



Issues and Challenges in Standard Essential Patents: Indian Perspective

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This Paper shall examine the synchronization between the technology and law so that the fruits of technology which can be used as a standardized technology and patents (SEP) can be granted to the patent holders so that it becomes a win-win situation to the innovator of technology and society at large. It shall also examine the global issues in standard essential patents and how India has handled such issues by complying with FRAND terms. Since the body granting the SEP is called Standard Setting Organization, therefore the historical prospective of SEP along with the issues arising in SEP shall also be analyzed with emphasis on FRAND terms and the specific case studies of United states, Germany, Japan and China including India shall be analysed mainly on Patent hold up and royalty issues and suggest the remedial measures; taking lessons from other countries and suggest the way forward in the form of recommendation in order to handle the SEP challenges in India in a timely, cost effective manner; as this is also one of the key factor for ease of doing business in India and providing sufficient protection to the Patent holder and avoid any misuse.

Keywords: Standard Essential Patents, FRAND terms, Royalty, Patent Law, Standard Setting Organization, International Telegraph Union, Standardization of Telecom Sector, Telecommunications Standards Development Society, Cross-licensing, Small Scale Enterprises, IOT, SEP License, Anti-trust laws, Competition Commission of India

The traditional Patent System is based on a statutory right to owner of the patent for a certain period of time to stop others from using, selling or working out his invention, and exploit it commercially and to disclose the invention and practice that invention and make it workable thus encourage scientific research and new technology, with a view to stimulate new inventions of commercial utility and to pass invention into public domain after the expiry of the fixed period of the monopoly. However, the Standard Essential Patents (SEPs) is a step forward, wherein SEPs are the patents which are essential to implement a specific industry standard. This means that in order to manufacture standard compliant product, manufacturers will have to use technologies that are covered under one or more SEPs say in the electronics industry, telecom as well as in the digitized world. These Standards are nothing but the technical requirements or specifications which seek to provide a common design for a product or process, thereby reducing the cost of product to the end user. Patents which are essential to a standard and have been adopted by a Standard Setting Organization (SSO) are known as SEPs. The Indian Patents Act, 1970 does not contain any specific provision for SEPs nor does it

mention any specific criteria or terms and conditions to be complied while licensing a patented technology. In the present era, where the technology is growing exponentially, there is an urgent need of legal system to synchronize with technology and to safeguard the rights of the developer and implement the technology for the betterment of society.

In the area of telecom, last two decades have seen a sea change in technological development; making the society closer and ensuring e-business becomes a successful tool. One of the issue which is of key concern is the conflicts between mobile handset operators and their design providers, and therefore, it comes to our mind whether the existing law on SEP is sufficient to provide suitable remedies to the aggrieved party or there is a need to develop and formulate the law or the guideline(s) to deal with the issues pertaining to the specific type of SEP for multiple end users, objectively and in a transparent manner. An attempt has been made to examine the issues and challenges in the SEPs, mainly in the telecom sector in India along with the role of SSO and inter-operability between the SEP's along with the judicial precedents, recommendations of national and international bodies to suggest the way forward for handling them with a logical solution. The issues in SEP came in limelight during 2010 and the steps

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taken to resolve issues by United States, European Union, Germany, Japan and India has been discussed in the subsequent sections.² Therefore, it is essential to understand the concept of SEP and its usage by all with a specific emphasis on the patentee to exploit the market by taking into account the legal provisions and the judicial precedents on the subject; while closely examining the Indian Law on the subject.

Standard Essential Patent

The term 'SEP' is different from a common patent by two terms, i.e., 'Standard' and 'Essential'. The word 'Standard'³ denotes uniformity as it refers to the certain specification which aims to provide a common design for either a product or process. The other key word, 'Essential' as defined by ETSI;⁴ refers to the essentials, which when applied to IPR formulate that it is impossible to take into account the normal technical practice or state of the art generally available at the time of standardization for manufacturing, sale, lease, otherwise dispose of, repair, use or operate equipment or methods which comply with a 'Standard' without infringing IPR.⁵ Once the SEP is approved by an SSO, the patentee grants a limited window or rights on Fair Reasonable and Nondiscriminatory terms (FRAND) which are to be complied by the manufacturer. Therefore, it is duty of the SSO to formulate standards to ensure that the technology serves a meaningful and beneficial purpose to the society at large.

