(Last date for submission of comments is now 22nd April, 2016)

DISCUSSION PAPER ON STANDARD ESSENTIAL PATENTS AND THEIR AVAILABILITY ON FRAND TERMS

Government of India

Department of Industrial Policy and Promotion

Ministry of Commerce & Industry

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1. Background

The Intellectual Property Rights regime in India underwent significant change after India's accession to TRIPS in 1995. Various amendments were carried out in the Patents Act, 1970 and the Trade Marks Act, 1999 to make these laws TRIPS compliant. In mean time, the Designs Act, 2000 as well as the Geographical Indications of Good (Registration and Protection) Act, 1999 were also enacted. Since then, IPR regime in India has passed through various phases, facing new challenges and finding solutions to them. The focus on the IPR regime now is on consolidating as well as promoting a fair balance between IP protection and public interest. One of the issues, among others, which require consideration, is related to Standard Essential Patents (SEPs).

Standards form the fundamental building blocks for product development by establishing consistent protocols that can be universally understood and adopted. It not only helps in compatibility and interoperability but also fuel development and implementation of technologies that impact and transform the way people live, work and communicates[1]. With an increasing pervasiveness of standardized technology in virtually all sectors, and particularly telecommunications, in India and worldwide, issues associated with SEPs are increasingly agitated. This discussion paper deliberates upon such issues, particularly in telecom sector and seeks views and comments of all the stakeholders on all such issues.

[1] STANDARDS DEFINITION BY IEEE-SA, AVAILABLE AT: HTTPS://STANDARDS.IEEE.ORG/DEVELOP/OVERVIEW.HTML

2. Objective

The Department of Industrial Policy and Promotion has prepared "Discussion paper on Standard Essential Patents and their availability on FRAND terms", with the objective of inviting views and suggestions from the public at large to develop a suitable policy framework to define the obligations of Essential Patent holders and their licensees. This paper aims to sensitize the stakeholders, concerned organization and citizens towards need and importance of regulating SEPs as well as facilitating their availability at Fair, Reasonable and Non-Discriminatory (FRAND) terms. By igniting the deliberations on this subject, the department hopes to take a step forward towards achieving the national development and technological goals by protecting private Intellectual Property Rights while securing interest of public at large.

In this regard, views and suggestions are invited from public at large, specifically on Section XI of the paper entitled '*Issues for Resolution'* apart from any other issues of concern relating to Standard Essential Patents (SEPs). These views/ suggestions, along with any facts, figures and empirical evidence, may be furnished to kapoor.sumit@gov.in by 22nd April, 2016.

3. Introduction

Intellectual property rights are like any other property rights. They allow creators, or owners, of patents, trademarks or copyrighted works to benefit from their own work or investment in a creation. These rights are outlined in Article 27 of the Universal Declaration of Human Rights, which provides for the right to benefit from the protection of moral and material interests resulting from authorship of scientific, literary or artistic productions[2]. A holder of any Intellectual Property acquires a monopolistic right over his intellectual properties. These rights are awarded by the state and the user can exercise these rights to restrain others from using them without his consent[3]. Any violation of such rights leads to infringement. Antitrust laws, in turn, ensure that new proprietary technologies, products, and services are bought, sold, traded, and licensed in a competitive environment. In today's dynamic marketplace, new technological improvements are constantly replacing those that came before, as competitors are driven to improve their existing products or introduce new products in order to maintain their market share[4]. The competition law aims to prevent the misuse of dominant position or stockpiling of

[2] (HTTP://WWW.WIPO.INT/EDOCS/PUBDOCS/EN/INTPROPERTY/450/WIPO_PUB_450.PDF N.D.)

[3] SHIPPEY, KARLA C. "A SHORT COURSE IN INTERNATIONAL INTELLECTUAL PROPERTY RIGHTS." WORLD TRADE PRESS, N.D.

[4] U.S. DEPARTMENT OF JUSTICE & FEDERAL TRADE COMM'N, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION (2007) AVAILABLE AT HTTPS://WWW.FTC.GOV/SITES/DEFAULT/FILES/DOCUMENTS/REPORTS/ANTITRUST-ENFORCEMENT-AND-INTELLECTUAL-PROPERTY-RIGHTS-PROMOTING-INNOVATION-AND-COMPETITION-REPORT.S.DEPARTMENT-JUSTICE-AND-FEDERAL-TRADE-COMMISSION/P040101PROMOTINGINNOVATIONANDCOMPETITIONRPT0704.PDF

market power while patent law grants monopoly rights with certain exceptions to prevent abuse of such rights[5].

However parallel, policy of Antitrust Laws and Intellectual Property Rights intersect at a point, which invokes public interest[6]. This intersection point is reached when a patented technology becomes essential to achieve a standard. Thus the basic idea behind the Standard Essential Patents (SEPs) system is to reconcile the interaction between patents which are primarily 'private' and 'exclusive' as against standards which are meant to be 'public' and 'non-exclusive'[7].

4. Overview of Standards and Standard Essential Patents

4.1. Standards

While there are various definitions for the term "Standard"[8], in simple terms, a standard can be defined as *'a set of technical specifications that seeks to provide a common design for a product or process*'[9]. According to the ISO/IEC Guide 2:2004 Standardization and related activities - General vocabulary, the term "Standard" is defined as a "*document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context*"[10]. In other words, a standard is a document that sets out requirements for a specific item, material, component, system or service, or describes in detail a particular method or procedure[11].These standards could be mandatory when enforced by law or voluntary. The WTO Agreement on Technical Barriers to Trade (TBT) has however defined such documents to distinguish between those enforced by law and those for voluntary adoption as follows:

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[5] RNA, STANDARD ESSENTIAL PATENTS, 26TH MAY, 2015. AVAILABLE AT: HTTP://WWW.LEXOLOGY.COM/LIBRARY/DETAIL.ASPX?G=7206ABC4-EA96-432F-B751-5AD36CBC59A8

[6] SINGH S R, KUMAR G INDIA'S OVERVIEW ON STANDARD ESSENTIAL PATENTS. AVAILABLE AT: HTTP://WWW.MONDAQ.COM/INDIA/X/349008/PATENT/INDIAS+OVERVIEW+ON+STANDARD+ESSENTIAL+PATENT+SEPS

[7] NARULA, RANJAN. "STANDARD ESSENTIAL PATENTS." ROUSE THE MAGAZINE, 2015. AVAILABLE AHTTP://WWW.ROUSE.COM/MAGAZINE/NEWS/STANDARD-ESSENTIAL-PATENTS/?TAG=INDIA

[8] SEE FOR EXAMPLE, VARIATIONS IN DEFINITIONS PROVIDED BY FORMAL INTERNATIONAL, NATIONAL AND INFORMAL SSOS. THE DIFFERENCE IN DEFINITION FOR THE PURPOSES OF THIS DISCUSSION PAPER IS MARGINAL SINCE THE CORE ASPECT OF STANDARD RUNS THROUGH THE THREAD OF ALL DEFINITIONS

[9] HOVENKAMP H, JANIS M & LEMLEY M, IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW (ASPEN LAW & BUSINESS, NY). 2003-04, SUPPLEMENT P. 35.1.

[10] STANDARD AND PATENTS DOCUMENT SCP/13/2 HTTP://WWW.WIPO.INT/EDOCS/MDOCS/SCP/EN/SCP_13/SCP_13_2.PDF

[11] CENELEC, "STANDARDS AND YOUR BUSINESS". AVAILABLE AT: HTTP://WWW.CENCENELEC.EU/NEWS/PUBLICATIONS/PUBLICATIONS/STANDARDS-AND-YOUR-BUSINESS_2013-09.PDF

Technical regulation

> *Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labeling requirements as they apply to a product, process or production method*[12].

Standard

> *Document approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labeling requirements as they apply to a product, process or production method*[13].

Accordingly, standards are now understood to be voluntary whereas technical requirements imposed by law are called technical regulations.

