

**JUDGMENT : The Hon. Mr Justice Flaux:** Commercial Court. 17<sup>th</sup> January 2008

**Introduction**

1. This dispute centres on whether certain claims which the Defendant (to which I will refer as "Upaid") has brought against the Claimant (to which I will refer as "Satyam") in Texas are excluded by the terms of a Settlement Agreement dated 31 December 2002.
2. By an Order dated 11 September 2007 I ordered the trial of three preliminary issues to be heard by me commencing on 17 December 2007. Those three issues as set out in the Order are:
  - (1) whether any (and if so which) of Upaid's claims in the Texas proceedings have been finally compromised by Clauses 2.3 and 2.4 of the Settlement Agreement effective as of 31 December 2002?
  - (2) Whether any (and if so which) of Upaid's claims fall within the scope of the English jurisdiction clause contained in Clause 4 (c) of the Settlement Agreement?
  - (3) Whether Satyam is entitled to a final injunction as claimed in the Particulars of Claim?

**The factual background**

3. Upaid is described by its chairman Mr Simon Joyce (who gave evidence before me) as a leader in the invention, development and provision of state of the art software technology and payment processing platforms and services. These technologies are currently commercially deployed as pre-paid and pre-authorised payment, transfer and settlement solutions for mobile network operators, service providers, financial institutions and merchants around the world.
4. In about 1996, Mr Joyce and his co-founder of Upaid developed the idea of converting any telephone into a de facto pay-phone through the use of a pre-paid account associated with a caller personal identification number (PIN). In order to exploit the idea commercially, they decided to outsource the development of the computer based external platform and related software and identified Satyam as an entity which could carry out the software development work. Satyam is an Indian registered company, the business of which includes providing information technology services for the creation and development of software products in the telecommunications industry. Satyam employs skilled IT engineers.
5. The relationship between the parties was originally governed by a short and relatively informal memorandum of understanding dated 29 May 1997. From the outset, the work carried out by Satyam engineers was twofold. Some of them were involved in creating the core architecture and design of the external platform, thereby contributing to Upaid's inventions. In parallel with that inventive work, Satyam was carrying out the software product implementation work, which was an ongoing continuous and iterative process, carried out pursuant to a spiral model of working.
6. By June 1998, Upaid had realised that its inventions were patentable and valuable and to maximise their commercial potential decided to apply for a patent to the United States Patent and Trademark Office (USPTO). In order to do this, Upaid would have to demonstrate "unity of ownership" of the intellectual property rights in the inventions. To that end, it was necessary to procure the transfer to Upaid of any rights in the inventions vested in Satyam, or in inventors working for Satyam. Satyam's practice is to transfer to its customers the intellectual property rights to the products it creates, but the memorandum of understanding dealt only briefly with the ownership of inventions and was silent as to any intellectual property rights.
7. Accordingly from late June 1998 until the signature on 11 September 1998 of what became the Assignment Agreement, Upaid was negotiating with Satyam the formal documenting of a transfer to it by Satyam of any intellectual property rights. Although the detail of those negotiations is not relevant (and indeed is inadmissible), there are a number of background matters which are relevant and admissible: (i) the Assignment Agreement was not a pro forma document, but was drafted by Upaid's lawyers and was considered carefully by Satyam's legal department; (ii) Satyam was aware that this agreement was required for USPTO patent application filing purposes; (iii) the Assignment Agreement was being negotiated at the same time as a more formal agreement covering the parties' commercial relationship, which was required by the financiers with whom Upaid was dealing to raise funds via a private placement and which eventually became what is described as the "Services Agreement"; (iv) there was an element of urgency in that Upaid wanted to file a provisional patent application with the USPTO by 15 September 1998, the date of a trade fair in Milan, to give it a "priority filing date" thereafter protecting it from infringement by commercial rivals.
8. The Assignment Agreement provided as follows:

*"This Assignment is effective as of 1 January 1998 ("Effective Date") and is by and between Satyam Enterprise Solutions, a company registered in India, with an address at 'Mayfair Centre' Sardar Patel Road, Secunderabad 500 003, India, and IN TOUCH Technologies, Limited ("ITTL"), a corporation of the British Virgin Islands, with an address at 8231 CR 500, Pagosa Springs, Colorado 81147, United States of America. Satyam has contractually developed, as works for hire, certain computer software entitled CallManager (comprising SwitchManager and CardManager) and NetManager which is described in the specification and representative portions of the source code thereof attached hereto as Exhibit A ("the Software"). ITTL desires to clarify its ownership of all worldwide right, title and interest in and to the Software, both object and source code and documentation for the code and any mask, works of or for the Software, and all worldwide copyright, patent, trade secrets relating thereto and all other worldwide intellectual property rights therein, including trademark and trade dress pertaining to the Software (the "Intellectual Property Rights")."*

For good and valuable consideration paid, the receipt and sufficiency of which are hereby acknowledged, Satyam does hereby assign and transfer to ITTL in perpetuity, to endure from now until the end of time, all worldwide right, title and interest in and to the Software, and the Intellectual Property Rights in and to the Software including without limitation (1) all computer code, including object and source code and all documentation thereto and any mask works of or for the Software, (2) all copyright in and to the Software in all media now known or developed in the future, (3) all copyright applications and registrations and the right to seek and hold copyright registration or registrations and comparable rights in all countries throughout the world, (4) the right to seek patent protection and to own all patent applications and Letters Patent or similar legal protection for the Software in all countries throughout the world, including any continuation, division, continuation-in-part, re-examination, renewal, substitute, extension or reissue thereof or any legal equivalent thereof in a foreign country for the full term or terms for which the same may be granted, (5) all trademark applications and registrations in connection therewith, the right to seek trademark registrations and comparable rights in all countries throughout the world, and the good will appertaining to the trademarks and (6) all trade secrets in the Software. Satyam further authorizes and requests the Register of Copyrights of the United States and the Commissioner of Patents and Trademarks of the United States and any officials of any foreign country whose duty it is to issue copyright registrations, patents, trademark registrations or legal equivalents thereto to issue the same for or in connection with the Software to ITTL, its lawful successors and assigns.

Satyam further covenants that Satyam will, upon ITTL's request, provide ITTL with all pertinent facts and documents relating to the applications, registrations, Letters Patent and legal equivalents in foreign countries as may be known and accessible to Satyam and will testify as to the same in any interference or litigation related thereto and will promptly execute and deliver to ITTL or its legal representatives any and all papers, instruments or affidavits required to apply for, obtain, maintain, issue and enforce the applications, Letters Patent and legal equivalents in foreign countries which may be necessary or desirable to carry out the purposes thereof. All costs/expenses on this account will be borne by ITTL. In case Satyam incurs any expenditure on this account, the same shall be reimbursed by ITTL.

This Assignment shall not lapse if the rights assigned to ITTL are not exercised within a period of one year from the Effective Date. This Assignment and the relationship of the parties shall be governed by the laws of New York without reference to conflicts of laws principles. This Assignment supersedes any assignment(s) of the Software from Satyam to ITTL executed prior to the date(s) of execution of this Assignment."

9. As was accepted by Mr Venkataramani Murali, a senior vice president and director of Satyam who gave evidence, it was contemplated during the period of negotiation of both Agreements that the Services Agreement would be concluded by 15 September 1998. This also appeared from a document described as "Addendum to Assignment dated 12<sup>th</sup> August 1998" which stated: "[Upaid] and Satyam have agreed to modify their working agreements, to reflect both companies' desires to deepen and to extend their relationship. A proposal for the same has already been submitted by Satyam on August 27 1998, which is to be finalised before September 15 1998". The significance of 15 September 1998, as Mr Murali confirmed in his evidence, was that it was the date of commencement of activities of the "In Touch dedicated centre" at Satyam, a dedicated unit working exclusively on Upaid projects. In the event, the negotiation of the Services Agreement took longer than anticipated and it was concluded on 19 May 1999, although the "Effective Date" was stated therein as being 15 September 1998.
10. The relevant provisions of the Services Agreement are as follows:
  - "1 DEFINITIONS
  - 1.2 "Dedicated Team"

Dedicated Team shall mean a team of Satyam employees that shall work exclusively on ITTL projects and shall predominantly consist of software professionals team with skills necessary for providing the Services.
  - 1.3 "Effective Date of this Agreement"

Effective date of this Agreement shall be the 15<sup>th</sup> day of September 1998.
  - 1.4 "Intellectual Property"

Intellectual Property shall mean any inventions, discoveries, devices, apparatus, technology of processes, methods, know-how, trade secrets, improvements or other intellectual property rights, including any copyright, patent, patent applications, trademarks, service marks to all Software, Software Projects, Software Products, documentation and equipment, analytical methods, procedures and techniques and computer technical expertise generated by, derived from or used in connection with the Software Products.
  - 1.8 "Software"

Software shall mean the software that results from the Services provided by the Dedicated Team. The comprehensive list of Software is detailed in Annexure 3 attached hereto. Both parties agree to update this Annexure as new software results from the Services from time to time.
  - 1.9 "Software Products"

Software Products shall mean any and all tools and commercial products that result from the Software Projects developed for ITTL. It will however, not include any third party tools and commercial products including those from Satyam ("Other Products") which may be integrated into above mentioned tools and commercial products resulting from the Software Projects.
  - 1.10 "Software Projects"

Software Projects shall mean any and all projects that result from the Services as further defined in Annexures 7 attached hereto. Both parties agree to update this Annexure as new Services are provided through projects from time to time.

## 6 PROJECT START-UP

### 6.1 Planning:

For all Software Projects approved by ITTL and agreed upon by Satyam, Satyam shall provide a plan for start-up of the Software Project as per the format detailed in the 'Project Start-up Plan' in attached Annexure 6. At the time ITTL approves the Project Start-Up Plan, Satyam shall deploy a Core Team for project start-up. Core Team shall mean all Satyam employees, besides the members of the Dedicated Team, necessary to meet the staffing requirements as set forth in the Project Start-Up Plan in Annexure 6.

## 10 PAYMENT AND COSTS

### 10.3 Terms of Payment:

Satyam and ITTL agree that the payment terms shall be those terms detailed in Annexure 1, subject to the terms and conditions of this Agreement. In case of any delay in payment and if Satyam agrees for such delay, ITTL hereby agrees to pay interest on outstanding amount at the prevailing LIBOR plus 2% applicable to United States Dollars from the due date to the date of actual payment. If Satyam does not agree for such delay in payment, the rights set out in section 11.1 below shall revert to Satyam until all outstanding payments are received. If the payments are not received within thirty (30) days or if this Agreement is terminated by Satyam pursuant to the provisions of Clause 14.15, then Satyam shall be free to market the Software, Software Projects, Software Products on its own.