Basically, the aim of SEP is to prevent monopolization of patentee and to enhance benefits to the customer. It has been observed that granting exclusive rights to patentee may defeat the basic purpose of granting SEP. Therefore, in order to strike a balance between the patentee and the manufacturer(s) rights, it is the duty of SSO to ensure that the patentee must grant license on FRAND and assist the manufacturer to negotiate with patent holder so that the patent holder gets the reward for his research, development including investment and the consumer to get the standardized technologies at lower cost, leading to a win-win situation.

SSO: Historical Perspective

Telecommunication across the globe was governed by the International Telegraph Union (ITU) in 1865 whose purpose was to standardize telegraph networks. However, ITU was re-organized taking into account the advancement in technology in 1993 and the ITU-T became the body responsible for Standardization of

Telecom Sector. Therefore, SSO falls under ITU; and are responsible to work under ITU-T.⁶

Role of SSO

A question which need to be tested where a license on FRAND basis has been granted; Can an injunction be sought later on mainly on grounds (1) where the patent holder charge an exorbitant royalty, adversely impacting the process of implementation of standard; or (2) the manufacturer after paying the royalty, violates and impacts the FRAND commitments and makes certain amendments affecting the economic interest of the patentee? To answer these, it is suggested that the grant of injunction should not be treated as a rule by the adjudicating authority; however, it can take cognizance of the FRAND commitment, public interest and the claim of patentee before granting injunction in a specific case.

It is also the duty of SSO to ensure that the cases which are pending in foreign jurisdiction pertaining to injunction against manufacturer should not be permitted to enter into domestic jurisdiction for which a global law or guidelines on the subject is mandatory. In such situations, the most optimal solution is to formulate precise IPR policies wherein SSO members agree and commit to themselves that the grant of license on their SEPs is based on FRAND. Therefore, it is essential to examine the framework of SSO, its relevance and contribution towards growth and development of SEP in India.⁷

Establishment of SSO and its Relevance in India

The Telecommunications Standards Development Society, India (TSDSI) is the first SSO of India established in 2013 with an objective to maintain the inequalities existing between the patentee and licensee with the basic theme that any entity (manufacturer) can obtain license of its preferred technology on the basis of FRAND conditions. Therefore it is essential to examine the issues in SEP licensing.⁸

Issues in SEP's

Basis of Licensing

A patentee who has invented or developed a technology being the sole proprietor must be given due recognition, ownership and rights, which can be granted to third parties and in case of SEP's; the benefits to the society are multifold and therefore the rights and interest of the licensor must be duly recognized, protected and rewarded based on FRAND

terms and conditions. Keeping this in mind, it is expected that the parties to SEP shall act fairly in a transparent manner and follow the principle of fairness during negotiations, with a view to establish conditions based on which the license is granted in a specific case. However, care must be taken that the technology must be suitable and effective with reasonable license fee. It may be noted that there are no uniformly acceptable guidelines as to what constitutes the FRAND terms ; as it may differ from industry to industry and from one sector to another and it is time variant. It is for this reason the best approach seems to be that there should be sectorial discussions by stakeholders in order to establish common licensing practices including the evaluation of IP involved in terms of royalty.⁹

In view of foregoing, it is essential that terms of the license should have a nexus with the economic value of the patented technology. It is possible that the technology may be used either only for development of standards and therefore as a first principle, the focus should be primarily on the technology itself and not the technology in standard. In cases where the technology is developed mainly for the standard and has little market value outside the standard, alternative evaluation methods, such as the relative importance of the technology in the standard compared to other contributions in the standard, which is a pertinent and relevant factor; should be taken into account . Therefore, while determining what constitutes FRAND, it must be considered based on the present value of the patented technology, irrespective of the success of the product in the market. The evaluator of FRAND should ensure that there is continues incentive for SEP holders to contribute their best available technology in developing the standards. Based on the applicability of standards and by using licensing platform and patent pools, the maximum cumulative rate can be finalized.

