

## IP Hotline

June 23, 2014

### PATENT COUNTER CLAIM AND REVOCATION PETITION CANNOT BE PURSUED SIMULTANEOUSLY: SC

- The Supreme Court in this decision has indicated its desire to avoid multiplicity of proceedings on the same issue before different forums.
- Post grant opposition of a patent initiated by any person interested, will abate the right of the same person to file a revocation petition or a counter claim of revocation of the same patent.
- The revocation petition of patent and counter claim of revocation of patent in an infringement suit cannot be availed as simultaneous remedy.

#### BACKGROUND

Under the current Indian patent law the validity of a patent can be challenged:-

Before grant of patent

- Pre-grant opposition before the patent office

After grant of patent

- Post grant opposition before the patent office
- Revocation of patent before the Intellectual Property Appellate Board (IPAB)
- Counter claim in patent infringement suit

The Hon'ble Supreme Court (SC) in India, has recently examined whether a revocation petition before the IPAB and a counter claim for revocation of the patent are distinct remedies and whether both can be pursued simultaneously.

#### FACTS

Dr. Aloys Wobben (Dr. Wobben) is a scientist engineer and founder of Enercon GmbH, a German company involved in wind turbine manufacturing. Dr. Wobben holds Indian patents for several inventions in the field of wind turbine generators and wind energy converters.

In India the manufacturing operations were carried on since 1994 by Enercon India Ltd (Enercon India), a joint venture entity formed by Enercon GmbH with Yogesh Mehra and Ajay Mehra. Licenses to Dr. Wobben's Indian patents were granted to Enercon India Ltd on mutually agreed terms. The license agreements were renewed from time to time and last such renewal was in 2006. In 2008, due to non-fulfilment of certain obligations under the agreement, the agreement got terminated. In 2009, Enercon India Ltd filed nineteen revocation petitions before IPAB seeking revocation of Dr. Wobben's Indian Patents under Section 64(1) of the Patents Act, 1970 (Act).

Thereafter, Dr. Wobben in retaliation filed ten patent infringement suits before the Delhi High Court against Enercon India. Post filing of infringement suits, Enercon India further filed four revocation petitions before the IPAB. Thus, a total of twenty three revocation petitions were filed by Enercon India before the IPAB.

In response to the patent infringement suit, Enercon India filed counter claim seeking revocation of patents before the Delhi High Court. The prayers in the revocation petition before the IPAB and the counter claim were same.

Enercon India and Dr. Wobben had consented to an order of the Delhi High Court dated September 1, 2009 wherein both parties had mutually agreed to follow a schedule for an expedited trial in the patent infringement suit and the counter claims filed therein. Post the consent order the IPAB had revoked six patents granted to Dr. Wobben.

Dr. Wobben alleged that all the six patents revoked were also a part of the counter claim pending before the Delhi High Court and the act of Enercon India in pursuing the revocation petitions before the IPAB after consenting to the Delhi High Court order dated September 1, 2009 was an abuse of Judicial process.

#### COUNTER CLAIM VS. REVOCATION VS. POST GRANT OPPOSITION

The main issue raised by Dr. Wobben was that in a patent infringement suit, if a defendant files a counter claim challenging the validity of the patent before the High Court, only the High Court will have exclusive jurisdiction to decide on the validity of the patent and the IPAB will cease to have jurisdiction.

The Act does not have a straightforward answer to the above issue raised by Dr. Wobben. Thus the SC adopted a layered approach. The SC first interpreted the provisions of the Act and then looked at parallel legislations like the Civil Procedure Code and the Trademarks Act, 1999 to find an answer to the above issue.

It was contended by Dr. Wobben that according to Section 64 (1) of the Act either a counterclaim or a revocation

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petition can be filed challenging the validity of the patent and both of them cannot be perused simultaneously. This is very clear from the reading of Section 64 (1) of the Act wherein the word “**or**”<sup>1</sup> is used and this has to be given disjunctive reading and not a conjunctive reading. If such an interpretation is not given it will result in conflicting findings in a revocation petition and a counter claim.

## FINDINGS OF THE SC

The SC examined the locus of a person with regard to who can file a post grant opposition under Section 25 (2) and who can file a revocation petition or a counter claim under Section 64 (1) of the Act. Under both sections a revocation petition or a post grant opposition can be filed by “*any person interested*” and a counter claim can be filed by a defendant in a patent infringement suit.

The SC observed that Section 64 was prefaced by the words “*Subject to the provisions of the Act*”. Thus, the provisions of Section 64 are subservient whenever there is a conflict with other provisions of the Act. Hence, if a post grant opposition is filed under Section 25 (2), the same will eclipse the right to file a revocation petition or a counter claim under Section 64 (1).

The SC accepted the contention of Dr. Wobben and held that both the counter claim and revocation petition cannot be availed simultaneously under Section 64 (1).

The question now before the SC was if a party is eligible to file either revocation petition as “any person interested” as well as a counter claim as defendant in a suit, which remedy can the party pursue? The SC did not find an answer to this question under the Act. The SC therefore made reference to Section 10<sup>2</sup> read with Section 151<sup>3</sup> of the Civil Procedure Code (“**CPC**”).

The SC held that a counter claim is a separate suit in itself filed by a defendant. A counter claim is a tried jointly, with the suit filed by the plaintiff and has the same effect of a cross suit. Thus, a counter claim has to be treated as a separate plaint in itself and all rules that apply to a plaint also apply to a counter claim. Accordingly, the provisions of Section 10 and Section 151 CPC will also apply to counter claim. These sections embody the principle of *res judicata*. Under this principle when an issue is already pending for adjudication between the plaintiff and the defendant in a court, a subsequently instituted suit on the same cause of action between the same parties cannot be allowed to proceed.