## 11 OWNERSHIP

### 11.1 Intellectual Property Rights:

All Software developed by Satyam, its employees, and the Dedicated Team shall be considered a "work for hire" under all applicable laws (including, without limitation, the United States Copyright Act), and that all Intellectual Property rights relating to, arising in connection with or otherwise resulting from such work and services, and all Confidential/Proprietary Information as defined in Article 12, shall be the sole and exclusive property of ITTL. If any portion of the work or services to be performed by Satyam hereunder is not eligible to be considered a work for hire under the United States Copyright Act, then Satyam shall irrevocably and unconditionally assign and transfer to ITTL, and Satyam does hereby irrevocably and unconditionally assign and transfer to ITTL, all rights to the Intellectual Property relating to, arising in connection with or otherwise resulting from the Services, the Software Projects or resulting Software Products. Satyam further agrees to have its employees execute necessary instruments deemed by ITTL and/or its attorneys or representatives to be necessary to transfer such right, title or interest in the Intellectual Property to ITTL. Satyam shall take all necessary initiatives to protect such Intellectual Property rights. Accordingly, ITTL shall own all right, title and interest in and to the Intellectual Property Satyam agrees to execute and deliver to ITTL any and all assignments and other documents or instruments reasonably requested by ITTL in furtherance of filing and maintaining the applications relating to the Intellectual Property.

Satyam, from time to time, may need to integrate software components sourced commercially from third parties, including Satyam. The intellectual property rights to such software components shall remain with its original owners, but any Software that incorporates portions of such software components shall be owned by ITTL. Satyam shall inform ITTL about such cases as and when they occur.

## 14 GENERAL PROVISIONS

### 14.11 Governing Laws and Jurisdictions:

This Agreement, the relationship of the Parties and any disputes relating hereto shall be interpreted, governed and construed by the laws of the Commonwealth of Virginia, United States of America, without reference to the conflicts of laws principles thereof.

### 14.16 Entire Agreement:

This Agreement together with its Annexures set forth and shall constitute the entire Agreement between ITTL and Satyam with respect to the subject hereof, and shall supersede any and all agreements, understandings, promises and representations made by one party to the other concerning this subject matter herein and the terms and conditions applicable hereto. Also, in case of any inconsistency between the documents constituting the Entire Agreement, this Agreement together with its Annexures would supersede all other documents."

11. One of the issues I have to resolve in determining the overall dispute is whether the Services Agreement superseded the Assignment Agreement. I will return to that issue later in this judgment.
12. The Assignment Agreement having been signed on 11 September 1998, on 15 September 1998, Upaid filed a provisional patent application with the USPTO. In order to maintain the priority filing date which such a provisional application achieves (a) the inventions in question have to be complete at the date of filing and (b) a full "utility" patent application has to be filed within 12 months of the provisional application. So far as the first of these requirements is concerned, it is Upaid's case that the inventions to which the provisional application relates (and which led in due course to the granting of the so-called 947 patent) were complete at 15 September 1998. This is disputed by Satyam, in circumstances to which I will refer in more detail below.
13. So far as the second requirement is concerned, the utility application had to have filed with it a full set of documentation required by the USPTO to demonstrate in particular: (a) Upaid's unity of ownership in the inventions; (b) that all individual inventors had taken on their individual enduring duties of disclosure and candour to the USPTO, by way of a formal declaration under oath. To that end, from late 1998, Upaid was requesting from Satyam completion of the necessary documentation. Of particular relevance is that in December 1998, a

complete set of blank assignments to be signed by Satyam "inventor" employees was sent by Upaid's general counsel to Satyam. For unexplained reasons, Satyam did not obtain the signatures of employees at that time. It was not until the weekend of 28/29 August 1999 that Satyam sent to Upaid's general counsel at home in Washington a package of 72 executed employee assignments (purportedly completed by 36 employees, since they were in duplicate). 20 of the employees in question were "inventor" employees. All those employee assignments are dated 7 July 1999. Upaid's case is that unbeknownst to it at the time, the signatures of the employees on two of these assignments, Mr Govindacharyula and Mr Mambakkam, were forged.

14. On 14 September 1999 Upaid filed its formal utility application with the USPTO. Accompanying the application was the Assignment Agreement (pursuant to which Satyam had assigned to Upaid all right title and interest in the Software and intellectual property rights in and to the Software) and the employee assignments (the wording of which tracked in large measure that of the Assignment Agreement and pursuant to which each inventor employee assigned any title or interest in the inventions to Satyam) which together demonstrated Upaid's unity of ownership.
15. Thereafter, the USPTO gave notice that it had not received the Combined Declaration signed by all the inventors that they were each original, first and joint inventors and took on personal duties of disclosure and candour. This request was passed to Satyam and on about 4 November 1999, it sent back a Combined Declaration with the signatures of the 20 inventor employees. Again Upaid's case is that, although it did not know this at the time, two of those signatures were forged. The Combined Declaration was filed with the USPTO, which granted the 947 patent on 20 November 2001.
16. Subsequently, Upaid has filed two "continuation in part" applications with the USPTO in respect of further inventive work, predicated upon the 947 patent. It has also used the 947 patent as the foundation for a number of other patents worldwide and contends that its entire patent portfolio is dependent upon the validity and enforceability of the 947 patent. In support of the first of those "continuation in part" applications filed in June 2001, employee assignments were provided by the various "inventor" employees of Satyam signed on various dates in late 2001. These assignments were in a different form from the earlier employee assignments and were assignments by the relevant employee to Upaid.
17. So far as the relationship between the parties is concerned, by the beginning of 1999, Upaid owed Satyam about US\$2 million. During the first half of 1999, there were discussions between the parties with a view to Satyam becoming a shareholder in Upaid and the existing debt being restructured by way of a debt to equity swap. In due course, a Share Issuance Agreement dated 1 September 1999 was entered into under which, inter alia, Satyam purchased 27.06% of Upaid's stock and undertook to invest US\$2.5 million in Upaid and procure further investment of another US\$5 million either directly or by third parties. Satyam was given the right to nominate a director to the Upaid Board.
18. By 2002 the relationship between the parties had deteriorated. A number of disputes had arisen. In particular:
  - (1) Upaid had a complaint about the quality of the work being provided by Satyam under the Services Agreement not being up to the industry standard.
  - (2) Satyam was complaining about non-payment by Upaid for work performed under the Services Agreement and claimed that Intellectual Property had reverted to Satyam under the terms of clause 10.3 of the Services Agreement.
  - (3) Upaid was complaining about the behaviour of Satyam's representative on the Upaid Board, Mr Srini Raju and whether or not he was acting in Upaid's best interests and Satyam had a cross-complaint that he was not being allowed to participate in all aspects of the Board discussions.
  - (4) Upaid was complaining about Satyam's potential infringement of Upaid's Intellectual Property Rights through the M-Biz Platform which was being offered by a company set up by Mr Srini Raju.
19. In cross-examination Mr Murali accepted that these were the matters in dispute between the parties and that at a meeting between the parties in Hyderabad on 1 November 2002 Upaid's representatives put forward its complaints. It was the desire to settle those disputes and to terminate the relationship between the parties which led to the Settlement Agreement between the parties signed on and effective as of 31 December 2002.
20. At various stages of the trial, it was suggested on behalf of Satyam that another matter which was in dispute and which led to the Settlement Agreement concerned Satyam's performance of its obligation to assist Upaid in connection with intellectual property and patent applications and to give Upaid access to its employees for that purpose. In fact, as Mr Murali accepted in evidence, that dispute was resolved by September 2002, some time before the Settlement Agreement. This was ultimately accepted in closing by Mr Anthony Boswood QC on behalf of Satyam.
21. The Settlement Agreement provided, so far as is strictly relevant to the issues I have to decide as follows:

**"WHEREAS**, Satyam and Upaid had entered into a Services Agreement dated May 19, 1999, as amended by amendment agreements dated August 9, 2000 and April 6, 2001 for provision of information technology services by Satyam to Upaid ("Services Agreement");

**WHEREAS**, On September 10, 1999, Satyam, ITTL and Joyce entered into that certain Share Issuance Agreement (the "ITTL SIA") pursuant to which ITTL issued to Satyam 833,333 of its common shares (the "ITTL Shares") and Satyam, Upaid, Dunn and Joyce had entered into a Share Issuance Agreement dated September 1, 1999, pursuant to which Satyam is the owner and holder of Common Shares of Upaid ("Share Issuance Agreement" or "SIA") (Unless

otherwise indicated by direct reference or by context, references to the SIA shall include ITTL SIA and/or other documents, if any, in relation to the Common Shares held by Satyam for purposes of this Agreement);

**WHEREAS**, Satyam and Upaid desire to terminate the Share Issuance Agreement and all rights and obligations arising thereunder;

**WHEREAS**, a sum of USD 337,795 is due and payable by Upaid to Satyam, in respect of services performed by Satyam to Upaid under the Services Agreement and as repayment of advances made by Satyam to Upaid's Indian subsidiary.

**NOW, THEREFORE**, in consideration of the above and the mutual covenants and agreements contained in this Agreement, and in full and final settlement of the Parties' various rights, obligations and contentions, it is hereby agreed as follows:

## **2. SERVICES AGREEMENT**

2.1 (a)....

(b) Subject to the fulfillment of the conditions precedent set forth in Section 1.4 above, the Satyam Parties agree and state that they have no ownership or rights to the intellectual property developed for Upaid under the Services Agreement, relinquish all claims to the ownership of such intellectual property rights.

2.2 The Parties reaffirm that the Services Agreement is terminated with effect from August 31, 2002, and has no further force or effect, notwithstanding any provisions to the contrary contained in the Services Agreement or in any other document, as to the survival of any provisions of the Services Agreement. The Parties also agree that all electronic mails and other correspondence exchanged between the Parties and any oral agreements to the extent they may exist in relation to the above mentioned Agreement shall also be deemed cancelled and have no further force or effect. Notwithstanding the above, Satyam confirms that Section 12 of the Services Agreement shall survive for a period of one (1) year from the Effective Date.

