do not have his consent, from the act of using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India.

<sup>5</sup> AIR 1982 SC 1444.

<sup>6</sup> Id.

- **Whether the invention is subject matter of Patent:** Section 2(j) of the Act, defines the term “invention”<sup>7</sup>.

Since Respondent raised the objection that the applicant is not certain about its invention, as it has taken different stands<sup>8</sup> in provisional specification, complete specification and amended specification made by the applicant, the court had to refer to all the specifications.

The court observed that a final claim giving more construction than what was available earlier during the time of provisional specification cannot be invalidated. The court referred to judgment of *Patent Exploitation Ld. v. Siemens Berothers & Co. Ltd.*<sup>9</sup> and *Sandow Ld. v. Szalay*<sup>10</sup> to base its findings.

The court further found following factors in the favour of the Applicants:

1. The Respondent failed to raise objection at any point of time since the date of provisional specification in 2002 and even after introduction of the product (Bajaj Pulsar motor cycle) in market.
  2. Tremendous increase in share of “DTS-i Technology” between 2003 and 2008 signifies that the product of the applicant for which the patent was granted as invention has found a special place in the market<sup>11</sup>.
  3. The respondent acted in a mala fide manner as it did not object to the product of the applicant ever since the patent application was made. Instead it chose to file a revocation petition before the IPAB for the first time in 2007. Further, the act of the respondent to launch “FLAME” immediately within six days from the date of filing of the revocation petition manifests its mala fide conduct.
- **Presumption of Validity of Patent.** In the present case, the patent granted to the applicant relates back to the date of application, which is 16<sup>th</sup> July 2002 or 2003, when the applicant

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<sup>7</sup> Under section 2(j), “invention” means a new product or process involving an inventive step and capable of industrial application.

<sup>8</sup> While the in provisional specification the claim of the applicant was *spark plug centered*, it became *valve centered* in the complete specification. Ultimately in the amended specification it was *spark plug centered*.

<sup>9</sup> 1903 RPC 225.

<sup>10</sup> 1906 RPC 6.

<sup>11</sup> The court referred to the judgment of a Division Bench of Delhi High Court in *Telemecanique & Controls (I) Ltd. v. Schneider Electric Industries SA* 2002 (24) PTC 632 (Del)

introduced its product *Bajaj Pulsar “DTS-i Technology*, being valid for a period of 20 years under the Act.

The court referred to the judgment of *K. Ramu v. Adyar Ananda Bhavan Muthulakshmi Bhavan*<sup>12</sup>, on validity of the patent granted. In this judgment S. Rajeswaran, J. observed that where issuance of a patent right has been admitted and the same is valid for a period of 20 years, the plaintiff will be considered to have discharged its initial responsibility of proving that its patent is protected by the certificate issued by the competent authorities under the Patents Act<sup>13</sup>.

Mere filing of revocation petition under section 64 of the Act does not lead to the presumption against the validity of patent.

- **Question of infringement.** The court observed that the only thing that differentiated the products of the parties was the use of three valves. In other respects, the product of the respondent was prima facie similar to the applicant's patented product. To substantiate its stand the applicant submitted that the third valve in the question is only cosmetic in nature and has no material effect on the applicant's invention. However, the court held that the issue as to *whether the third valve has material effect on the applicant's invention* can be decided only after full-fledged trial<sup>14</sup>.
- **Defence of Variant.** Further, the court came across the issue of *defence of variant*. In other words when a feature of an alleged infringement falls outside the primary, literal or a contextual meaning of a descriptive word or phrase in the claim will be covered in its language if properly interpreted?

On this question the court resorted to the test of purposive construction of language laid down in *Improver Corporation and Ors. v. Remington Consumer Products Ltd. and Ors*<sup>15</sup>, wherein the court had held following tests:

- a. If the variant has a material effect upon the way the invention works, it falls outside the claim.

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<sup>12</sup> 2007 (34) PTC 689.

<sup>13</sup> *Id.*

<sup>14</sup> The court referred to judgment of English Court in Court of Appeal in *William Needham and James Kite v. Johnson and Co.* 1884 JRPC 49.

<sup>15</sup> 1990 FSR 181.

- b. If the variant does not have such material effect, the court has to decide that this fact (*i.e. that the variant had no material effect*) had been obvious to a reader skilled in the art at the date of publication of the patent. If it has not been obvious to him, the variant is outside the claim.
- c. If the above fact has been obvious to him, the court will decide that in the eyes of a reader skilled in the art, the language of the claim signifies *that the patentee intended that strict compliance with the primary meaning as an essential requirement of the invention*. If the patentee intended so, the variant falls outside the claim.
- ***Pith and Marrow Test.*** It is an established principle laid down in various judgments that a purposive construction is essential for deciding the novel features of an invention which constitute “pith and marrow” of it. The question remains that *whether in the opinion of the persons having practical knowledge and experience in the field of the invention in question, the patentee intended strict compliance with a particular descriptive word or phrase appearing in a claim to be an essential requirement of the invention*. In such scenario, any variant falls outside the monopoly claimed by the patentee, even though it fails to have any material effect upon the way the invention worked<sup>16</sup>.