Efficiency and Non-Discrimination

The predominant factors to assess whether the terms of license are compatible with FRAND are:¹⁰

- a) The licensor should not discriminate between implementers who are 'similarly situated', however, it should be noted that licensor can treat differentially the implementer on the basis of industry to industry; based on the business models.
- b) Parties should conduct negotiations in good faith, taking into consideration the efficiency of technology during implementation of FRAND.

c) The transaction cost should be kept as minimal as necessary during negotiation of a license.

d) In cross-licensing, the efficiency gains pertaining to such practices should also be considered.

e) It is quite possible that a national licensing approach may not be as efficient as universally recognized principles due to certain factors. Therefore, for SEP, FRAND terms should be standardized globally and in case of sector specific, necessary amends can be incorporated based on the experience gained and market requirement.

FRAND Licensing Terms

In any agreement, the parties are at best position to arrive at the terms of license including the royalty, to be agreed fairly during negotiations. It can be seen in the subsequent section(s) that the licensing rights have been hampered due to unclear and ambiguous terms as well as diverging interpretations and meaning of FRAND. It is due to this reason; the best technologies capable of industrial application are lying in court rooms thereby causing material harm to the society at large. This is also one of the root causes of delay. Therefore, it is essential to follow the principles discussed above, while evaluating whether, it is FRAND based licensing agreement or not. It is an appropriate time to adopt the above principles which could be taken as the bare minimum to address the FRAND concern and to create a conducive environment wherein the parties can negotiate the licensing terms to minimize litigation by taking into account the views of litigants, case studies as well as best equitable practices.

Expertise on FRAND

FRAND can be developed based on lessons learnt during execution of the license as well as amicable methods for settlement of disputes. In some cases, these means have been useful in clarifying, analyzing and valuing the technology. In order to determine a FRAND value, parties should consider the present value addition caused by SEP and also take into account the reasonable aggregate rate for the standard, however, care should be taken that the patent holders cannot discriminate between implementers who are 'similarly situated'.¹¹

From above, it can be interpreted that there is a need for compatibility between the SSO and SEP holders to develop effective solutions and facilitate the licensing process, pertaining to SEP including its implementation in the advanced technology environment,

mainly for Small Scale Enterprises (SME) *via* patent pools or other licensing platforms, while offering sufficient transparency and predictability. It is therefore of utmost importance to monitor the licensing practices particularly in the IOT (Internet of things) and to set up an expert group to develop the best licensing practices along with sound IP evaluation on FRAND for the industrial application.

Strategies during Negotiation

An SEP user can fix the royalty amount in such a way so that it discourages the patent holder to back out from original commitment and provide opportunity to file injunction suit. Similarly, in assessing the quantum of damages for the breach of obligations, the best practices should be adopted based on expertise on FRAND.

Dispute Resolution

A dispute in SEPs arises when negotiations fails between the parties to a SEP License. Therefore, a balanced and predictable enforcement set up is required to have positive impact on the psyche of the parties during negotiations as it will spread a positive vibe on the implementation of standardized technologies. Due to uncertainties and imbalances in the enforcement system, the new entrants and/or SMEs are suffering and causing serious implications for market entry of standardized technologies. In the recent times, it is observed that SEP's generally shows a higher degree of litigation, which strengthens the need for a precise dispute resolution mechanism in a time, bound manner.¹² The debate with respect to SEPs mainly focuses on the availability of injunctive relief. Simultaneously, safeguards are also required against the risks, which the technologies users have entered with a *bonafide* intend. However, they are scared with a threat of injunction, thus end up accepting the licensing terms which are not FRAND based. Due to this, the products are faced with long hold-ups rather in market due to unwarranted litigation.¹³

Litigation

As per the various judicial pronouncements, it is advisable for SEP licensees to always have complete information in order to determine the significance of SEP portfolio. It is quite possible that the requirements may change from case to case, however, parties during negotiations must discuss the FRAND terms including its offer and counter-offer along with a clear basis about the essentiality for a standard to

fall under the category of SEP, which may include, the proposed royalty, the non-discriminatory element of FRAND terms as well as the alleged infringing products of SEP users.