2.3 Subject to the fulfillment of the conditions precedent mentioned in Section 1.4 above, all rights and obligation of the Parties under the Services Agreement are deemed fulfilled and each of the Upaid Parties on the one hand and the Satyam Parties on the other hand, hereby irrevocably and unconditionally release, acquit, exonerate and forever discharge the other and each of their respective past and present heirs, administrators, beneficiaries, predecessors, successors, affiliates, officers, directors, shareholders, employees, attorneys, agents and representatives from any and all debts, liabilities, claims, obligations, promises, covenants, contracts, endorsements, bonds, controversies, actions, causes of action, judgments, damages, expenses and demands of any sort, either in law or equity, that they had, now have, or hereafter can, shall or may have, from the beginning of time until the execution of this Agreement or hereafter, arising out of or relating in any way directly or indirectly to the Services Agreement including claims relating to representations, warranties, intellectual property rights, quality of services performed, deliverables provided, confidentiality obligations, provision or denial of services or productivity.

2.4 Subject to the fulfillment of the conditions precedent in Section 1.4 above, each of the Upaid Parties on the one hand and the Satyam Parties on the other hand hereby irrevocably and unconditionally agree to forbear from bringing any lawsuit, cause of action, arbitration or any legal action of any nature against the other and their respective past and present heirs, administrators, beneficiaries, predecessors, successors, affiliates, officers, directors, shareholders, employees, attorneys, agents and representatives for any claims or causes of action arising from the beginning of time until the execution of this Agreement or at any time in future, in respect of or relating in any way directly or indirectly to the Services Agreement, including claims relating to representations, warranties, intellectual property rights, quality of services performed, deliverables provided, confidentiality obligations, provision or denial of services or productivity. To the extent that the Satyam Parties or the Upaid Parties have filed any lawsuit, cause of action, demand for arbitration or any legal action of any nature against the other, such filing Party shall immediately file a stipulation of dismissal with prejudice and advise any tribunal where any such filing has been made that the matter has been compromised and settled.

## **3. INTELLECTUAL PROPERTY RIGHTS**

3.1 (a) Subject to Clause 2.1 (c), Satyam agrees that all Intellectual Property (as defined in the Services Agreement) developed for Upaid by Satyam, its employees shall be considered as "work for hire" under all applicable laws (including, without limitation, the United States Copyright Act), and all Intellectual Property rights relating to, arising in connection with or otherwise resulting from such work and services (as defined in the Services Agreement), shall be the sole and exclusive property of Upaid and Upaid shall own all right, title and interest in and to such Intellectual Property.

3.1 (b) If any portion of the work or services performed by Satyam under the Services Agreement is not eligible to be considered a work for hire under the United States Copyright Act, then Satyam hereby irrevocably and unconditionally assign and transfer to Upaid all rights to such Intellectual Property relating to, arising in connection with or otherwise resulting from such work and services. Satyam further agrees that they will use their best efforts to have their employees who were involved in any development projects for Upaid and also continue to work with Satyam in India to execute necessary instruments including Assignments reasonably necessary to transfer such right, title or interest in the Intellectual Property to Upaid. Further, Satyam confirms all assignments of intellectual property rights to Upaid by it and those assignments executed by Satyam employees as co-inventors of Upaid intellectual property and such assignments will survive and shall be governed by such Assignment agreements. Satyam agrees to execute and deliver to Upaid any and all

assignments and other documents or instruments reasonably necessary in furtherance of filing and maintaining the applications relating to the Intellectual Property. Satyam hereby agrees not to restrict or hinder in any manner any communication with or access to any persons considered by Upaid or its patent counsel to be "inventors" with respect to its patent and patent applications. All requests from Upaid under this Clause shall be sent to Satyam in writing at reasonable times without causing inconvenience to Satyam or its employees and upon at least 15 days advance notice. Costs if any arising from Satyam or its employees complying with the requests of Upaid under this paragraph will be borne by Upaid.

#### 4 GENERAL PROVISIONS

##### (a) Entire Agreement.

This Agreement (including the exhibits hereto and any written amendments hereof executed by the parties) constitutes the entire Agreement and supersedes all prior agreements and understandings, oral and written, between the Parties hereto with respect to the subject matter hereof and the SIA and Services Agreement and any other agreements between Satyam and Upaid entered up to date. Except as otherwise expressly provided herein, this Agreement may be modified or amended only by a writing signed by duly authorized representatives of each Party. The waiver by any Party of any default or breach of this Agreement, or any obligation hereunder, shall be ineffective unless in writing, and shall not constitute a waiver of any subsequent breach or default. No failure to exercise any right or power under this Agreement or to insist on strict compliance by the other Parties shall constitute a waiver of the right in the future to exercise such right or power or to insist on strict compliance.

(c) **Governing Law.** This Agreement and all transactions contemplated hereby shall be deemed to be made under, and shall be governed by, and construed in accordance with, the laws of England, without regard to principles of conflict of laws. Any and all disputes arising out of or relating to this Agreement shall be brought in a court of competent jurisdiction in London, England and the Parties irrevocably submit to jurisdiction and venue in London, England. If any term of this Agreement is held invalid, illegal or unenforceable by a court of competent jurisdiction, such terms shall be reduced or otherwise modified by such court to the minimum extent necessary to make it valid and enforceable. If such term cannot be so modified, it shall be severed and the remaining terms of this Agreement shall be interpreted in such a way as to give maximum validity and enforceability to this Agreement."

22. In June 2005, Upaid filed patent infringement proceedings in the Eastern District of Texas against Qualcomm Incorporated and Verizon Wireless on the grounds that those companies had developed software platforms and were offering network services in a manner which infringed Upaid's 947 patent and subsequent patents. In their defence of those proceedings, the two companies produced declarations from the two former Satyam employees, Mr. Mambakkam and Mr. Govindacharyula (dated respectively 6 September 2006 and 28 November 2006) that they had neither seen nor signed their respective employee assignments or the Combined Declaration. Upaid obtained the advice of a handwriting expert that the signatures on these documents were almost certainly forged. Mr Mambakkam had in fact sold his rights in the inventions to Verizon.
23. Upaid was obviously concerned about the impact which the filing of forged documentation with the USPTO might have upon the validity of its 947 patent and thus on other patents obtained thereafter. It sought the assistance of Satyam in providing evidence and documentation relating to the forgery allegations. Such assistance was not immediately forthcoming and Upaid issued a subpoena against Satyam. However Satyam was not able to produce any material or evidence capable of answering the allegations of forgery. Upaid alleges that it was as a consequence of the allegations of forgery that it was forced to settle the infringement proceedings on extremely unfavourable terms in April 2007. This was challenged by Satyam, which contended that, irrespective of the forgery allegations, Upaid had in fact acknowledged that Qualcomm had not infringed the 947 patent.
24. On 4 April 2007 Upaid filed a Complaint against Satyam in the United States District Court for the Eastern District of Texas. An Amended Complaint (joining Mr Govindacharyula as a defendant) was filed on 16 July 2007. In those proceedings, Upaid alleges that faced with the evidence of the forged signatures of Mr Govindacharyula and Mr Mambakkam and the sale by Mr Mambakkam of his patent rights, Upaid "had no other choice but to settle [with Qualcomm and Verizon] on draconian terms", whereas otherwise "Upaid would have prevailed, through settlement or trial in their patent infringement action against Qualcomm and Verizon Wireless". The following relief is claimed:
  - i) a declaration as to the validity of the patents;
  - ii) damages for Satyam's alleged fraud and/or forgery and/or misrepresentation in providing documents containing forged signatures;
  - iii) damages for Satyam's alleged breach in 1999 of the covenant contained in the third paragraph of the Assignment Agreement.
25. Satyam contends that these claims in Texas are being brought in breach of the terms of the Settlement Agreement, which compromised all such claims, alternatively that by virtue of the exclusive jurisdiction clause in the Settlement Agreement, all such claims have to be brought before the English Courts. In June 2007, Satyam applied for an interlocutory injunction to restrain the continuation of the proceedings in Texas. It was when that application came before me for hearing on 10 September 2007 that the parties agreed to the trial of the three preliminary issues I set out at the outset of this judgment. Upaid agreed not to pursue the proceedings in Texas pending the determination of those preliminary issues.

**The first preliminary issue: are the claims in Texas precluded by the Settlement Agreement?**

26. The first preliminary issue ultimately turns on the scope and meaning of the Settlement Agreement. At the trial, argument was focused particularly on the third sentence of clause 3.1 (b): "Further, Satyam confirms all assignments of intellectual property rights to Upaid by it and those assignments executed by Satyam employees as co-inventors of Upaid intellectual property and such assignments will survive and shall be governed by such Assignment agreements."
27. Satyam contends that this provision is doing no more than drawing a line under the issue as to in whom the intellectual property rights vest (which had of course been a matter of dispute since Satyam had been contending that the rights revested in it as a consequence of clause 10.3 of the Services Agreement), but is not dealing with co-operation which is dealt with in the previous sentence of clause 3.1 (b). Upaid contends that the words "shall be governed by" can only have one meaning, namely that the relevant Assignment Agreement, dated 11 September 1998, remains in full force and effect, including the third paragraph, of which Upaid says that Satyam was in breach.
28. An important aspect of Satyam's case as to the correct construction of the Settlement Agreement is its contention that the Assignment Agreement had in fact been superseded by the Services Agreement when the latter came into effect in June 1999. If that contention is correct, then it is difficult to see how the terms of an agreement which had been superseded could "govern" in the wide sense for which Upaid contends. Accordingly, it is necessary to consider first, before considering further the various arguments as to the correct construction of the Settlement Agreement, whether the Assignment Agreement was superseded by the Services Agreement.