The court also referred to the Division Bench judgment of Delhi High Court in ***Raj Prakash v. Mangat Ram Choudhary and Ors***<sup>17</sup>, in which the bench held that the patented article or the process (where process patent is in question) is to be compared with the infringing article or process to establish infringement. But the trifling or unessential variation should be ignored.

To sum up, the court arrived at conclusion that the applicant made out a prima facie case for injunction against the respondent.

2. ***Balance of convenience.*** The question of balance of convenience could be decided after considering the use of the patent by the applicant and the respondent and after considering whether applicant's patent is of recent origin or whether the patentee has failed to use or

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<sup>16</sup> The court referred to the view of House of Lords in *Catnic Components Ltd. and Anr. v. Hill & Smith Ltd.* 1982 RPC 183.

<sup>17</sup> AIR 1978 Delhi 1

commence to release its product. In such cases, the court will be reluctant to grant injunction to such patentee.

In the case of *Bilcare Limited v. Supreme Industries Ltd.*<sup>18</sup>, use of a patent for two years has not been held to be sufficiently old. However, in present case the Applicant has been using the patent from 2003 (up to 2009 and onwards), therefore the court declined to hold that the applicant's use of the patented product is of recent in nature.

Further, the court referred to the test of balance of convenience, explained by the Court of Appeal in *Corruplast Ltd. v. George Harrison (Agencies) Ltd.*<sup>19</sup>, to hold that if the Respondent is aware that the applicant is in the market and its patent is for a limited period and it is *in a crucial stage of development, he cannot be permitted to interfere, especially when the defendant is a strong competitor to the plaintiff.*

Following facts were found in favour of the Applicant:

- a. Though the respondent claimed to be a licensor of AVL products, he has never marketed its product.
- b. By having been established the validity of the patent, the applicant is entitled to prevent any competition. This was held to be *the test of balance of convenience, laid down by the English Court.*
- c. The onus to prove against the validity of the patent is on the person who challenges it. The contention of the respondent that the specifications differ in various stages and therefore, the applicant itself is unaware of its invention was found to be incorrect.

Thus, the court arrived at conclusion that the balance of convenience was in favour of the applicant for granting an order of injunction.

**3. Payment of damages.** For arriving at the final test regarding the grant of interim injunction, i.e., *whether the payment of damages can compensate the applicant*, the court had to decide following issues:

- a. Whether the quantum of damages can be ascertained; and
- b. Whether there existed the element of novelty in the patent.

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<sup>18</sup> 2007 (34) PTC 444 (Del).

<sup>19</sup> 1978 RPC 761.

The contention was raised by the the respondent that the damages to be awarded to the applicant can be ascertained with an amount of calculated damages, with reasonable certainty. If the applicant wins the case, the amount of applicant's sales, together with the sales in the previous year can be considered for the purpose of measurement of damages, that can quantified on royalty basis. However, the court didn't accept the contention<sup>20</sup>.

On the issue of element of novelty, the respondent had submitted that the patent in the question was “obvious”, as the components explained by the applicant are known to the entire world. The court, while considering the findings of *Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries*<sup>21</sup>, turned down this contention as well. In this case the Supreme Court held the concept of “inventive step” to be a mixed question of law and fact. Explaining the concept of “obvious”, it held that *a patented invention may be a combination of different matters already known. However it must not be a mere workshop improvement.*

The court arrived at conclusion that novelty was in existence in the patent in question. Further, the marketing of the product at large scale, without any objection for at least 5 years established novelty of the product.

The court also declined to hold that the product of the applicant was “obvious”.

## **DECISION OF THE COURT AND APPEALS.**

Considering the arguments of the Counsels of the parties and their pleadings and various facets of the case on the issue of novelty and non-obviousness of the patent in question, the honourable court was found to be satisfied about the tests for grant of the injunction, viz., establishment of prima facie case, balance of convenience and inadequacy of damages in favour of the applicant. Therefore it was inclined to grant interim injunction in favour of the applicant.

Aggrieved by the interim order of the learned court, the Respondents filed an appeal against the same before the Division Bench of the Madras High Court, wherein the appeal was allowed.

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<sup>20</sup> Referred to judgment of Court of Appeal in *Netlon v. Bridport-Gundry Ltd.* 1979 FSR 530.

<sup>21</sup> AIR 1982 SC 1444.

In the final appeal through the Special Leave Petition before the honourable Supreme Court<sup>22</sup> the bench lamented at the pendency of the matters of intellectual properties, even at interlocutory stage.

It quashed the order of interim injunction and allowed the Respondents to sell its product in the market, subject to the condition of maintaining an accurate record of sales throughout India and of export sales. A receiver was appointed by the Court for this.

Coming across the fact of pendency of a suit of permanent injunction, the Court directed the learned single judge to decide it and also it passed direction to the Respondents to file written statement in the suit.

### **ANALYSIS OF THE JUDGMENT.**

Though, the honorable Supreme Court reverted the relief of interim injunction granted by the honorable High Court, the judgments hold its utmost essence. The importance of this judgment lies in the tests followed by the learned single judge of the high court to arrive at its conclusion.

Apart from this, the judgment opens a beautiful and detailed insight into the tests of '*pith and marrow*', '*defense of variant*' and presumption of validity of a patent.

The decision of the court in the suit for permanent injunction yet remains to be seen.

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<sup>22</sup> Markandey Katju and Ashok Kumar Ganguly JJ.