One example of a widely used standard is the A4 size for sheets of paper. Another example would be the common mobile phone charger[14]. Generally speaking, there are two categories of technical standards: *de facto* standards and *de jure* standards. A *de facto* standard is created when a particular technology is widely implemented by market players and accepted by the public so that such a technology becomes a dominant technology in the market even if it has not been adopted by a formal Standard Setting body. The *de jure* standards are, in general, set by Standard Setting Organizations (SSOs) such as the European Telecommunications Standards Institute (ETSI), the International Telecommunication Union (ITU), Institute of Electrical and Electronics Engineers (IEEE) etc.[15] The role of SSOs is to coordinate and facilitate a standard setting process with the involvement of various stakeholders. Standards can be adopted at a worldwide scale, or only at a regional scale or even national scale. It is usually in the interest of industrial players to create products that comply with standards. Products that use non-standardized technologies are generally commercial failures because consumers want their devices to interact with those of

[12] AGREEMENT ON TECHNICAL BARRIERS TO TRADE, ANNEXURE I, AVAILABLE AT HTTPS://WWW.WTO.ORG/ENGLISH/DOCS_E/LEGAL_E/17-TBT.PDF

[13] IBID

[14] COMPETITION POLICY BRIEF, EUROPEAN COMMISSION. ISSUE 8, JUNE 2014. AVAILABLE AT: HTTP://EC.EUROPA.EU/COMPETITION/PUBLICATIONS/CPB/2014/008_EN.PDF

[15] REPORT OF 13TH SESSION OF STANDING COMMITTEE ON THE LAW OF PATENTS IS AVAILABLE AT HTTP://WWW.WIPO.INT/EDOCS/MDOCS/SCP/EN/SCP_13/SCP_13_2.PDF

other people[16]. In sum, standards today play an important role in improving compatibility and quality of products and services in the market. From the viewpoint of consumers, improved interoperability may be translated into better utility of products and simplified processes, and an increased choice of complementary products with, as a result of competition, lower prices. Further, standards protect consumers from deceptive practices by ensuring the quality and safety of products and services so that consumers can place greater confidence in the market[17].

4.2. Standard Essential Patent

An Essential Patent or Standard Essential Patent is a patent that claims an invention that must be used to comply with a standard[18]. Standards frequently make reference to technologies that are protected by patents. A patent that protects technology that is essential to comply with a standard is called a Standard Essential Patent[19]. Washington District Court in *Microsoft Corp. v. Motorola Mobility, Inc.*[20] defined SEP as *"A given patent is 'essential' to a standard if use of the standard requires infringement of the patent, even if acceptable alternatives of that patent could have been written into the standard."* A patent is also essential *"if the patent only reads onto an optional portion of the standard."* Thus, it is impossible to manufacture standard-compliant products without using technologies covered by one or more SEPs[21].

Patents and standards serve common objectives, insofar as they both encourage innovation as well as the diffusion of technology. Standards organizations, therefore, often require members to disclose and grant licenses to their patents and pending patent applications that cover a standard that the organization is developing[22]. If a standard organization fails to get licenses for all patents

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[16] RAHUL DEV, STANDARD ESSENTIAL PATENTS – FAIR, REASONABLE AND NON-DISCRIMINATORY (FRAND) PATENT LICENSING TERMS. TECHLAW ATTORNEY. AVAILABLE AT: HTTP://WWW.TECHLAW.ATTORNEY/FORUMS/TOPIC/STANDARD-ESSENTIAL-PATENTS-FAIR-REASONABLE-AND-NON-DISCRIMINATORY-FRAND-PATENT-LICENSING-TERMS/

[17] STANDARD AND PATENTS DOCUMENT SCP/13/2 AVAILABLE AT: HTTP://WWW.WIPO.INT/EDOCS/MDOCS/SCP/EN/SCP_13/SCP_13_2.PDF

[18] SHAPIRO, CARL, "NAVIGATING THE PATENT THICKET: CROSS LICENSES, PATENT POOLS, AND STANDARD-SETTING", FORTHCOMING INNOVATION POLICY AND THE ECONOMY, VOLUME I, MIT PRESS, 2001 AVAILABLE AT HTTP://FACULTY.HAAS.BERKELEY.EDU/SHAPIRO/THICKET.PDF

[19] "STANDARD ESSENTIAL PATENTS." COMPETITION POLICY BRIEF. COMPETITION OCCASIONAL DISCUSSION PAPERS BY THE COMPETITION DIRECTORATE–GENERAL OF THE EUROPEAN COMMISSION (EUROPEAN COMMISSION), NO. 8 (2014) AVAILABLE AT HTTP://EC.EUROPA.EU/COMPETITION/PUBLICATIONS/CPB/2014/008_EN.PDF

[20] MICROSOFT CORP. V. MOTOROLA, INC., MOTOROLA MOBILITY, INC., AND GEN. INSTRUMENT CORP. 104 U.S.P.Q.2D 2000

[21] EUROPEAN COMMISSION MEMO, ANTITRUST DECISIONS ON STANDARD ESSENTIAL PATENTS (SEPS) - MOTOROLA MOBILITY AND SAMSUNG ELECTRONICS - FREQUENTLY ASKED QUESTIONS AVAILABLE AT HTTP://EUROPA.EU/RAPID/PRESS-RELEASE_MEMO-14-322_EN.HTM

[22] J. GREGORY SIDAK, THE MEANING OF FRAND, PART I: ROYALTIES, 9 J. COMPETITION L. & ECON. 931, 949 (2013), AVAILABLE AT HTTPS://WWW.CRITERIONECONOMICS.COM/MEANING-OF-FRAND-ROYALTIES-FOR-STANDARD-ESSENTIAL-PATENTS.HTML

that are essential to comply with a standard, owners of the unlicensed patents may demand or sue for royalties from companies that adopt the standard[23].

4.3. Patent Hold-Up

Patent hold-up can occur when the owner of a patented technology fails to disclose its patent to an SSO and then later asserts that patent, when access to its patented technology is required to implement the standard. This conduct may provide the patent owner with market power that is derived from its technology being necessary to access the standard rather than its ex-ante value to buyers[24]. Court in *Microsoft Corp. v. Motorola Mobility, Inc*. (Supra) explained that the *"ability of a holder of a SEP to demand more than the value of its patented technology and to attempt to capture the value of the standard itself is referred to as patent 'hold-up'*."

4.4. Standard Essential Patents & FRANDS

The relevant standard set out by Standard Setting Organizations gives birth to a body inclusive of essential features that must be fulfilled by any device to be in conformity with a particular standard. When a device is found to be in conformity with an essential standard it is allowed to bear a mark to indicate to the public that the product is compliant with the set standards. In order to produce a standard compliant device, use of certain patents is required. The main requirement for using a patent is obtaining license from the owner of the patent concerned[25].

Many SSOs require their members to undertake that they will grant binding licenses to companies that wish to use the standard in question. In case, a particular member does not provide such undertaking, the standard may not be adopted. To promote application of the standard and to avoid any competition concerns, such licenses must be made available under Fair, Reasonable and Non-Discriminatory (FRAND) terms[26]. Thus, this patent right is not absolute like rest of the patent rights. Here the owner of SEP is under an obligation to license its patented technology which sets a standard for the industry and such license must be granted on

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[23] IBID AT 16

[24] CANADA COMPETITION BUREAU DRAFT INTELLECTUAL PROPERTY ENFORCEMENT GUIDELINES AVAILABLE AT HTTP://WWW.COMPETITIONBUREAU.GC.CA/EIC/SITE/CB-BC.NSF/ENG/03935.HTML

[25] SRIVASTAVA, SAUMYA. "STANDARD ESSENTIAL PATENTS AND COMPETITION LAW." INTERNSHIP PROJECT REPORT, COMPETITION COMMISSION OF INDIA, DELHI, 2013. AVAILABLE AT: HTTP://CCI.GOV.IN/IMAGES/MEDIA/RESEARCHREPORTS/STANDARD%20ESSENTIAL%20PATENTS%20AND%20COMPETTION%20LAW.PDF

[26] 'EUROPE: WHEN PATENTS BECOME STANDARDS & LITIGATION FOR ESSENTIAL PATENTS' BY BERND ALLEKOTTE AND ULRICH BLUMENRÖDER GRÜNECKER KINKELDEY STOCKMAIR & SCHWANHÄUSSER, AVAILABLE AT HTTP://WWW.IAM-MAGAZINE.COM/ISSUES/ARTICLE.ASHX?G=42B52360-6080-4D09-B92A-122CAA87DA21

FRAND terms. Licensing of Standards Essential Patents (SEPs) on Fair, reasonable and Non-Discriminatory (FRAND) terms is a foundation of the standards development process[27].