**Was the Assignment Agreement superseded by the Services Agreement?**

29. The Services Agreement is governed by Virginia law, so that issue falls to be considered under that law. I heard expert evidence from two distinguished professors of law on this subject. Satyam called Professor Robert Scott, the Alfred McCormack Professor of Law at the Columbia University School of Law in New York but who previously taught at the University of Virginia for more than 30 years. Upaid called Professor Kent Sinclair who has been a professor of law at the University of Virginia since 1983.
30. As one might expect, although they disagreed as to the application of the relevant principles of contract construction under the law of Virginia, there was not a great difference between them as to what those principles are. More importantly, having read their reports carefully and heard their evidence, as well as considering the various cases they referred to, I was left with the very firm impression that there was little difference between Virginia law and English law so far as the construction of contracts is concerned. The legal labels placed on the principles might differ somewhat but the overall principles are essentially the same. One area of potential difference is that Virginia courts adhere even more strongly than do English courts to the written word of the parties' contract and to the exclusion of parol evidence. However, for reasons which will become apparent, that potential difference almost certainly does not matter in this case.
31. Professor Scott placed great emphasis in his Report and in his oral evidence on the strictness of the parol evidence rule as applied in Virginia, to support a thesis that where the relevant contract, here the Services Agreement, contains an entire agreement clause, evidence of a prior agreement in relation to the same subject-matter is inadmissible as an aid to construction of the contract under consideration. However, Professor Scott accepted that clear and convincing proof is required before an antecedent agreement will be regarded as superseded by a subsequent agreement.
32. More importantly for present purposes, Professor Scott accepted the principle of Virginia law expounded by Professor Sinclair that where two written agreements are made contemporaneously (at the same time or close in time) so that they can be regarded as part of the same "business transaction", they will be treated as part of one integrated transaction and read and construed together. This is a well-established principle of Virginia law dating back at least to *Transit Corp of Virginia v Four Wheel Drive* (1928) 151 Va. 865. Furthermore, the presence of an entire agreement clause in one of the agreements does not preclude the agreements being read together as part of a single transaction: see *Transit Corp* and, more recently *Countryside Orthopaedics v Peyton* (2001) 261 Va. 162. Professor Scott accepted that this principle does not infringe the parol evidence rule.
33. In light of the evidence to which I have referred above that (i) the Assignment Agreement was being negotiated in June to September 1998 at the same time as the Services Agreement; and (ii) that it was contemplated at the time that the Services Agreement would be completed and signed by 15 September 1998 and that it was only because completion took longer than anticipated that the Services Agreement was not signed until May/June 1999, it seems to me that the two agreements are contemporaneous for the purposes of the application of the principle of Virginia law referred to in the previous paragraph.
34. Accordingly the Assignment Agreement and the Services Agreement are to be read together. It will only be if there is clear and convincing evidence that the Services Agreement was intended to supersede the Assignment Agreement that the Court should conclude in favour of supersession. Although I accept that there is some force in Satyam's complaint that in order to support its case in these proceedings, Upaid may have somewhat exaggerated the significance of the Assignment Agreement and the rights it conferred and for that matter the significance of the date of 15 September 1998, the Agreement did undoubtedly assign the inventions and intellectual property rights which were the subject of the provisional patent application filed on that date and

contained co-operation obligations upon Satyam which were intended to enable Upaid to protect those inventions and rights.

35. I reject the argument that the Assignment Agreement on its face was somehow intended to be a temporary measure which would only take effect until the Services Agreement came into force. On the basis that it was contemplated that the Services Agreement would be effective from 15 September 1998, the concept that an assignment effective only 4 days previously was only temporary would be somewhat unusual, unless it said in terms that it was only temporary. In any event, that concept is completely negated by the terms of the Assignment Agreement itself which refers to assignment and transfer of the relevant intellectual property rights "in perpetuity, to endure from now until the end of time".
36. Absent some express delimiting words (which are absent) it also seems to me that the covenant of "co-operation" in the third paragraph of the Assignment Agreement is similarly unlimited in time. Furthermore, that construction fulfils, rather than frustrates, the commercial purpose of that paragraph, which is to ensure that Satyam will co-operate with Upaid in protecting the Intellectual Property Rights assigned by the second paragraph, if necessary by providing evidence in patent protection or similar litigation. If those co-operation obligations (ostensibly temporally unlimited) in fact disappeared within a matter of days, that would to say the least be surprising, albeit that on Satyam's case they were substituted with the somewhat less stringent provision in clause 11.1 of the Services Agreement.
37. Nor, notwithstanding the ingenious arguments mounted by Mr Boswood QC on behalf of Satyam, does it seem to me from the terms of the Services Agreement that there is anything in that Agreement which evidences an intention that it should supersede the Assignment Agreement. It is effective from 15 September 1998, four days after the Assignment Agreement and in my judgment it is forward looking. I would emphasise the following matters in this context:
  - 37.1 The assignment and transfer effected by the second sentence of clause 11.1, despite the accidental omission of the word "be", clearly relates only to intellectual property rights in respect of "*work or services to [be] performed by Satyam hereunder*" in other words work or services to be performed under the Services Agreement after its effective date of 15 September 1998, which by definition cannot include intellectual property rights already assigned pursuant to the Assignment Agreement and which did not need to be assigned again by the Services Agreement.
  - 37.2 This is confirmed by the later words of the same sentence: "Satyam shall irrevocably and unconditionally assign and transfer to ITTL, and Satyam does hereby irrevocably and unconditionally assign and transfer to ITTL, all rights to the Intellectual Property relating to, arising in connection with or otherwise resulting from the Services, the Software Projects or resulting Software Products". The obligation to transfer in the future "shall assign and transfer" and the acknowledgment of transfer "hereby" i.e. by the Services Agreement is hardly consistent with that transfer or assignment having already taken place pursuant to the Assignment Agreement. Rather, it is consistent with the transfer and assignment being of intellectual property rights as at 15 September 1998 to the extent not already transferred and assigned by the earlier Assignment Agreement, together with an undertaking to transfer and assign future rights as they arise.
  - 37.3 The fundamental point that the assignment under clause 11.1 of the Services Agreement is of work to be performed on and after the effective date is reinforced by other provisions of the Services Agreement referred to in that clause, as quoted in the previous sub-paragraph. Thus the definitions of "Services", "Software Projects" and "Software Products" are all looking forward to the services to be performed under the Services Agreement.
  - 37.4 In his submissions Mr Boswood contended that the closing words in the definition of "Intellectual Property" in clause 1.4: "generated by, derived from or used in connection with the Software Products" refer back to the totality of the clause, not just the immediately preceding words "computer technical expertise". I consider that he is probably correct about this as a matter of ordinary language (despite the suggestion on behalf of Upaid that this renders the clause partially circular). Mr Boswood then went on to argue that the Intellectual Property which could be "used in connection with the Software Products" could include Intellectual Property which was in existence before the Effective Date. As a matter of logic and language this may well be right and if clause 1.4 stood in isolation, this argument might go some way to supporting Satyam's argument that the Services Agreement covered Intellectual Property already in existence as well as that coming into existence on and after the Effective Date. However, clause 1.4 does not stand in isolation and the clause which deals with Intellectual Property Rights, namely clause 11.1, is clearly forward looking for the reasons already given above. Nothing in the definition clause 1.4 seems to me to begin to detract from or alter the meaning and effect of the substantive provision in clause 11.1.
  - 37.5 By contrast, the rights assigned by the Assignment Agreement clearly related to work and services performed by Satyam before 11 September 1998, otherwise there would have been nothing capable of assignment and transfer under the Assignment Agreement at that date. Although Upaid at one stage alleged that the Assignment Agreement also applied to the assignment of future intellectual property rights not in existence at the time of the Agreement, that case was abandoned and, at trial, it was accepted that the Assignment Agreement relates and can only relate to such rights in existence as at 11 September 1998.



- 37.6 Accordingly, in my judgment, contrary to the submissions advanced on behalf of Satyam, there is no overlap between the intellectual property rights protected by the Assignment Agreement and those protected by clause 11.1 of the Services Agreement and the subject matter of the two provisions, although similar, is different.
38. That last conclusion has some bearing on two further arguments advanced by Satyam as to why the Services Agreement superseded the Assignment Agreement. The first argument concerns the effect of clause 14.16, the Entire Agreement Clause in the Services Agreement. Professor Scott placed particular emphasis on this in his evidence of Virginia law, although he accepted that many of the cases where the Virginia courts applied the principle of reading two "contemporaneous" agreements together were ones where one or other agreement contained an entire agreement clause and yet the presence of such a clause does not preclude the existence of two parallel agreements if that is the correct construction of the overall contractual position.
39. I do not consider it necessary to resolve the dispute between the two professors as to whether words in an entire agreement clause such as appear in clause 14.16: "with respect to the subject hereof" and "shall supersede any and all agreements.... concerning this subject matter herein" are words of limitation or of extension, since Professor Scott accepted that even without such words, as a matter of Virginia law an entire agreement clause would only effect a supersession of an earlier agreement relating to the same subject-matter.
40. In the circumstances, it seems to me that the arguments about the Entire Agreement Clause become entirely circular. If the subject matter of the Assignment Agreement were the same as that of the Services Agreement or there were the overlap for which Satyam contends, then to that extent, the Assignment Agreement would be superseded, whether one adopts the narrow construction of the Entire Agreement Clause advocated by Professor Sinclair or the wide construction advocated by Professor Scott. Conversely, if, as I have concluded, the subject matter of the Assignment Agreement is not the same as that of the Services Agreement and there is no overlap, then even adopting Professor Scott's wide construction of the Entire Agreement Clause, it simply does not have the effect that the Assignment Agreement is superseded by the Services Agreement.
41. There remains an issue as to the meaning of the second sentence of clause 14.16: "*Also, in case of any inconsistency between the documents constituting the Entire Agreement, this Agreement together with its Annexures would supersede all other documents*". Professor Scott appeared to suggest that this was a broad provision indicating further that the Services Agreement would supersede any earlier Agreement such as the Assignment Agreement. I cannot accept that proposition. The sentence is really internally inconsistent. "*This Agreement together with its annexures*" is the same thing as the Entire Agreement as the first sentence of the clause makes clear so that it is difficult to see what is intended to be superseded and by what. Ultimately, if the second sentence has any sensible meaning at all, which I rather doubt, it is a wholly inadequate basis for some broader principle of supersession than laid down by the first sentence.
42. The second further argument advanced by Satyam as to why the Services Agreement must be taken to have superseded the Assignment Agreement is one of the commercial absurdity and unreasonableness of having two "parallel" co-operation regimes, one under the third paragraph of the Assignment Agreement and the other under clause 11.1 of the Services Agreement. Ironically, this was an argument which provoked one of the few real contests between the parties on the oral evidence called.
43. Satyam contends that the distinction which Upaid seeks to draw between inventions (and intellectual property rights derived therefrom) created before 15 September 1998 and those created after that date is wholly artificial. Satyam sought to support that last point by the evidence of Mr Bhanu Murthy Nallagonda who was working on the creation and development of Upaid software throughout. His evidence was that the nature of the work carried out before and after 15 September 1998 was substantially the same and that he had no recollection of particular patentable inventions having to be "locked in" before a trade fair on 15 September 1998.
44. Upaid's case is that the inventive work carried out before 15 September 1998 and assigned by the Assignment Agreement (and thus the intellectual property rights protected thereby) is easily identifiable: it was the subject of the provisional patent application on that date and thus of what became the 947 patent. This suggestion of a "bright line" between what was created before 15 September 1998 and what was created after was disputed by Satyam. It contended (initially via Mr Bhanu's supplemental witness statement dated 7 December 2007) that some of the inventive work covered by the 947 patent, specifically relating to the application of the high level application programming interface ("HAPI"), was not carried out until after September 1998. Mr Bhanu's evidence was that this work was carried out in the period late 1998 to late 1999.
45. Mr Joyce in his evidence challenged the suggestion that any part of the inventive work covered by the 947 patent was only created after the provisional patent application was filed. He said that Upaid was not seeking to patent the HAPI, which is a "term of art" recognised in the software industry. He did accept however in cross-examination that whilst the HAPI was not new, its application to the particular product was an invention for which Upaid was claiming inventive rights. When challenged by Mr Boswood to identify where in the patent application claims relating to the application of HAPI to the product appeared, Mr Joyce was unable to do so. However, he did say in his evidence that if the application of the HAPI to the product had not appeared as part of the claims in the provisional patent application, the patent examiner would have picked this up and would have said that these were new inventions not covered by the provisional application.