The SC based on the principle of res judicata embodied in Section 10 and Section 151 of CPC held that if a revocation petition has been filed before the IPAB first then the defendant in a patent infringement suit cannot file a counter claim on the same cause of action. This principle would also apply when a counter claim to a patent infringement suit is filed first then the defendant in the patent infringement suit cannot file for a revocation petition on the same cause of action.

In the present case, Enercon India filed twenty three revocation petitions before the IPAB and counter claims in the ten patent infringement suit before the Delhi High Court. . It was contended by Dr. Wobben that in the consent order of the Delhi High Court dated 1.9.2010, both parties had agreed that the patent infringement suit and the counter-claims pending between the parties should be consolidated and heard together by the High Court. Thus, vide this consent order Enercon India cannot pursue the revocation petitions before the IPAB.

The SC accepted the contention of Dr. Wobben and held that having consented to one of the available remedies postulated under law, it would not be open to either of the consenting parties, to seek redressal from another forum in addition to the consented forum. The SC affirmed the consent order passed by the High Court. Thus, Enercon India will have to pursue the counter claims before the High Court and not the revocation petitions before the IPAB due to the consent order passed by the Delhi High Court.

## CONCLUSION

- If “any person interested” has filed a post grant opposition under Section 25(2) , the same would eclipse all similar rights available to the same person under Section 64(1) . This would include the right to file a revocation petition before the IPAB and a counter claim in a patent infringement suit.
- If a revocation petition is filed by “any person interested” under Section 64(1) , prior to the institution of a patent infringement suit against him, he would be disentitled in law from seeking a revocation of the patent by way of a counter claim in a patent infringement suit.
- If in response to a patent infringement suit the defendant has already sought for revocation of a patent by way of a counter claim, thereafter, the defendant cannot file for a revocation petition before the IPAB.

## ANALYSIS

The SC held that ambit and scope of the two proceedings namely revocation petition and counter claim for cancellation of patent in an infringement suit are essentially the same and not different. The SC Court has held that only one of the two proceedings that is revocation petition or counter claim in a patent infringement suit can survive. The ratio of the decision is based on harmonious construction of different sections of the Patents Act 1970 and Civil Procedure Code. This judgment makes the Indian Patent system more robust as it streamlines the patent litigation process and avoids multiplicity of proceedings.

One of the main benefits of this decision will be that patent opponents will exactly know which forum they should approach for a challenging a validity of a patent. This would definitely result in reduction of litigation costs both from the perspective a patent owner and patent opponent. Further, this would avoid a situation where conflicting decisions would be rendered by the IPAB and the High Court.

Another worse situation that could have occurred is IPAB revoking the patent and the patent owner filing a writ petition challenging the order of the IPAB before the High Court when a counter claim on the validity of the patent is also pending before the High Court.

The party however seems to have an option to withdraw the pending post-grant or revocation proceeding and then filing a counterclaim in an infringement suit.

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The decision does leave certain questions unanswered such as when a defendant is sued for patent infringement, according to the decision he cannot file a counter-claim in the High Court if he has already initiated a revocation proceeding before the IPAB. Then in such a scenario, if the defendant elects to continue the revocation proceedings, should High Court stay the infringement proceedings till a decision is rendered by the IPAB on the validity of the patent. If such a stay is not granted then it will result in a situation where injunction and damages is granted by the High Court and at a later stage the patent is held invalid by the IPAB. This will result in a precarious situation.

The solution to the above problem will be to adopt a provision similar to Section 124 of the Trademarks Act, 1999 for patents as well. Under this section when a rectification proceeding (proceedings challenging the validity of the trademark) is pending before the trademark registry and a trademark infringement suit is initiated before the court. The court has to stay the trademark infringement suit until final disposal of rectification proceedings by the trademark registry. Such a provision is not present in the Patents Act. Courts rarely try to fill legislative vacuum unless it is an absolute must. In this case SC could have also addressed this issue in the judgment.

When a challenge to the patent is pending either through revocation petition or counterclaim, the courts are slow in granting interim injunctions unless plaintiff is able convince the court that the grounds of revocation / counterclaim are frivolous and plaintiff has a strong prima facie case.

It will be important for patent litigants to keep this judgment in mind while deciding on their patent legal strategy in India.

– Ankita Mathew, Ajay Chandru & Gowree Gokhale

You can direct your queries or comments to the authors

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**<sup>1</sup> Section 64 (1) of the Act reads as under**

*Subject to the provisions contained in this Act, a patent, whether granted before or after the commencement of this Act, may, be revoked on a petition of any person interested or of the Central Government by the Appellate Board or on a counterclaim in a suit for infringement of the patent by the High Court on any of the following ground*

**<sup>2</sup> Section 10 of CPC Stay of suit -**

*No Court shall proceed with the trial of any suit in which the matter in issue is also directly and substantially in issue in a previously instituted suit between the same parties, or between parties under whom they or any of them claim litigating under the same title where such suit is pending in the same or any other Court in India having jurisdiction to grant the relief claimed, or in any Court beyond the limits of India established or continued by the Central Government and having like jurisdiction, or before the Supreme Court. Explanation- The pendency of a suit in a foreign Court does not preclude the Courts in India from trying a suit founded on the same cause of action.*

**<sup>3</sup> Section 151 of CPC**

*Saving of inherent powers of Court: - Nothing in this Code shall be deemed to limit or otherwise affect the inherent power of the Court to make such orders as may be necessary for the ends of justice or to prevent abuse of the process of the Court."*

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