The rationale behind FRAND is that it benefits the inclusion of patented technology in technical standards while ensuring that the holder of SEPs should not abuse the dominant market position it gains from widespread adoption of a voluntary technical standard[28].

In *Microsoft Corp. v. Motorola Mobility, Inc*. (Supra), the Washington district court changed how parties view the value of Standard Essential Patents. The breach of contract lawsuit arose from Microsoft's claims that Motorola failed to license Standard Essential Patents to Microsoft at a reasonable and Non-Discriminatory rate[29]. Court explained that the purpose of the FRAND commitment is to encourage widespread adoption of the standard. When the standard is widely used, the holders of SEPs obtain substantial leverage to demand more than the value of their specific patented technology which may lead to patent hold-up[30].

5. Standard Essential Patents vis-a-vis Competition Laws

In general, it is well established that Anti-trust regime does not intervene with the exclusionary Intellectual Property rights (IPR). While innovation is important for amplified competition, once an enterprise secures IPR protection over its innovated technology, competition laws does not cast a 'duty to deal'. But many a times, standard setting raises a variety of antitrust/ competition issues. Standard Setting Organizations involve competitors agreeing on certain specifications of the product they plan to market which is connected with the competition issues as well as IPRs[31].

However, when it comes to Essential Patents, the distant respect for IPR protected technology usually in compliance with competition authorities, leads to active intervention. Patents that are considered essential to implement a chosen industry standard cannot be exploited like any other patent, and certainly not to the exclusion of other market participants[32].

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[27] UNDERSTANDING PATENTS, COMPETITION AND STANDARDIZATION IN AN INTERCONNECTED WORLD, ITU, 2014 AVAILABLE AT HTTP://WWW.ITU.INT/EN/ITU-T/IPR/PAGES/UNDERSTANDING-PATENTS,-COMPETITION-AND-STANDARDIZATION-IN-AN-INTERCONNECTED-WORLD.ASPX

[28] IBID AT 6

[29] SHIMOKAJI, MICHAEL A. "VALUATION OF STANDARD ESSENTIAL PATENTS: POST MICROSOFT V. MOTOROLA." N.D AVAILABLE AT: HTTP://WWW.SHIMOKAJI.COM/PRACTICE_AREAS/ARTICLES/VALUATION_OF_STANDARD_ESSENTIAL_PATENTS.PDF

[30] IBID

[31] STANDARD SETTING, PATENTS AND HOLD UP: A TROUBLESOME MIX' BY JOSEPH FARRELL, JOHN HAYES, CARL SHAPIRO AND THERESA SULLIVAN, AVAILABLE AT HTTP://HEINONLINE.ORG/HOL/LANDINGPAGE?COLLECTION=JOURNALS&HANDLE=HEIN.JOURNALS/ANTIL74&DIV=23&ID=&PAGE

[32] INDIA – COMPETITION LAW AND FRAND COMMITMENTS, CONVENTUS LAW, JANUARY 27TH, 2014 AVAILABLE AT HTTP://WWW.CONVENTUSLAW.COM/ARCHIVE/INDIA-COMPETITION-LAW-AND-FRAND-COMMITMENTS/

In order to ensure that standard setting remains beneficial, it is necessary to ensure that in cases where adopting a standard necessarily involves the incorporation of a patent into the industry standard, the relevant patent holder is not in a position to unjustly exploit its market power newly accrued to it (for example, by extracting exorbitant royalty rates) to the detriment of the entire industry[33].

One of the ways by which this may be achieved is by extracting FRAND commitments, where owners of essential patents commit to make their essential patent available to third parties on FRAND terms. While this appears to be a mutually beneficial solution, with the patent owner benefitting from its patent being widely used by the industry, and the remaining stakeholders being protected from paying exorbitant royalty rates, ultimately, the efficacy of FRAND is determined by its enforceability[34].

6. Standard Setting/Developing Organization

A Standards Setting Organization is an organization whose primary activities are developing, promulgating, revising, amending, re-issuing, interpreting, coordinating or otherwise producing technical standards that are intended to address the needs of some relatively wide base of affected adopters[35].

To reduce the potential for patent hold-up, many SSOs adopt an IPR policy that may require members to disclose their patents that may draw upon the standard that the SSO selects. SSOs may also ask members to identify their most restrictive licensing terms and conditions, including the maximum royalty rate that they would demand if access to their patents becomes necessary to implement the standard. Such disclosures, made in advance of a standard being selected, provide SSO members important information that allows them to choose a standard based not only on technical merit, but also on the cost of accessing the IP needed to implement that standard[36]. While there are many SSO's worldwide, both in public and private sector, only two are discussed in this paper in brief:

1. The European Telecommunications Standards Institute (ETSI)
2. The Institute of Electrical and Electronics Engineers Standards Association IEEE-SA

6.1. The European Telecommunications Standards Institute (ETSI)

[33] IBID AT 6

[34] IBID AT 6

[35] WIKIPEDIA ON "STANDARD ORGANIZATIONS", AVAILABLE AT HTTPS://EN.WIKIPEDIA.ORG/WIKI/STANDARDS_ORGANIZATION

[36] IBID AT 24

ETSI was set up in 1988 by the European Conference of Postal and Telecommunications Administrations (CEPT) in response to proposals from the European Commission. ETSI produces globally-applicable standards for Information and Communications Technologies (ICT), including fixed, mobile, radio, converged, broadcast and Internet technologies. In past, ETSI has formulated standards for GSM™, DECT™, Smart Cards and electronic signatures. ETSI is officially recognized by the European Union as a European Standards Organization. ETSI is a not-for-profit organization with more than 800 member organizations worldwide, drawn from 64 countries and five continents. Members include the world's leading companies and innovative R&D organizations.

How does ETSI make Standards?

It starts with a proposal to start an item of work, such as to create a new standard or to update an existing one, which needs the agreement of four members of ETSI. Then entire membership of ETSI is given the opportunity to endorse the proposal, or to object to it if they so wish. Proposals may come from individual members of ETSI, the European Commission (EC) or the European Free Trade Association (EFTA). Depending on the type of document, it will be approved by either the participants in the relevant committee or the entire ETSI membership.

ETSI IPR policy asks for disclosure of IPR whereby each member shall use its reasonable endeavors, in particular during the development of a standard or technical specification where it participates, to inform ETSI of essential IPRs in a timely fashion. In particular, a member submitting a technical proposal for a standard or technical specification shall, on a bona fide basis, draw the attention of ETSI to any of that member's IPR which might be essential if that proposal is adopted.

When an essential IPR relating to a particular standard or technical specification is brought to the attention of ETSI, the Director-General of ETSI immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licenses on fair, reasonable and non-discriminatory ("FRAND") terms and conditions.

In case of non-availability of license before publication of Standard or Technical Specification ETSI looks for availability of any viable alternative technology. If no alternative technology is available, work on the Standard or Technical Specification shall cease for the time being and the Director-General of ETSI shall request that member to reconsider its position. When IPR owner is third party, DG ETSI request supporting details from any member who has complained about non-availability of license and initiate further action.

In case of non-availability of license after publication of Standard or Technical Specification hat Standard or Technical Specification shall be referred to the Director-General of ETSI for further consideration which includes requesting the IPR owner to grant the license and if required may lead to refer the Standard or Technical Specification to the relevant committee to modify it. Reference can be made to ETSI IPR policy available here.