46. On the morning of Day 3 of the trial, 19 December 2007, Upaid sought to rely upon a 762 page Appendix which had accompanied the provisional application and which was said to include material drafted by Mr Ashok Reddy of Satyam, which disclosed as part of that application matters which were now said via Mr Bhanu's supplemental witness statement to be new inventive work. No complaint was made about the lateness of the production of this material, nor could it be since the point in issue was first raised in that supplemental statement less than a fortnight previously. However, Mr Bhanu was recalled to give further evidence. He said that the materials in the Appendix did not relate to the application of the HAPI to the particular product but concerned the interface between the various applications and the HAPI in general.
47. Both sides called Texan lawyers who are experts in US patent law. Satyam called Mr Robert S Turner. He disagreed with Mr Joyce's assessment that the patent examiner would have picked up that certain "claims" in the full "utility" patent application were new "inventions" not in the provisional application. It would only be in certain situations for example if there was some challenge to the proposed patent during the process of consideration by the USPTO, that the patent examiner might engage in some such comparison exercise. This was not a routine occurrence.
48. This analysis was not challenged by Upaid's patent law expert Professor John Robinson Thomas. Rather his evidence focused on the distinction between independent claims and dependent claims in US patent applications, a matter on which Mr Turner also touched. Fascinating though this subject was, I have formed the very firm view that it is of no relevance to any of the issues which I actually have to decide. The context in which this entire debate arises is Satyam's case as to the commercial absurdity of two parallel co-operation regimes applying to, as Mr Boswood put it, inventive work in one patent done at different stages. I am not convinced that, for the purposes of testing that case, it is necessary to make any final determination as to whether the 947 patent in fact includes "claims" for inventive work which was not included in the provisional application and which took place after 15 September 1998, since there were "continuation in part" applications which undoubtedly did include work carried out after that date.
49. However, assuming for the purposes of the argument that the 947 patent did include claims for inventive work which was not performed or created until after 15 September 1998, I am unconvinced by the argument of commercial absurdity for a number of reasons.
50. First, contrary to Satyam's submissions, it would not necessarily be difficult to determine pursuant to which "co-operation regime" co-operation in relation to particular inventive work and intellectual property rights should be provided. The provisional application undoubtedly related to inventions and intellectual property rights which were assigned by the Assignment Agreement. Furthermore, contrary to Satyam's contention, I consider that the co-operation provided by Satyam in 1999 prior to the utility application (specifically the "employee assignments" whose wording so closely reflected that of the Assignment Agreement) was being provided pursuant to the third paragraph of the Assignment Agreement. To the extent that the patent involved work performed after 15 September 1998, as Mr Foxtton QC for Upaid pointed out, Satyam has had no difficulty in identifying such work; hence its case about the various claims in the patent involving "new" inventive work. In other words, the alleged difficulty in identifying which co-operation regime will apply in any given situation is more apparent than real.
51. Second, although there are of course differences between the two co-operation regimes, I do not consider that, on analysis these differences are particularly significant. They are certainly not as great as Mr Boswood sought to contend. Clause 11.1 contains an obligation to execute and deliver to Upaid any assignments and other documents or instruments reasonably requested in furtherance of filing and maintaining applications relating to the Intellectual Property. Although this obligation is not so closely defined as that in the second part of the third paragraph of the Assignment Agreement, it seems to me that it is essentially the same obligation. Furthermore, although clause 11.1 does not contain any express obligation on Satyam to testify in any patent litigation such as is contained in the third paragraph of the Assignment Agreement, it does contain an express obligation on Satyam to "take all necessary initiatives to protect such Intellectual Property Rights" which in an appropriate case would seem to me wide enough to encompass providing evidence in any litigation. In other words, the differences between the two regimes upon which Satyam places so much emphasis, are also more apparent than real.
52. Third, even if there are differences in the co-operation regimes, it simply does not follow that their parallel operation is so unreasonable that it cannot be what the parties intended. There are other commercial situations where a new contract is made for the future on somewhat different terms to those applicable to the original contract. The old contract is not somehow automatically superseded by the new one.
53. In all the circumstances, I reject Mr Boswood's arguments based on commercial unreasonableness and uncertainty. In my judgment the Assignment Agreement was not superseded by the Services Agreement as a matter of Virginia law and continued to operate so far as applicable.
54. In the light of that conclusion I return to the question whether, on the correct construction of the Settlement Agreement, Upaid is precluded from bringing any claim against Satyam for alleged breach of the Assignment Agreement.

#### **The correct construction of the Settlement Agreement**

##### **Clause 3.1 (b)**

55. As already noted, much of the argument at trial as to the effect of the Settlement Agreement focused on clause 3.1 (b). One of the disputes settled concerned Satyam's claim for unpaid fees which had led to it contending that

intellectual property rights assigned by clause 11.1 of the Services Agreement had reverted in it by virtue of clause 10.3 of the Services Agreement. The Settlement Agreement was intended to settle that dispute and the various other disputes and bring the relationship between the parties to an end. This intent is recorded in clause 2.2 of the Settlement Agreement which states that the Services Agreement is terminated with effect from 31 August 2002 and that only clause 12 of the Services Agreement (which deals with confidential information) will survive that termination for twelve months.

56. For whatever reason, there is no provision that clause 11.1 should similarly survive the termination of the Services Agreement. Nevertheless, the wording of clause 3.1 (a) and of the first, second and fourth sentences of clause 3.1 (b) closely tracks the wording of clause 11.1 as regards assignment and protection of Intellectual Property Rights and co-operation by Satyam, albeit that the latter is more limited in clause 3.1 (b) being only a "best efforts" obligation as regards employees of Satyam still employed and in India. The fifth, sixth and seventh sentences of clause 3.1 (b) then pick up various aspects of co-operation.
57. Although the presence of the third sentence between the second and fourth sentences of clause 3.1(b) is somewhat incongruous and it should perhaps better be placed at the end of the provision or in a separate sub-clause, it is clear that the subject matter of the third sentence of clause 3.1(b) is different from that of the rest of the clause. If it were dealing only with assignment of the Intellectual Property Rights under the Services Agreement, it would be completely otiose, since the assignment of those Rights is confirmed by the first sentence of clause 3.1(b). Thus the words "Satyam confirms all assignments of intellectual property rights to Upaid by it" are clearly referring to those rights assigned by the Assignment Agreement. Similarly the words "those assignments executed by Satyam employees as co-inventors of Upaid intellectual property" are clearly referring both to the "employee assignments" sent to Upaid in August 1999 and to the subsequent assignments in late 2001.
58. It is the last part of the sentence "and such assignments will survive and shall be governed by such Assignment agreements" which is particularly in contention. Once the conclusion has been reached that the Assignment Agreement was not superseded by the Services Agreement, it is difficult to see how Satyam's argument can be sustained, that the whole third sentence of clause 3.1(b) was only designed to ensure that previous transfers of intellectual property rights remained valid and binding even after the termination of the relationship. That might be arguable if the words "such assignments will survive" stood alone but they do not.
59. It seems to me that Satyam's argument does not give any sensible meaning and effect to the words "shall be governed by such Assignment agreements". If one asks the question which terms of the Assignment Agreement were intended by this phrase to govern the assignment of the intellectual property rights under the Assignment Agreement, it seems to me that the only possible answer is all of them, including the co-operation provision in the third paragraph. Not only is this the natural meaning of the words "shall be governed by such Assignment agreements" but it makes commercial sense. Whilst I feel there has been some forensic exaggeration of the significance of the third paragraph for the purposes of Upaid's case in these proceedings, it is nonetheless the case that an important aspect of protection of any intellectual property rights will be the obligation of co-operation imposed on Satyam by the third paragraph.
60. In this context, "govern" seems to me to be a word connoting some future "life" pursuant to which the Assignment Agreement is capable of having some force and significance. If all that survived of the Assignment Agreement, as Satyam contends, was the executed provisions of the first two paragraphs and not the continuing obligation in the third paragraph, there would in a real sense be nothing for the Assignment Agreement to "govern". Since the relevant obligations in the first two paragraphs were by definition performed in September 1998, if that were all that remained of the Agreement, it would be moribund and could hardly "govern" anything.
61. Another reason why in my judgment what "governs" the assignment of the intellectual property rights is not simply the moribund first two paragraphs of the Assignment Agreement is the fact that the third sentence is also dealing with the "employee assignments". Those assignments also contain co-operation obligations and clearly when the sentence provides that the assignment by employees shall be governed by "such Assignment agreements" it means in this context the totality of the relevant "employee assignment" agreements and not merely part of those agreements. Satyam has never suggested otherwise. The suggestion that somehow the wide words "shall be governed by such Assignment agreements" means the totality of the agreements in the case of the employee assignments but only the first two paragraphs in the case of the Assignment Agreement makes no sense.
62. In this context, I should deal with an argument on the construction of clause 3.1 (b), which was first advanced by Mr Boswood on behalf of Satyam in his submissions in reply. It was contended that the relevant sentence: "Further, Satyam confirms all assignments of intellectual property rights to Upaid by it and those assignments executed by Satyam employees as co-inventors of Upaid intellectual property and such assignments will survive and shall be governed by such Assignment agreements" should be read as if there were a comma after the words "Upaid by it" so that, on this hypothesis, the only assignments which survive and are governed by the assignment agreements are the "employee assignments". This was an ingenious argument but in my judgment unsustainable. Quite apart from the fact that there is no comma where Mr Boswood wanted there to be one, it seems to me clear that the words "and such assignments will survive and shall be governed by such Assignment agreements" are referring to both assignments by Satyam to Upaid and assignments by Satyam employees as inventors.
63. Further, the suggestion by Satyam that somehow the first two paragraphs of the Assignment Agreement retained a significance (where the remainder of the Agreement did not) because Satyam had purported to re-vest the

intellectual property rights pursuant to clause 10.3 of the Services Agreement in the light of the dispute about fees is not sustainable. The vesting never purported to be in respect of the intellectual property rights assigned by the Assignment Agreement as opposed to by clause 11.1 of the Services Agreement and, in any event, that particular dispute has been addressed by the first two sentences of clause 3.1 (b) of the Settlement Agreement.