6.2. The Institute of Electrical and Electronics Engineers Standards Association (IEEE-SA)

IEEE-SA is an organization within IEEE that develops global standards in a broad range of industries, including power and energy, biomedical and health care, information technology and robotics, telecommunication and home automation, transportation, nanotechnology, information assurance, and many more[37]. IEEE-SA brings together a broad range of individuals and organizations from a wide range of technical and geographic points of origin to facilitate standards development and standards related collaboration. The IEEE-SA standards development process is open to IEEE-SA members and non-members, alike. However, IEEE-SA membership enables standards development participants to engage in the standards development process at a deeper and more meaningful level, by providing additional balloting and participation opportunities[38].

In February 2015, the IEEE voted to approve a set of amendments to the organization's patent policy. Most notably they make clear that those IEEE members holding patents covering IEEE standards:

- Must offer to license those patents to all applicants requesting licenses, and cannot pick and choose among licensees,
- May not seek, or threaten to seek, injunctions against potential licensees who are willing to negotiate for licenses,
- May insist that licensees offer them reciprocal licenses under their own patents,
- May arbitrate disputes over FRAND terms,
- May charge a reasonable royalty that is based, among other things, on the value that the patented technology contributes to the smallest salable component of the overall product, and
- Should ensure that subsequent purchasers of these patents agree to abide by the same commitments[39].

An overview of how Standards are made in IEEE-SA

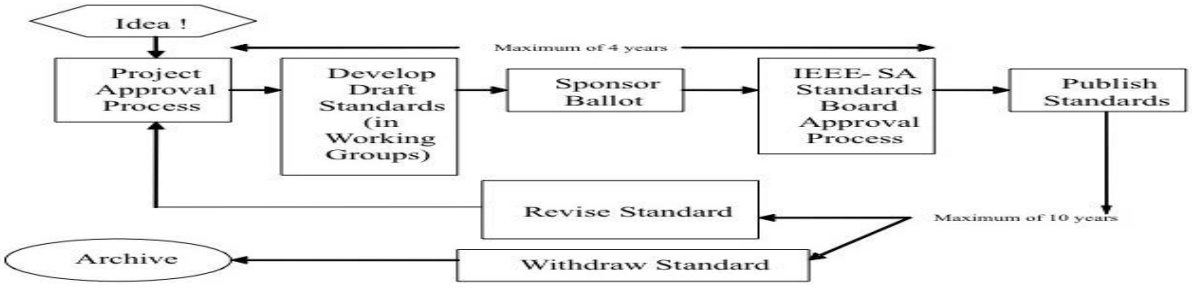

Image taken from here

[37] WIKIPEDIA, AVAILABLE AT: HTTPS://EN.WIKIPEDIA.ORG/WIKI/IEEE_STANDARDS_ASSOCIATION

[38] HTTPS://STANDARDS.IEEE.ORG/ABOUT/IEEESA.HTML

[39] DENNIS CROUCH, "IEEE-SA AMENDS ITS PATENT POLICY". PATENTLYO, FEBRUARY 9, 2015. AVAILABLE AT: HTTP://PATENTLYO.COM/PATENT/2015/02/AMENDS-PATENT-POLICY.HTML

7. Cross Licensing and Patent Pooling

Broadly speaking, cross-licensing in patent is the mutual sharing of patents between patent holders that grant each the right to practice the other's patent. Patent cross licensing should not be confused with patent pool, another vehicle used to provide access to patented material. Patent pools are created when multiple patents from many patentees are packed and then licensed to third parties by a new entity or one of the patent holders[40].

In the standardization context, a patent pool is formed in order to ensure a fair, reasonable and non-discriminatory way of accessing the patented technology incorporated in the standard. It is an agreement enabling participating patentees to use the pooled patents and to provide a standard license for the pooled patents. The agreement also includes an allocation of a portion of the licensing fees among members of the pool. Patent pools are encountered most often in the case of standards in the fields of digital technology and telecommunication technology, which frequently involve many patents owned by different parties[41].

Gregory Sidak[42] compares cross licenses with purchasing a car. He cites an example where 'A driver wants to replace her old BMW 328i with a new Toyota Camry. At the dealership, she decides to accept the dealer's offer to trade in her used car and receive a credit (a "trade-in allowance") toward the price of the Camry. The dealer and the driver are each, in effect, simultaneously buying and selling in this transaction. The dealer offers to buy the used BMW at a price equal to the trade-in allowance. The better the condition of the used BMW, the higher the credit the dealer will grant the driver towards the net price—that is, the total amount of cash exchanged for the new Camry'[43]. This could be a win- win situation for both the patent holders but sometimes, cross-licenses raise challenges for evaluating whether a particular patent license is consistent with a FRAND obligation. Also, a cross licensing agreement may be entered to misinform the prospective licensees with regard to patent fees and FRAND terms, which may be showcased to be based upon the base agreement.

The royalty paid for a patent portfolio covers many patent licenses, and it can be difficult, or even impossible, to allocate the portfolio royalty to individual patents in a meaningful way[44].

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[40] "INTELLECTUAL PROPERTY LICENSING: FORMS AND ANALYSIS" RAYSMANN R; PISACRETA E; SETH H; ADLER K, 2006, LAW JOURNAL PRESS, NEW YORK

[41] IBID AT 15

[42] CHAIRMAN, CRITERION ECONOMICS, LLC, WASHINGTON, DC, UNITED STATES

[43] HOW LICENSING STANDARD-ESSENTIAL PATENTS IS LIKE BUYING A CAR, JUNE 2015, WIPO MAGZINE

[44] KEY ISSUES FOR SSOS IN SEP LICENSING." NATIONAL RESEARCH COUNCIL. *PATENT CHALLENGES FOR STANDARD-SETTING IN THE GLOBAL ECONOMY: LESSONS FROM INFORMATION AND COMMUNICATION TECHNOLOGY*. WASHINGTON, DC: THE NATIONAL ACADEMIES PRESS, 2013. DOI:10.17226/18510

Cross-licenses add a further complication because parties to the arrangements often net out the payments for patents they entail. Parties to a cross-license may not pay any royalties if they agree that their respective portfolios have equal values. But that does not mean that the portfolios or the individual patents in the portfolios have no values. Portfolio licenses and cross-licenses raise issues of transparency for patent royalties. It is difficult to know what the royalty may be for a single patent in a portfolio license or a cross-license[45].

8. World Intellectual Property Organization on Standard Essential Patents

The issue of Patents and Standards was discussed during 13th Session of Standing Committee on the law of Patents[46]. Recognizing the importance of standards, the study report prepared by WIPO states, '*In view of globalization and increased economic interactions among states, the importance of developing international standards is increasing in many industries*'. As mentioned in earlier part of the study report, it also supports the fact that Patents and standards serve certain common objectives insofar as they both encourage or support innovation as well as the diffusion of technology. Thus, the proper functioning of the patent system has an influence on the proper functioning of the standard system. The study report shows its concern about self-regulatory mechanisms of SSOs and suggests enhanced transparency and accessibility to patented technologies that cover the standards.

9. Judicial approach towards Standard Essential Patents in various Countries/Regions

Standard Essential Patents are yet to receive a legislative definition. In the meantime courts worldwide have played an important role in developing the SEPs jurisprudence. Most of the disputes are based on granting injunction order in cases pertaining to violation of Standard Essential Patents. This section highlights in brief few important litigations worldwide and judicial response to it, particularly in granting injunction orders.

9.1. United States of America

In the United States of America, infringement actions are brought under the Patent law in federal district court. In all such cases, courts may grant injunctions in accordance with the principles of

[45] "PATENT CHALLENGES FOR STANDARD-SETTING IN THE GLOBAL ECONOMY: LESSONS FROM INFORMATION AND COMMUNICATION TECHNOLOGY" KEITH MASKUS AND STEPHEN A. MERRILL,

[46] IBID AT 15

equity to prevent the violation of any right secured by patent, on such terms, as the court deems reasonable[47]. A federal district court also has the power to award damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer[48]. The U.S. Department of Justice, Antitrust Division (DOJ), and the U.S. Patent & Trademark Office (USPTO), an agency of the U.S. Department of Commerce issued a policy statement on remedies for Standards-Essential Patents subject to voluntary FRAND commitments on January 8, 2013[49]. Paper deals with various situations where passing of exclusion order is not appropriate in disputes regarding violation of SEPs. Paper concludes that '*in determinations on the appropriate remedy in cases involving F/RAND encumbered, Standards Essential Patents should be made against the backdrop of promoting both appropriate compensation to patent holders and strong incentives for innovators to participate in standards-setting activities*'.