64. Accordingly, the third sentence of clause 3.1 (b) on its true construction makes it clear that the Assignment Agreement continues in full force and effect. Subject to any preclusion by virtue of the operation of other clauses in the Settlement Agreement it follows that, to the extent that the claim in Texas is based upon allegations of breach of the Assignment Agreement (as it is) is not excluded by the Settlement Agreement.

#### Clauses 2.3 and 2.4

65. Whatever the correct construction of clause 3.1 (b) of the Settlement Agreement, Satyam maintains several other arguments as to why the claims in Texas have been precluded by the Settlement Agreement. First, it contends that the claims in Texas have been compromised by clauses 2.3 and 2.4 of the Settlement Agreement because they are claims "arising out of" or "in respect of or relating in any way directly or indirectly to the Services Agreement". However, on the basis that, as I have found, the Assignment Agreement was not superseded by the Services Agreement and the subject matter of the two agreements is not the same, this argument seems to me impossible to sustain. The claim for damages for breach of the Assignment Agreement clearly arises directly out of that Agreement: it does not arise out of the Services Agreement, whether directly or indirectly. Similarly, the claims for damages for fraud and for a declaration can be said to arise indirectly out of the Assignment Agreement, but they can hardly be said to arise out of the Services Agreement.
66. In closing submissions, Mr Boswood on behalf of Satyam put his case on two bases: (i) that because the Assignment Agreement is preserved by and to be read alongside the Services Agreement, the claims in Texas arise indirectly out of the Services Agreement and (ii) that the employee assignments (of which complaint is made that two were forged) were undoubtedly produced pursuant to the Services Agreement, so any claim relating to them arises out of the Services Agreement.
67. The first of those submissions seems to me to import an impossibly wide and loose connection between the claims and the Services Agreement. I agree with Mr Foxtan that the passage in Hoffmann LJ's judgment in *Arbutnott v Fagan* [1996] L.R.L.R. 135 at 141 cautioning against such an approach to "connection" is instructive:  
*"...such words ['connected...in any way'] indicate an intention that the concept of connection should be broadly construed. But they cannot be read literally, or else they will include connections such as Fluellen found between Harry Monmouth and Alexander of Macedon:  
    'There is a river in Macedon and there is also moreover a river at Monmouth ...and there is salmons in both.'  
It is therefore still necessary to limit the connections to those which are relevant for the purpose in hand".*
68. Applying that principle here, the purpose in hand, that is the purpose of the Settlement Agreement, was to settle the various disputes between the parties which had arisen under the Services Agreement and the Share Issuance Agreement and terminate the relationship. Its purpose was not to settle disputes under the Assignment Agreement, not just because there were no such disputes at that stage (a point to which I return below) but also because that would be flatly inconsistent with the survival and continuance of the Assignment Agreement contemplated by clause 3.1 (b). Against the commercial background to the Settlement Agreement, it seems to me impossible to say that claims which arise out of or are connected with the Assignment Agreement arise "indirectly" out of the Services Agreement merely because the two agreements were entered at around the same time and operated in parallel, at least as far as intellectual property rights are concerned.
69. Mr Boswood's second argument might have some force to it if the factual premise upon which it is founded were correct, but it is not. It was asserted on behalf of Satyam more than once that the so-called "employee assignments" sent to Upaid in August 1999 were issued pursuant to the Services Agreement. The basis for this assertion was said to be that clause 11.1 expressly required that Satyam procure such employee assignments whereas the Assignment Agreement did not. I consider that analysis to be incorrect. The so-called "employee assignments" were of course from the inventor employees to Satyam. They were required by Upaid in order to present them to the USPTO as part of the documentation accompanying the full utility patent application to demonstrate unity of ownership. As such these were "papers" or "instruments" required to apply for or maintain an application for a patent and as such Satyam had undertaken to "promptly execute and deliver" such papers and instruments pursuant to the third paragraph of the Assignment Agreement.
70. That the employee assignments were being provided pursuant to the Assignment Agreement is further borne out by the fact, upon which I have already remarked, that the wording of the assignments closely tracks that of the Assignment Agreement. Furthermore, they were sent by Upaid to Satyam in blank form in December 1998, at a time when the Services Agreement was still in draft and not finally agreed, so it is difficult to see how it can be said that they were required under clause 11.1 of the Services Agreement.
71. In contrast, what clause 11.1 of the Services Agreement provided for was that Satyam would get its employees to execute assignments to transfer intellectual property rights to Upaid i.e. direct assignments from the inventor employees to Upaid. There were such assignments in late 2001 in relation to the continuation in part application, but those are different from the employee assignments which were to Satyam, in order to perfect its assignment to Upaid.

72. Having rejected Satyam's case that the claims in Texas are precluded by clauses 2.3 and 2.4 of the Settlement Agreement, it is not strictly necessary to consider in detail various arguments raised by Upaid as to why, even if in principle, claims arising under the Assignment Agreement are capable of being caught by clauses 2.3 and 2.4, these particular claims are not. However, I will consider those arguments, at least in so far as they raise matters of construction of the Settlement Agreement or of law. Upaid raised two distinct points: (i) that clauses 2.3 and 2.4 do not as a matter of construction exclude future claims which might arise in respect of the intellectual property rights preserved by clause 3.1 (b) but which were unknown at the time that the Settlement Agreement was entered into; and (ii) that the wording of those clauses is not such as would exclude claims based on fraud.
73. So far as the first point is concerned, this is essentially a refinement of the point which I have already dealt with above, that the release provisions in the Settlement Agreement were not intended to settle disputes under the Assignment Agreement and any such intention would be flatly inconsistent with clause 3.1 (b) which preserves the assignments and the rights under the Assignment Agreement.
74. Upaid also relies in this context upon a well-established principle recognised and applied by the majority of the House of Lords in **Bank of Credit and Commerce International (in liquidation) v Ali** [2002] 1 AC 251. As it was put by Lord Bingham of Cornhill in paragraph 10 of his opinion:  
*"But a long and in my view salutary line of authority shows that, in the absence of clear language, the court will be very slow to infer that a party intended to surrender rights and claims of which he was unaware and could not have been aware. [He then cites the relevant authorities, beginning with the judgment of Lord Hardwicke LC in **Cole v Gibson** (1750) 1 Ves Sen.503, 27 ER 1169 and concludes at paragraph 17]*  
In his judgment in the present case Sir Richard Scott V-C held (in paragraph 22 of his judgment):  
*"In my judgment, there are no such things as rules of equitable construction of documents."*  
Buxton LJ (in paragraph 88.4 of his judgment) agreed with the Vice-Chancellor's proposition. I also agree with it. More than a century and a quarter have passed since the fusion of law and equity and it would be both destructive of that great reform, and altogether anomalous, if it were not correct. But acceptance of that proposition should not lead one to regard the authority cited above as spent, or as a dead letter. Some of the cases, I think, contain statements more dogmatic and unqualified than would now be acceptable, and in some of them questions of construction and relief were treated almost indistinguishably. But I think these authorities justify the proposition advanced in paragraph 10 above and provide not a rule of law but a cautionary principle which should inform the approach of the court to the construction of an instrument such as this. I accept, as my noble and learned friend Lord Hoffmann forcefully points out, that authorities must be read in the context of their peculiar facts. But the judges I have quoted expressed themselves in terms more general than was necessary for decision of the instant case, and I share their reluctance to infer that a party intended to give up something which neither he, nor the other party, knew or could know that he had."
75. That principle was recently applied by Moore-Bick LJ in his judgment at first instance in **MAN Neufahrzeuge AG v Ernst & Young** [2005] EWHC 2347 (Comm) where he said at paragraph 207:  
*"Two points of particular importance on which all of their Lordships were agreed emerge from the speeches. The first is an insistence that the same approach is to be adopted when construing a general release as when construing a contract of any other kind. No special rules apply. The second is the emphasis which all their Lordships placed on the importance of the context in which the release is given. However wide the language in which it is cast, it is always necessary to understand the context in which a release was agreed in order to decide what the parties intended its true scope to be."*
76. Applying that principle to the present case, I consider that the wording of clauses 2.3 and 2.4 of the Settlement Agreement, drafted with the particular disputes between the parties which were then outstanding in mind (which by definition did not include an unknown future dispute about intellectual property rights), should not be construed as depriving Upaid of those future rights to claim damages for breach of the Assignment Agreement or for alleged fraud in relation to documentation produced pursuant to the third paragraph of that Agreement.
77. The second point raised by Upaid raises an issue concerning the settlement and exclusion of fraud based claims. In my judgment, it will only be through the use of the clearest possible specific language that parties to a settlement agreement will be taken to have excluded fraud based claims. This also emerges from the **MAN** case, where at paragraph 209 Moore-Bick LJ said:  
*"Mr. Kendrick submitted that the parties cannot have intended to compromise claims for misrepresentation or breach of warranty based on fraud, both because of the fact that they were grounded in fraud and because they were claims whose existence was unknown at the time. In my view, having regard to the context in which the parties entered into the settlement agreement and the language in which they expressed themselves, it was their intention that Western Star should be discharged from any further liability under section 4.1 of the Share Purchase Agreement, whether the possibility of a claim was known to MN at the time or not. I find it more difficult to say that they intended to release Western Star from liability for claims arising out of its own fraud, however. I am satisfied that neither party had the possibility of fraud in mind. As Rix L.J. said in **HIH Casualty and General Insurance Ltd v Chase Manhattan Bank** [2001] EWCA Civ 1250; [2001] 2 Lloyd's Rep. 483 at page 512, fraud is a thing apart because parties contract with one another in the expectation of honest dealing."*
78. Mr Foxton submits that this principle extends to causes of action of which dishonesty is not a necessary ingredient but which have been committed dishonestly, citing the treatment of the waiver or exclusion clause by the House of