Some important decisions relating to SEP decided by U.S courts are discussed below in brief:

9.1.1. eBay Inc. v. Merc Exchange, L.L.C[50]

Prior to the U.S. Supreme Court's decision in *eBay Inc. v. Merc Exchange, L.L.C*[51]., the Federal Circuit court had imposed a mandatory injunction rule that compelled district courts to issue an injunction once the asserted patent(s) had been adjudged valid and infringed. In eBay Inc. case[52], the Supreme Court rejected the Federal Circuit's mandatory injunction rule and clarified that there is no special "patent law" that provides for granting injunctions in patent infringement cases[53].

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[47] COTTLER, T. F. (2013). COMPARATIVE PATENT REMEDIES: A LEGAL AND ECONOMIC ANALYSIS. NEW YORK: OXFORD UNIVERSITY PRESS. AVAILABLE AT HTTPS://BOOKS.GOOGLE.CO.IN/BOOKS?ID=YOZ6VJJOYACC&PG=PA99&LPG=PA99&DQ=INJUNCTIONS+IN+ACCORDANCE+WITH+THE+PRINCIPLES+OF+EQUITY+TO+PREVENT+THE+VIOLATION+OF+ANY+RIGHT+SECURED+BY+PATENT&SOURCE=BL&OTS=QCUHWBLASP&SIG=WUKP9ONDYGP0GLYKXEMZNWMXSY8&HL=EN&SA=X&VED=0CCIQ6AEWAWOVCHMI7A_ZYOWCYAIVZBYOCH0TWA08#V=ONEPAGE&Q=INJUNCTIONS%20IN%20ACCORDANCE%20WITH%20THE%20PRINCIPLES%20OF%20EQUITY%20TO%20PREVENT%20THE%20VIOLATION%20OF%20ANY%20RIGHT%20SECURED%20BY%20PATENT&F=FALSE ; 35 U.S. CODE § 283

[48] JONES DAY REPORT ON "STANDARD ESSENTIAL PATENTS AND INJUNCTIVE RELIEF" APRIL, 2013. AVAILABLE AT: HTTP://WWW.JONESDAY.COM/FILES/PUBLICATION/77A53DFF-786C-442D-8028-906E1297060B/PRESENTATION/PUBLICATIONATTACHMENT/270FC132-6369-4063-951B-294CA647C5ED/STANDARDS-ESSENTIAL%20PATENTS.PDF

[49] UNITED STATES DEPARTMENT OF JUSTICE AND UNITED STATES PATENT & TRADEMARK OFFICE POLICY STATEMENT ON REMEDIES FOR STANDARDS-ESSENTIAL PATENTS SUBJECT TO VOLUNTARY F/RAND COMMITMENTS AVAILABLE AT HTTP://WWW.USPTO.GOV/ABOUT/OFFICES/OGC/FINAL_DOJ-PTO_POLICY_STATEMENT_ON_FRAND_SEPS_1-8-13.PDF

[50] 547 U.S. 388 (2006)

[51] EBAY INC. V. MERC EXCHANGE, L.L.C 547 U.S. 388 (2006)

[52] IBID

[53] IBID AT 47

9.1.2. Apple Inc. v. Motorola, Inc. and Motorola Mobility, Inc.[54]

In late October, 2010, Apple filed two complaints in the Western District of Wisconsin for patent infringement against Motorola, Inc. and Motorola Mobility, Inc. The complaints alleged that Motorola infringed its six patents and sought monetary damages and an injunction. Also in late October 2010, Apple filed a complaint with the ITC for patent infringement against Motorola, Inc. and Motorola Mobility, Inc.[55]. Apple's complaint alleged Motorola infringed three Apple patents with Motorola's mobile devices offered in the U.S. Apple's complaint sought a court order barring imports of those devices and sought an injunction prohibiting Motorola from engaging in further activities related to the same mobile devices[56].

In early November 2010, Motorola filed counterclaims against Apple alleging Apple infringed twelve Motorola patents which Motorola originally asserted in the Northern District of Illinois. The Western District of Wisconsin transferred the actions to the Northern District of Illinois and trial was scheduled for June 2012 on six Apple patents and three Motorola Mobility patents.

Apple's counterclaims included claims for breach of contract based on Motorola's pursuit of injunctive relief in light of its FRAND licensing commitments to the IEEE and ETSI. Examining those FRAND commitments, Judge concluded that there is no language in either the ETSI or IEEE contracts suggesting that Motorola and the Standards Setting Organizations intended or agreed to prohibit Motorola from seeking injunctive relief. In fact, both policies are silent on the question of injunctive relief therefore conclude that any contract purportedly depriving a patent owner of that right should clearly do so[57]. The contracts at issue are not clear. Therefore, it was concluded that Motorola did not breach its contracts simply by requesting an injunction and exclusionary order in its patent infringement actions. Apple filed a petition to review the ALJ's findings but the ALJ ultimately ruled for Motorola and against Apple in mid-March 2012[58].

9.1.3. Microsoft Corp. v. Motorola Inc.[59]

This case was originally filed by Microsoft Corp. against the Motorola Inc. claiming that Motorola had violated its reasonable and non-discriminatory licensing agreement to which

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[54] APPLE INC. V. MOTOROLA, INC. AND MOTOROLA MOBILITY, INC., U.S. DIST. CT., W.DIST. WISC., 2010-10-29.

[55] IN THE MATTER OF CERTAIN MOBILE DEVICES AND RELATED SOFTWARE, ITC INV. NO. 337-TA-750, 2010-10-29.

[56] HTTPS://EN.WIKIPEDIA.ORG/WIKI/MOTOROLA_MOBILITY_V._APPLE_INC.

[57] T. PEZZANO, JEFFREY M. TELEP "LATEST DEVELOPMENTS ON INJUNCTIVE RELIEF FOR INFRINGEMENT OF FRAND-ENCUMBERED SEPS—PART II". MARCH, 2014. AVAILABLE AT: HTTP://WWW.KSLAW.COM/IMAGESERVER/KSPUBLIC/LIBRARY/PUBLICATION/2014ARTICLES/3-14_IPJOURNAL.PDF

[58] CAMPBELL, MIKEY, FINAL ITC RULING CLEARS MOTOROLA OF APPLE PATENT INFRINGEMENT, APPLEINSIDER.COM, 2012-3-17. SEE ALSO THE ITC'S RULING, IN THE CASE APPLE V. MOTOROLA, 337-TA-750, 2012-3-16

[59] 2:10-CV-01823-JLR (W.D. WASH.)

Microsoft was a third-party beneficiary[60]. Microsoft Corp. also sued Motorola Inc. for breach of contract, seeking a declaratory judgment, declaring that it was entitled to FRAND licenses for Motorola patents, essential to IEEE and ITU standards and a Judicial accounting to determine appropriate royalty rates[61].

Microsoft's chief contention was that Motorola's previous licensing offers for the patents were not reasonable. While the U.S. domestic contract litigation had been proceeding, Motorola sued Microsoft in Germany for patent infringement in July 2011. The German district court granted to Motorola an injunction prohibiting Microsoft from selling allegedly infringing products in Germany based on German patent law. Then, Microsoft sought an anti-suit injunction against an injunction of patent infringement in Germany.

Later, Motorola asserted patent infringement claims against Microsoft by transferring those claims from another case that Motorola had originally filed in the Western District Court of Wisconsin. Specifically, Motorola had sued Microsoft for infringement of three patents that Motorola had declared to be essential to the ITU H.264 video coding standard. Motorola sought injunctive relief against Microsoft's alleged infringement[62]. The court ruled that Motorola's commitments to the IEEE and ITU created enforceable contracts between Motorola and the SSOs "to license its essential patents on RAND terms," and that Microsoft is a third-party beneficiary of these contracts[63] and therefore dismissed Motorola's claim for an injunction.

The court's analysis was based on the eBay factors. Essentially, the court reasoned that because Motorola has an obligation to license the patents on FRAND terms and because the court itself had undertaken to facilitate this license by determining a royalty rate, Motorola was unable to show either irreparable harm or the inadequacy of remedies at law[64].

9.2. Europe

In Europe, patent law is delegated to the member states to legislate, with limited exceptions that are harmonized by the European Union. Across the 27 member states, the availability of injunctive relief in patent infringement litigation varies from country to country. Till now, very few courts have considered the issue of whether injunctive relief should be available as a remedy

[60] HTTPS://EN.WIKIPEDIA.ORG/WIKI/MICROSOFT_CORP._V._MOTOROLA_INC.

[61] IBID AT 48

[62] DAVID LONG "NINTH CIRCUIT AFFIRMS JUDGE ROBART'S RAND DECISION (MICROSOFT V. MOTOROLA)". ESSENTIAL PATENT BLOG, JULY 31, 2015. AVAILABLE AT: HTTP://WWW.ESSENTIALPATENTBLOG.COM/2015/07/NINTH-CIRCUIT-AFFIRMS-JUDGE-ROBARTS-RAND-DECISION-MICROSOFT-V-MOTOROLA/

[63] IBID AT 48

[64] IBID AT 48

for infringement of FRAND encumbered SEPs. The courts of Germany and the Netherlands have taken the lead in providing answers[65].

9.2.1. Germany

Similar to U.S. law, German patent law also provides the patentee with an exclusive right by stating that "a patent shall have the effect that the patentee alone shall be authorized to use the patented invention". The statutory law allows the patentee to apply for an injunction. German courts will grant injunctive relief in patent matters if there is a risk of infringing use of the patent. German courts have, as a general rule, no discretion on whether to grant an injunction in patent infringement litigation. If a court finds infringement, it typically orders an injunction as a matter of course. German patent law does not provide a basis for an infringer to avoid an injunction based on a FRAND defense. German courts have applied German competition law to develop the so-called Orange Book Standard for assertion of a FRAND defense. In Orange Book Standard of May 6, 2009, the German Federal Supreme Court ("FSC") allowed, for the first time, a patent user to defend itself against an injunction claim by arguing that it is entitled to a FRAND license according to antitrust law[66].

9.2.2. The Netherlands

Courts in the Netherlands also grant injunctions in patent infringement proceedings, provided that the patentee can show that the patent has been infringed or that infringement is imminent. Courts in the Netherlands have also recognized the possibility of a FRAND defense similar to Orange Book Standard in Germany. In contrast to German approach, approach of courts in The Netherlands is tilting more towards Patents than antitrust law[67].

9.2.2.1. Philips v. SK-Kassetten

The District Court of The Hague held that the existence of an obligation to grant a FRAND license does not necessarily prevent the holder of an essential patent from enforcing its patent, including through a suit seeking injunctive relief[68]. In rejecting the defendant's FRAND defense, the court emphasized that SK-Kassetten should have asked Philips for a license before it started to use Philips' SEPs. If Philips had rejected such license request, SK-Kassetten could then have filed a motion with the court requesting that Philips be ordered to license its SEPs under FRAND

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[65] IBID AT 48

[66] IBID AT 48; ALSO SEE: ORANGE BOOK STANDARD (GERMAN FEDERAL SUPREME COURT, MAY 6, 2009, DOC. NO. KZR 39/06). THE GERMAN FEDERAL SUPREME COURT REFERS TO THE FRAND DEFENSE AS "COMPULSORY LICENSE DEFENSE."

[67] IBID AT 48

[68] PHILIPS V. SK-KASSETTEN (DISTRICT COURT OF THE HAGUE, MARCH 17, 2010, DOC. NO. 316533/HA ZA 08-2522).

terms[69].

9.2.2.2. Samsung v. Apple[70]

Court in this case held that seeking an injunction during negotiation of the FRAND license must be considered as an abuse of law or a breach of pre-contractual good faith. The Court held that injunction would put Apple under considerable pressure in the negotiation of the terms and conditions of the FRAND license. The injunction could compel Apple to agree to a license fee that exceeds the level that Apple could claim on the basis on Samsung's FRAND declaration. The court explicitly left open the question of whether Samsung's filing of the injunction claim could also be considered as misuse of a market-dominant position within the meaning of competition law[71].

9.2.3. France and United Kingdom

Defendants have also raised a FRAND defense in patent infringement proceedings in France and the UK, but the courts have yet to rule on the issue.

9.2.3.1. Samsung v. Apple[72]

Apple has argued before the Paris Court of First Instance that Samsung's claim would constitute an abuse of a dominant position. The Paris Court, however, dismissed the case on other grounds and did not address this issue[73].

9.2.3.2. Nokia v. I.P Com's[74]

In this case, the High Court of Justice did not grant IP Com's request for injunctive relief, but ordered Nokia to plead on further issues, including FRAND. A "FRAND trial" before the High Court of England and Wales is forthcoming in which Nokia, HTC, and IP Com will plead their cases on determining the FRAND terms and the royalty rate[75].

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[69] IBID AT 48

[70] SAMSUNG V. APPLE (DISTRICT COURT OF THE HAGUE, MARCH 14, 2012, DOC. NO. 400367/HA ZA 11-2212).

[71] IBID AT 48

[72] SAMSUNG V. APPLE (PARIS COURT OF FIRST INSTANCE, DECEMBER 8, 2011, DOC. NO. 11/58301)

[73] IBID AT 48

[74] NOKIA V. IPCOM (HIGH COURT OF JUSTICE CHANCERY DIVISION PATENTS COURT, JULY 8, 2011, DOC. NO. HC10 C01233).

[75] IBID AT 48

9.3. Japan

In Japan, as in Germany, if patent infringement is established and an injunction is sought, courts issue an injunction as a matter of law. A Japanese court may refuse to grant injunctive relief, however, if it determines that the patent holder has abused its patent right. Recently, however, a Japanese court considered a FRAND defense for the first time in Samsung Electronics vs. Apple where Samsung filed a request for a preliminary injunction against Apple in Tokyo District Court. The Tokyo District Court refused Samsung's request for a preliminary injunction on the ground that the asserted patents are SEPs encumbered with a FRAND commitment[76].

9.4. China

In China, courts may, but need not, grant injunctive relief for patent infringement. A Chinese Supreme Court advisory opinion issued in 2008 suggested that a court will not find patent infringement if a patentee participates in standard-setting or otherwise agrees that the patented technology may be incorporated into a standard and subsequently files suit seeking injunctive relief for infringement of the patent[77].

10. Standard Essential Patents in India

Indian jurisprudence on Fair, Reasonable, and Non-Discriminatory (FRAND) licensing practices for standard-essential patents (SEPs) is at a relatively nascent stage[78]. As stakeholders have approached the Competition Commission of India and Hon'ble Delhi High Court, jurisprudence on SEPs will gradually develop in India. Some Standard Setting Organizations have also emerged over a period of time in India, which formulate the standards in various sectors. Many of these SSOs have also evolved their IPR policies, whereby they require patent holders to disclose SEPs, along with a requirement to commit to FRAND terms of licensing. This section discuss in brief about such SSOs in the telecommunication sector and judicial approach towards SEPs and its availability on FRAND terms in India.

[76] IBID AT 48

[77] IBID AT 48

[78] SIDAK, J. GREGORY. "FRAND IN INDIA: THE DELHI HIGH COURT'S EMERGING JURISPRUDENCE ON ROYALTIES FOR STANDARD-ESSENTIAL PATENTS." JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 10, NO. 8 (2015): 609.