Lords in *HIH Casualty & General Insurance v Chase Manhattan Bank* [2003] Lloyd's Rep IR 230, in the context of fraudulent misrepresentation and non-disclosure, specifically in the opinion of Lord Bingham at paragraph 16:

*"General words, however comprehensive the legal analyst might find them to be, will not serve: the language used must be such as will alert a commercial party to the extraordinary bargain he is invited to make".*

79. Mr Boswood submits that the principle in *HIH* relates only to fraud inducing the very contract under consideration. It is certainly correct that the specific context in which the principle arose was that of allegedly fraudulent misrepresentation or non-disclosure by the bank's broker during the placing of a contract of insurance. However, the principle is of wider application, as the passage I have cited from Moore-Bick LJ's judgment in *MAN* demonstrates and as is further demonstrated by the categorisation by Rix LJ of fraud as a "thing apart" in *HIH* in the Court of Appeal, to which Moore-Bick LJ refers.
80. In my judgment the principle which emerges is the one which I have stated, that where the claims in question are based on fraud or involve allegations of dishonesty, very clear and specific language in a settlement agreement will be required to settle such claims or exclude their subsequent pursuit, *a fortiori* if they are unknown at the time that the settlement agreement is entered into. The claims in Texas (whether ultimately they prove well-founded or not) do involve allegations of fraud and forgery against Satyam. As such, the wording of clauses 2.3 and 2.4 of the Settlement Agreement, even if otherwise capable of applying to claims arising under the Assignment Agreement, is simply not sufficiently clear or specific to exclude those claims.
81. Having decided the issues of construction of clauses 2.3 and 2.4 of the Settlement Agreement in favour of Upaid, it is neither necessary nor desirable to reach any conclusion about its alternative argument of unconscionability or sharp practice, relying upon the opinion of Lord Nicholls of Birkenhead in *Bank of Credit and Commerce International (in liquidation) v Ali* [2002] 1 AC 251 at 267 (paragraphs 32 and 33). The argument is that if Satyam was aware when the Settlement Agreement was entered into that some of the employee assignments contained forged signatures, it would be unconscionable for it to be able to rely upon clauses 2.3 and 2.4 as having compromised all claims including those in the future arising as a consequence of such forgery. Upaid contended that the Court did not have all the evidence available to determine whether Satyam had been guilty of sharp practice and invited the Court to proceed on assumed facts. In contrast, Satyam invited the Court to decide the issue now against Upaid, on the basis that it had simply failed to produce evidence to support its case of sharp practice.
82. As I indicated during the course of argument I do not regard either extreme as particularly attractive. The underlying allegation of sharp practice is a very serious one which would require to be specifically pleaded and proved. I have no doubt that Satyam would wish to refute any suggestion of sharp practice by calling witnesses. It seems to me wholly inappropriate to proceed on "assumed facts" in relation to such a serious allegation. Equally, it would seem to me unfair to Upaid to shut it out from arguing sharp practice, should the point ever become relevant hereafter, by deciding the point on limited materials now. I decline to decide the point, which does not in any event arise, in the light of my conclusion on the issues of construction. Should the point ever become relevant, it will have to be dealt with properly through both pleadings and evidence.

**The Entire Agreement in clause 4 (a)**

83. Satyam relies upon the words of clause 4 (a) : "*This Agreement ...constitutes the entire Agreement and supersedes all prior agreements and understandings, oral and written, between the Parties hereto with respect to the subject matter hereof and the SIA and Services Agreement and any other agreements between Satyam and Upaid entered up to date*" in support of its case as to the meaning of clause 3.1 (b) and contends that the provision is in essence further demonstration that the third paragraph of the Assignment Agreement has been superseded by the Settlement Agreement.
84. However, on the basis that clause 3.1 (b) expressly preserves the Assignment Agreement in full, which I consider it does for the reasons I have given, there is nothing in the Entire Agreement provision in clause 4 (a) which can avail Satyam. The specific saving language of clause 3.1 (b) clearly prevails over the general words of clause 4 (a). In other words, the effect of clause 4 (a) is not to supersede the Assignment Agreement. I also agree with Mr Foxton's argument that the Assignment Agreement is not the "subject matter" of the Settlement Agreement, but is expressly preserved in full by its terms, a further reason why the provision in clause 4 (a) is not applicable.

**The second preliminary issue: Do any of Upaid's claims fall within the scope of the English jurisdiction clause contained in Clause 4 (c) of the Settlement Agreement?**

85. As the argument developed at trial, the second preliminary issue involved two quite distinct sub-issues: (i) whether, even if the claims in Texas are not precluded by the terms of the Settlement Agreement, the effect of the English jurisdiction clause in clause 4 (c) of the Settlement Agreement is nonetheless as Satyam contends, that those claims have to be brought before the English courts; (ii) whether, even if that conclusion is correct in principle, the English Court should decline jurisdiction because the claims in question are not justiciable in England.
86. The basis for Satyam's contention that, in any event, the Texas claims have to be litigated in England, as advanced by Mr Boswood in closing, was that the claims arise out of or relate to the Settlement Agreement because they arise out of or relate to the Assignment Agreement which is preserved by the Settlement Agreement. As Mr Boswood accepted, this is essentially a replication of his argument in relation to clauses 2.3 and 2.4 of the Settlement Agreement. The claims relate to acts and things done at a time when on Upaid's case, the parties' rights and obligations were governed by both the Assignment Agreement and the Services Agreement and, of

course, Satyam's contention was that the "employee assignments" could only have been made pursuant to clause 11.1 of the Services Agreement, a contention which I have already rejected.

87. In urging the Court to adopt what might be described as a broad purposive approach to the exclusive jurisdiction clause, Mr Boswood placed considerable emphasis on the approach to arbitration clauses adopted recently by the Court of Appeal and the House of Lords in *Fiona Trust v Privalov* (*sub nom Premium Nafta Products v Fili Shipping Company*) [2007] EWCA Civ 20; [2007] 2 Lloyd's Rep 267 and [2007] UKHL 40; [2007] 4 All ER 951, specifically the principle adumbrated by Lord Hoffmann at paragraph 13 that "the parties as rational businessmen are likely to have intended any dispute arising out of the relationship into which they have entered or purported to enter to be decided by the same tribunal." Mr Boswood submits that the courts should adopt a similar approach to exclusive jurisdiction clauses, as in the present case.
88. The problem which this argument gives rise to is essentially the one which Mr Foxton identified: the point of the broad approach to arbitration clauses adopted in *Premium Nafta Products* is to give effect to the parties' intention and bargain and, no doubt, as a general proposition, a similar approach should be adopted to exclusive jurisdiction clauses. However, in this case, such an approach, far from giving effect to the parties' intentions and bargain, would frustrate them.
89. The Assignment Agreement was governed by New York law and did not contain any jurisdiction clause, possibly to give flexibility to the parties as to where any dispute might be litigated. I did not understand Mr Boswood to be arguing that the effect of the first sentence of clause 4 (c) was that the Assignment Agreement was now deemed to be governed by English law. Such a retrospective change in choice of law would not be impossible, but in my judgment would require very clear words, which are absent here. It seems to me that the phrase "transactions contemplated hereby" is essentially forward looking and does not encompass the Assignment Agreement. It follows that the New York law provision remains unchanged, but on Satyam's argument, an English jurisdiction clause is now imposed into the Assignment Agreement, a matter which the parties never agreed at the time the Assignment Agreement was made in September 1998. This is scarcely consistent with the terms of Clause 3.1 (b) of the Settlement Agreement which provides that the assignment shall be governed by the Assignment Agreement. Accordingly, I reject Satyam's contention that the claims in Texas are required to be litigated in England by virtue of clause 4 (c) of the Settlement Agreement.
90. It follows that question whether the Court should decline jurisdiction because the Texas claims are not justiciable in England does not strictly arise. However, since I heard full argument on the point and in case this matter goes further, I will indicate my reasoning and conclusion on the point.
91. The case put forward by Upaid is that this court does not have subject matter jurisdiction over the Texas claims by virtue of the application of the so-called *Mocambique* rule (derived from the decision of the House of Lords in *British South Africa Company v Companhia de Mocambique* [1893] AC 602) to claims in relation to foreign intellectual property. I accept Mr Foxton's submission that the determination of this issue involves a two stage process of enquiry: (1) what was the scope of the *Mocambique* rule at common law as it applied to claims affecting foreign land (the rule at common law now having been amended by statute) and (2) whether that common law rule is equally applicable to claims affecting foreign intellectual property.
92. So far as the scope of the rule at common law is concerned, in my judgment this is most clearly discerned from the speeches of the House of Lords in *Hesperides Hotels Ltd v Aegean Turkish Holidays* [1979] 1 AC 508, which declined to depart from the *Mocambique* rule and which held that the statement in rule 79 of the then current edition of Dicey & Morris on the Conflict of Laws was an accurate statement of the law:
 

"...the court has no jurisdiction to entertain an action for (1) the determination of the title to, or the right to possession of, any immovable situate out of England (foreign land); or (2) the recovery of damages for trespass to such immovable".
93. The House of Lords rejected the proposition that want of jurisdiction in cases of claims for damages for trespass was limited to cases where the title to the foreign land was in issue. Rather, the rule provided a complete bar to such claims; see per Lord Wilberforce at page 534-5 and Viscount Dilhorne at page 541. The rule as it applied to foreign land was considerably modified by section 30 of the Civil Jurisdiction and Judgments Act 1982 which removed from the scope of the rule actions for trespass to, or any other tort affecting, immovable property situated outside England (unless the proceedings are principally concerned with a question of the title to, or the right to possession of, the property). This modified rule is now set out in Rule 122(3) of Dicey, Morris & Collins: The Conflict of Laws paras 23R-021 and 23-034-23-039; see also *Re Polly Peck (No 2)* [1998] 3 All ER 812 at 829 per Mummery LJ. The rule as it applies to foreign land has also been considerably modified by Article 16 (1) of the Brussels and Lugano Conventions and Article 22 (1) of the Judgments Regulation 44/2001, as is clear from Rule 122(1) and (2) of Dicey.
94. As to the application of the common law rule to claims in respect of foreign intellectual property, I have considerable doubts whether the rule in its wider form developed in the *Hesperides Hotels* case ever applied to intellectual property and I agree with Mr Boswood that a now abrogated rule at common law is a somewhat shaky basis for such a wide proposition of law as that advanced by Upaid. Upaid's case in this regard is founded upon the decision of the High Court of Australia in *Potter v Broken Hill Pty* (1906) 3 CLR 479 and two decisions at first instance in this jurisdiction.

95. So far as **Potter** is concerned, of course like so many decisions of that Court it is well-reasoned and entitled to great respect. However, I agree with the reasoning of the Court of Appeal in **Pearce v Ove Arup** [2000] Ch 403 that whilst **Potter** supports the principle (recognised and preserved so far as Convention countries are concerned by Article 16(4) of the Brussels Convention) that the English courts should not make enquiry into the validity of a foreign patent or similar foreign intellectual property rights, it does not support any wider principle. In particular there is nothing in the reasoning of the High Court of Australia which requires the English court to find that a claim for infringement of a foreign patent is non-justiciable where there is no issue as to the validity of the patent: see the judgment of the Court of Appeal per Roch LJ at p 436C-D.
96. The first English decision upon which Upaid relies is the decision of Vinelott J in **Tyburn Productions v Conan Doyle** [1991] Ch 75. In that case, the plaintiff company was seeking a declaration that the defendant (the daughter of Sir Arthur Conan Doyle who claimed to be entitled to copyright in his works) had no rights under the copyright or trademark laws of the United States which would entitle her to prevent the distribution of a "Sherlock Holmes" television film being made by the plaintiff, "The Abbot's Cry". The defendant applied to strike out the statement of claim on the grounds that it disclosed no cause of action. The judge did strike out the claim holding that an action for infringement of foreign copyright laws was not justiciable in England.
97. It is not clear whether the judge was deciding that an action for infringement of a foreign intellectual property right was not justiciable in an English court, even if no question as to the validity of the foreign right was in issue. In **Ove Arup** the Court of Appeal left open whether, if he was so deciding, he was right to do so, but pointed out that in **Tyburn Productions**, the Court was being invited to investigate the existence and validity of the foreign copyright or trademark. This is made clear by the following passage in the judgment of the Court of Appeal (at pp 439F-440C):
- "We do not find it necessary to decide whether Mr Justice Vinelott was correct to take the view (if he did) that an action for alleged infringement of a foreign copyright by acts done outside the United Kingdom in a state not party to the Brussels Convention, in a case where no question as to the validity or registration of the right was in issue, was not justiciable in an English court. It is important to keep in mind that the question which he actually had to decide was whether to make a declaration that the defendant had no rights under the copyright, unfair competition or trademark laws of the United States which would be infringed by what the plaintiff was proposing to do. He was invited to investigate the existence and validity of the rights claimed; not to decide whether there had been an infringement of rights the existence and validity of which were not in issue. He was, in our view, plainly correct to refuse to make the declaration sought, for the reason given in the penultimate paragraph of his judgment:*
- 'In the instant case there is no evidence that, if the validity of the rights claimed were justiciable in the English courts, the decision of the English courts would be treated as binding on any of the states of the United States of America and it would in my judgment be an exercise in futility to allow these claims, which raise complex issues which may require a survey by the English courts with the assistance of experts of the laws of each of the states of the United States of America, to continue.'*
- We can derive little or no assistance from the decision in the Tyburn Productions case on the question whether an action for alleged infringement of a foreign copyright by acts done outside the United Kingdom, in a case where the existence and validity of the right is not in issue, is justiciable in an English court; and no assistance from that case where the question arises in the context of acts done in a contracting state."**
98. I have underlined the section at the end of the passage because it seems to me of some importance. Although the Court of Appeal fell short of saying **Tyburn Productions** was wrongly decided, they clearly thought its application should be limited to cases where the existence or validity of the foreign patent was in issue. They did not consider it to be authority for the proposition that a claim for infringement of a foreign patent was not justiciable in England if the validity of the patent was not in issue.
99. The second decision at first instance relied upon by Upaid is the decision of Laddie J in **Coin Controls v Suzo International** [1999] Ch 33. This was a decision reached after the decision of Lloyd J at first instance in **Ove Arup** but before the decision of the Court of Appeal. Laddie J stated the application of the **Mocambique** rule to cases of infringement of intellectual property rights as follows (at p 43A-G):
- "The principles which applied to land in the Mocambique case apply equally well to attempts to litigate foreign intellectual property rights in English courts. Those rights give rise to monopolies or quasi-monopolies which are strictly territorial in nature. In the case of patents, historically their purpose was to encourage and protect local industry. So courts following the common law tradition have declined to entertain actions concerned with the enforcement of foreign intellectual property rights; see Potter v Broken Hill Pty. Ltd. (1906) 3 C.L.R. 479 and Tyburn Productions Ltd. v. Conan Doyle [1991] Ch. 75. In Plastus Kreativ A.B. v. Minnesota Mining and Manufacturing Co. [1995] R.P.C. 438, 447, Aldous J. explained some of the reasons why he was not attracted to the task of adjudicating here on foreign intellectual property, and particularly patent, rights:*
- "For myself I would not welcome the task of having to decide whether a person had infringed a foreign patent. Although patent actions appear on their face to be disputes between two parties, in reality they also concern the public. A finding of infringement is a finding that a monopoly granted by the state is to be enforced. The result is invariably that the public have to pay higher prices than if the monopoly did not exist. If that be the proper result, then that result should, I believe, come about from a decision of a court situated in the state where the public have to pay the higher prices. One only has to imagine a decision of this court that the German public should pay to a British company substantial sums of money to realise the difficulties that might arise. I believe that, if the local courts are*



*responsible for enforcing and deciding questions of validity and infringement, the conclusions reached are likely to command the respect of the public. Also a conclusion that a patent is infringed or not infringed involves in this country a decision on validity as in this country no man can infringe an invalid patent. In the present case the plaintiffs admit the validity of the patent and therefore there is no dispute upon the matter. However, it will be implicit in the judgment of this court that there has been infringement, and that, between the parties, the patent is valid. Thus, I believe it is at least convenient that infringement, like validity, is decided in the state in which it arises."*

100. **Coin Controls** was cited to the Court of Appeal in **Ove Arup** but is not referred to in the judgment. Nonetheless, to the extent that Mr Foxton seeks to rely upon it in support of a broad proposition that a claim for infringement of a foreign intellectual property right is not justiciable in England, even where the existence or validity of that right is not in issue, I agree with Mr Boswood that the decision of the Court of Appeal in **Ove Arup** casts serious doubt on such a broad proposition. I also note that in a subsequent decision in the Chancery Division of Peter Prescott QC (sitting as a Deputy High Court Judge) in **Griggs Group Ltd v Evans** [2005] Ch 153, the learned Deputy Judge doubted whether the rule applies to intellectual property at all, a view which appears to find favour with the editors of Dicey, Morris & Collins: see para 35-031.
101. I would be reluctant to go that far, not least because the Court of Appeal did not do so in **Ove Arup** despite the opportunity to do so. However, in my judgment, the **Mocambique** rule as it applies to foreign intellectual property rights should be limited to those cases where the existence or validity of such rights are in issue and it is only in such cases that a claim for infringement of the rights should not be justiciable in England if English jurisdiction can otherwise be established. I believe that is the clear thrust (even if not spelt out directly) of the passage in the decision of the Court of Appeal in **Ove Arup** which I quoted above.
102. It is only where the English court is being asked to adjudicate on the existence or validity of the foreign patent that, as I see it, the rationale of the **Mocambique** rule comes into play, namely the public policy that it is undesirable that English courts should adjudicate on issues which are essentially foreign and local: see per Laddie J in **Coin Controls** at p 43H. Where all that is in issue is the infringement of the relevant intellectual property right and the damage suffered by the claimant as a consequence, why should the English courts not assume jurisdiction which they otherwise have in respect of the relevant foreign tort? Why impose some self-denying ordinance merely because foreign intellectual property rights are involved? There is no sense in doing so, *a fortiori* where there is no longer any such restriction in relation to torts involving foreign land where no issue of title arises.
103. In my judgment, applying that principle to the claims in Texas in the present case (on the hypothesis that they had to be litigated in England under clause 4 (c) of the Settlement Agreement) the claims for damages for fraud and for breach of the Assignment Agreement are not ones which on analysis put in issue the validity of the 947 patent as between Upaid and Satyam. Rather the potential damage to the patent is no more than an aspect of the damages which Upaid alleges it has suffered as a consequence of Satyam's breaches of duty and contract, breaches which did not in themselves involve any infringement of the patent. The claim for a declaration as to the validity of the patent is in a different category. It does not seem to me that such a claim can be justiciable in England, in circumstances where in order to make such a declaration, the English court would have to investigate whether the patent was valid.
104. Mr Foxton has sought to persuade me to adopt the same approach to the claims for damages. Relying on the passage from the judgment of Aldous J in **Plastus Kreativ** quoted by Laddie J in **Coin Controls**, he submits that the Court should be wary of embarking on litigation where in its defence Satyam might very well run arguments attacking the validity and effectiveness of the patent. However, that is pure speculation and cannot be a principled basis for the application of what is in effect an absolute rule barring English jurisdiction. In my judgment the claims for damages do not involve an issue as to the validity of the patent and the **Mocambique** rule would not preclude those claims being litigated in England, if clause 4 (c) were applicable. However, since, as I have already held, the Texas claims are not ones which have to be pursued in England, the point is academic.

### Third preliminary issue: injunction

105. It will be apparent from the decisions I have reached on the first two preliminary issues, that the claims in Texas are not precluded by the Settlement Agreement and do not require to be litigated in England, that in my judgment, there is no basis for any injunction restraining Upaid from continuing to pursue the proceedings in Texas and Satyam's application for such an injunction is refused.

Mr Anthony Boswood QC and Miss Anna Boase (instructed by Lawrence Graham) for the Claimant  
Mr David Foxton QC and Mr Ricky Diwan (instructed by Freshfields Bruckhaus Deringer) for the Defendant