10.1. Key Institutions/ Standard Setting Organizations in India

10.1.1. Telecom Standards Development Society of India (TSDSI)

The Telecom Standards Development Society of India is not for profit legal entity in Public-Private Partnership (PPP) mode with participation from all stake holders including government, service providers, equipment vendors, equipment manufacturers, academic institutes and research labs. TSDSI is a Standard Setting Organization aims at developing and promoting India-specific requirements. It provides for standardizing solutions for meeting these requirements and contributing these to global standards, in the field of telecommunications. TSDSI works for maintaining the technical standards and other deliverables of the organization, safe-guarding the IPRs, helping create manufacturing expertise in the country, providing leadership to the developing countries such as South Asia, South East Asia, Africa, Middle East, etc. in terms of their telecommunications-related standardization needs[79].

TSDSI's objectives are to create standards and technical specifications that are based on solutions which best meet the technical objectives of the Indian telecommunications sector in the interest of the consumer. In order to meet this objective, the TSDSI IPR policy seeks to reduce the risk to TSDSI, members, and others applying TSDSI standards and technical specifications. Process with regard to availability and non-availability of license is similar to that of European Telecommunications Standards Institute discussed above. TSDSI IPR policy is available here.

10.1.2. Telecommunication Engineering Center (TEC)

Department of Telecommunications in Ministry of Communications and Information Technology is running a Telecommunication Engineering Center (TEC) which plays an important role in the development of standards for Telecom Equipment, services, and interoperability among them. TEC coordinates and participate with ETSI, ITU, ITU-T, WiMAX, IETF, IEEE and other reputed International Standard Organizations in setting standards. TEC not only focus on IPR issues related to standards but also develop specifications for equipment to be used under Indian conditions. Thus, TEC takes into consideration IPR policy of the ITU in developing its standards and specifications. TEC is a major player in development of a new National Telecom Standards Development Organization mentioned in the National Telecom Policy, 2012[80]

[79] HTTP://WWW.TSDSI.ORG/MAIN/ABOUT-US/

[80] PATENT CHALLENGES FOR STANDARD-SETTING IN THE GLOBAL ECONOMY: LESSONS FROM INFORMATION AND COMMUNICATION TECHNOLOGY (2013)

10.1.3. Bureau of Indian Standards (BIS)

The Bureau of Indian Standards (BIS) is the national standards body of India and a leading institution for standardization. BIS operates 14 industry related sectors, each of which is managed by a "division council." Electronics and Information Technology Division Council (LITD) is relevant to this discussion paper. LITD includes 21 "Sectional Committees" covering various fields of IT, including computer communications, networks and interfaces. As with other BIS division councils, LITD committees have attempted to harmonize their standards with those in the international bodies, IEC and ISO.

BIS reportedly has not yet developed its own IPR policy, but since many of its standards are technically equivalent to international standards, the BIS position has been to rely on the IPR policies of the International Standards Organizations. BIS leaves it to manufacturers wishing to use a standard to negotiate license terms if IPR is an issue[81].

10.1.4. The Global ICT Standardization Forum for India (GISFI)

The Global ICT Standardization Forum for India (GISFI), founded in 2008, seeks to provide greater coherence to ICT standardization in India in fields such as energy, telemedicine, wireless robotics, and biotechnology, and to integrate more fully Indian ICT standards initiatives with international trends. Its members include Indian and foreign firms and Indian research institutions, but it seeks participation from the full array of stakeholders. It maintains working groups in the areas of information security, privacy, future radio networks, the Internet, cloud and service-oriented networks, green ICT, and spectrum. In December 2011, GISFI cooperated ITU in sponsoring a workshop on standards and Intellectual Property Rights.

GISFI maintains an IPR policy based on that of ETSI, but having its own features as well. The policy seeks to reduce economic and legal risks to stakeholders and to balance the interests of rights holders and needs of the public. It calls for timely disclosure but does not obligate members to engage in patent searches. When SEPs are brought to the attention of GISFI, its Director General is expected to request from the patent owner an irrevocable commitment to grant licenses on FRAND terms[82].

10.1.5. Development Organization of Standards for Telecommunications in India (DOSTI)

Development Organization of Standards for Telecommunications in India (DOSTI), is a private Standard Setting Organization committed to the development of telecom standards suitable for Indian conditions. It currently has eight working groups and a membership that includes both

[81] IBID

[82] IBID

Indian entities and foreign companies. DOSTI maintains an IPR policy bearing a resemblance to that of GISFI. It also calls for timely disclosure but carries no obligation for full patent searches. Owners of SEPs who are members of DOSTI are requested to grant licenses on FRAND terms. DOSTI also lays down a procedure for availability of SEPs licenses on FRAND terms.

10.2. Judicial Approach so far in India towards Standard Essential Patents and their availability on FRAND Terms

10.2.1. Proceedings before Competition Commission of India

10.2.1.1. Micromax Informatics Ltd v Telefonaktiebolaget LM Ericsson [83]

Micromax Informatics Limited filed a complaint with the CCI, alleging that Ericsson abused its allegedly dominant position by imposing exorbitant royalties for the use of its SEPs, thereby violated the Competition Act, 2002. Micromax further argued that using the sales price of the downstream product, as the royalty base constitutes misuse of SEPs that would ultimately harm consumers. Micromax alleged that Ericsson was charging exorbitant royalties as no alternate technology is available and Ericsson is sole licensor for the SEPs necessarily implemented in 2G and 3G Wireless Telecommunication Standards[84].

CCI in its preliminary order stated that, in the relevant product market, Ericsson was 'the largest holder of SEPs for mobile communications like 2G, 3G and 4G patents used for smart phones, tablets etc. and thus was in a dominant position in the market for devices that implement such standards. CCI expressed that 'FRAND licenses are primarily intended to prevent "patent hold-up" and "royalty stacking" and observed that "patent hold-up" undermines 'the competitive process of choosing among technologies' and thus threatens 'the integrity of Standard Setting activities. CCI also said that Ericsson's royalty rates were excessive and discriminatory, given that they were set as a percentage of the price of downstream products instead of as a percentage of the price of the GSM or CDMA chip[85].

The CCI concluded that the requested royalties 'had no linkage to the patented product' and were thus 'discriminatory as well as contrary to FRAND terms'. CCI further ordered investigation in the matter by the Director General. Ericsson challenged the order of CCI in Hon'ble High Court of Delhi in W.P No. (C) 464/2014. Court vide order dated 21st January, 2014 restrained Competition Commission of India or its Director General from passing any Final Order in the matter.

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[83] MICROMAX INFORMATICS LTD V TELEFONAKTIEBOLAGET LM ERICSSON, CASE NO. 50 OF 2013, COMPETITION COMM'N OF INDIA (12 NOVEMBER 2013)

[84] IBID AT 78

[85] IBID AT 78

10.2.1.2. Intex Techs. (India) Ltd v Telefonaktiebolaget LM Ericsson[86]

Conclusion in this case is in many regards similar to that of Micromax Informatics Ltd. Case[87]. CCI held that a refusal to share the commercial terms of the FRAND license may lead to discriminatory commercial terms. CCI also said that charging different licensing fees for the use of the same technology from different users is against FRAND terms.

CCI further said that imposing a jurisdiction clause of the agreement that prevented Intex Tech. (India) Ltd. from adjudicating its disputes in a country where both parties were in business also provided *prima facie* evidence of an abuse of a dominant position. CCI while forming prima-facie opinion that Ericsson had abused its dominant position ordered that the Director General to combine the investigation with the claims that Micromax and Intex had brought against Ericsson[88].

10.2.1.3. Best IT World (India) Private Ltd. v Telefonaktiebolaget LM Ericsson[89]

In this case Best IT World (India) Private Ltd executed a Patent Licensing Agreement and an NDA to license the use of Ericsson's patents in GSM-compliant and WCDMA-compliant product. iBall alleged that Ericsson's conduct violates Section 4 of the Competition Act.

Similar to its orders in Micromax and Intex, the CCI observed that, because there is no alternate technology available for Ericsson's patents in the 2G, 3G, and 4G standards, Ericsson enjoys a complete dominance over its present and prospective licensees in the relevant market. CCI opined that practice of forcing a party to execute NDA and imposing excessive and unfair royalty rates, *prima facie*, amount to abuse of dominance in violation of Section 4 of the Act[90].

As in above two matters, Ericson filed an appeal against the order of CCI in Hon'ble High Court of Delhi. High Court on 17th February, 2014 and 21st May, 2015 respectively, passed its order on the lines of order dated 21.01.2014 and held that the petitioner may supply information as

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[86] INTEX TECHS. (INDIA) LTD V TELEFONAKTIEBOLAGET LM ERICSSON, CASE NO. 76 OF 2013, } 6, COMPETITION COMM'N OF INDIA (16 JANUARY 2014).

[87] MICROMAX INFORMATICS LTD V TELEFONAKTIEBOLAGET LM ERICSSON, CASE NO. 50 OF 2013, COMPETITION COMM'N OF INDIA (12 NOVEMBER 2013)

[88] INTEX TECHS. (INDIA) LTD V TELEFONAKTIEBOLAGET LM ERICSSON, CASE NO. 76 OF 2013, } 6, COMPETITION COMM'N OF INDIA AT PG. 7-8. ALSO SEE: IBID AT 78

[89] BEST IT WORLD (INDIA) PRIVATE LTD. V TELEFONAKTIEBOLAGET LM ERICSSON, CASE NO. 4 OF 2015, COMPETITION COMM'N OF INDIA (12 MAY 2015), HTTP://WWW. CCI.GOV.IN/MAY2011/ORDEROFCOMMISSION/261/042015.PDF.

[90] IBID AT 78

requisitioned by the DG, but neither the DG will submit a final report, nor will the CCI pass a final order in the matter.

CCI's initial orders in these cases firmly regarded using the downstream product's sales price as a royalty base as being excessive and having no link to the value of the SEP[91].

10.2.2. Brief of proceedings before Hon'ble High Court of Delhi

Hon'ble High Court of Delhi has dealt with issues pertaining to SEPs and their availability on FRAND terms in cases filed by Telefonaktiebolaget LM Ericsson against Micromax[92] and other companies alleging infringement of its patents that were essential to the 2G and 3G standards. Court in this cases relied on the comparable licenses to determine a FRAND royalty. The court used the net sales price of the downstream device as a royalty base in calculating amount of royalty. Ericsson filed similar cases against *Intex Techs. (India) Limited*[93] and *Xiaomi Technology and Ors*[94]. High Court in both the cases took similar view and passed similar orders based on principle followed in Micromax case.

J. Gregory Sidak analyzed the proceedings before Hon'ble High Court of Delhi and position with regard to SEPs in other countries. He stated that the Delhi High Court decision to use the value of the downstream product as a royalty base and rely on comparable licenses to determine a FRAND royalty was consistent with sound economic principles, and also indicated that the court was responding to the judicial and industry trends in the rest of the world[95].

In addition to the patent infringement suits, Ericsson also filed appeal against various orders passed by CCI wherein it directed investigation by Director General. Hon'ble High Court of Delhi granted interim stay on all such orders passed by CCI in different cases. Details of interim stay granted by Delhi High Court are already discussed above in paragraph 10.2.1.

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[91] IBID AT 22

[92] TELEFONAKTIEBOLAGET LM ERICSSON V MERCURY ELECS. & ANOTHER, INTERIM APPLICATION NO. 3825 OF 2013 IN CIVIL SUIT (ORIGINAL SIDE) NO. 442 OF 2013, HIGH CT OF DELHI (6 MARCH 2013), HTTP://DELHIHIGHCOURT.NIC.IN/ DHCQRYDISP_O.ASP?PN=46519&YR=2013. ALSO SEE IBID AT 78

[93] TELEFONAKTIEBOLAGET LM ERICSSON V INTEX TECHS. (INDIA) LIMITED, INTERIM APPLICATION NO. 6735 OF 2014 IN CIVIL SUIT (ORIGINAL SIDE) NO. 1045 OF 2014, }} 1, 8, HIGH CT OF DELHI (13 MARCH 2015), HTTP://LOBIS.NIC. IN/DHC/MAN/JUDGEMENT/16-03-2015/MAN13032015S10452014.PDF.

[94] TELEFONAKTIEBOLAGET LM ERICSSON V XIAOMI TECHNOLOGY AND OTHERS, INTERIM APPLICATION NO. 24580 OF 2014 IN CIVIL SUIT (ORIGINAL SIDE) NO. 3775 OF 2014, }} 1–2, HIGH CT OF DELHI (8 DECEMBER 2014), HTTP://DELHIHIGHCOURT.NIC.IN/DHCQRYDISP_O.ASP?PN=250092&YR=2014.

[95] IBID AT 22

11. Issues for Resolution

In background of above discussion, the Department of Industrial Policy and Promotion invites views from the concerned stakeholders regarding the following issues for resolution:

a) Whether the existing provisions in the various IPR related legislations, especially the Patents Act, 1970 and Anti-Trust legislations, are adequate to address the issues related to SEPs and their availability on FRAND terms? If not, then can these issues be addressed through appropriate amendments to such IPR related legislations? If so, what changes should be affected.

b) What should be the IPR policy of Indian Standard Setting Organizations in developing Standards for Telecommunication sector and other sectors in India where Standard Essential Patents are used?

c) Whether there is a need for prescribing guidelines on working and operation of Standard Setting Organizations by Government of India? If so, what all areas of working of SSOs should they cover?

d) Whether there is a need for prescribing guidelines on setting or fixing the royalties in respect of Standard Essential Patents and defining FRAND terms by Government of India? If not, which would be appropriate authority to issue the guidelines and what could be the possible FRAND terms?

e) On what basis should the royalty rates in SEPs be decided? Should it be based on Smallest Saleable Patent Practicing Component (SSPPC), or on the net price of the Downstream Product, or some other criterion?

f) Whether total payment of royalty in case of various SEPs used in one product should be capped? If so, then should this limit be fixed by Government of India or some other statutory body or left to be decided among the parties?

g) Whether the practice of Non-Disclosure Agreements (NDA) leads to misuse of dominant position and is against the FRAND terms?

h) What should be the appropriate mode and remedy for settlement of disputes in matters related to SEPs, especially while deciding FRAND terms? Whether Injunctions are a suitable remedy in cases pertaining to SEPs and their availability on FRAND terms?

i) What steps can be taken to make the practice of Cross-Licensing transparent so that royalty rates are fair & reasonable?

j) What steps can be taken to make the practice of Patent Pooling transparent so that royalty rates are fair & reasonable?

k) How should it be determined whether a patent declared as SEP is actually an Essential Patent, particularly when bouquets of patents are used in one device?

l) Whether there is a need of setting up of an independent expert body to determine FRAND terms for SEPs and devising methodology for such purpose?

m) If certain Standards can be met without infringing any particular SEP, for instance by use of some alternative technology or because the patent is no longer in force, what should be the process to declassify such a SEP?

[End of the document]

Glossary

BIS: Bureau of Indian Standards

CCI: Competition commission of India

DOSTI: Development Organization of Standards for Telecommunications in India

ETSI: European Telecommunications Standards Institute

FRAND: Fair, Reasonable and Non-Discriminatory

GISFI: The Global ICT Standardization Forum for India

IEEE: Institute of Electrical and Electronics Engineers

IEC: International Electrotechnical Commission

IETF: Internet Engineering Task Force

IPR: Intellectual Property Rights

ISO: International Organization for Standardization

ITU: The International Telecommunication Union

NDA: Non-Disclosure Agreements

SEP: Standard Essential Patents

SSO: Standard Setting Organization

SSPPC: Smallest Salable Patent Practicing Component

TBT: Agreement on Technical Barriers to Trade

TEC: Telecommunication Engineering Center

TRIPS: Trade-Related Aspects of Intellectual Property Rights

TSDSI: Telecom Standards Development Society of India

WIPO: World Intellectual Property Organization

WTO: World Trade Organization