Issues in SEP Litigation

Issues in USA

Apple v Motorola

In October 2010, *Apple* filed a suit of injunction against *Motorola* for infringement of three patents.¹⁴ *Motorola* countersued *Apple* on the ground that its various products like *i-Phone*, *i-Pod*, etc. infringed six of its own patents. *Motorola* also filed case against *Apple* and sought injunction and damages. The Court dismissed the claim of both parties on injunction hearing and the parties appealed against this order to the Federal Circuit. Federal Circuit held that its prior interest was to ensure that no competition policy gets violated in order to protect public interest. FTC agreed with the view of District Court that it aptly applied *e-Bay Inc. v Merc Exchange*.¹⁵ After a decade, it has been seen that the ruling on e-bay case has not substantially altered the landscape for the patent cases, however, it has created some impediments in the road to obtain permanent injunctions which can be traversed by understanding the trends in the post *e-Bay* case law and thereafter.¹⁶

Microsoft v Motorola

Microsoft filed a suit against *Motorola* claiming that it was entitled to FRAND licenses. The Court ruled that commitments of *Motorola* to the IEEE and ITU created enforceable contracts between *Motorola* and SSO's to license its essential patents on FRAND terms and *Microsoft* is a third-party beneficiary of these contracts. However, Court denied *Motorola*'s claim for injunctive relief against *Microsoft* by stating that *Microsoft*'s action cause no irreparable harm to *Motorola* as it has obligations as per FRAND terms to comply the same.¹⁷

Apple v Motorola (II)

It is based on the series of counter claims filed by *Apple* against *Motorola*. Judge Crabb hearing the arguments, held that *Motorola* did not breach contract simply by requesting an injunction.¹⁸ The Court also dismissed *Apple*'s antitrust claims pursuant to the Noerr-Pennington Doctrine¹⁹ and passed judgment in favour of *Motorola* as there was no *per-se* prohibition against injunction for SEP. Pursuant to this, *Apple* appealed against this decision to Federal Circuit.

However, Federal Circuit also upheld the same decision.

*Huawei v Samsung*²⁰

In this case, the Chinese People's Court after hearing the argument of *Samsung* that the SEPs are subject to *Huawei's* commitment to license them on FRAND terms based on which Chinese Court granted injunction. In USA, the Court took due cognizance to the date of filing and observed that the litigation was filed in the US Court and the Chinese Court at the same time but with different time zone. Similarly, even if a case is filed in one jurisdiction in US as well as in another jurisdiction, i.e. the patent owner tries to file a case in his preferred court before the accused (infringer) files the case relating to declaratory action in another Court or *vice-versa*. Since the present case was filed in US one day before it was filed in Chinese Court, the Court entertained the Anti-suit injunction and therefore, first to file was given the preference. The US District Court issued an order which instructed *Huawei* to enforce an injunction on Chinese SEP entered in the Shenzhen Court. The US Court also observed that the Chinese Court only considered whether the infringer (*Samsung*) was a willing licensee in its negotiations with patent owner. However, the US Court considered a much wider issue i.e., whether, *Huawei* has breached its FRAND commitment and FRAND terms or not. This clearly shows that the US Court will not retry and decide on the same issue decided by the Chinese Court and therefore, the decision of the Chinese Court will hold well whether the patent holder is entitled to injunctive relief as granted.²¹

Huawei Technologies Co., Ltd. v Inter-Digital Corporation

In this case, the Court held that *Inter-digital* had violated the Anti-monopoly Law by demanding excessive royalty including demand of grant back of certain patent rights and initiating action in United States ITC, seeking injunctive relief while the parties are still at negotiating stage placing the manufacturer (*Huawei Technologies*) at disadvantageous position. Considering the entire facts, the Court ordered *Inter-digital* to cease its excessive demand of royalty and not to link the essential with non-essential patents and ordered *Huawei* to pay damages to the extent of US \$ 3.2 million as damages. Against this decision, *Inter-digital* filed an appeal in ITC and District Court in United States against *Huawei*. From this case, one finds that the parties challenges the decision of one

court in another jurisdiction, by twisting the facts in their favour and delaying the process of development for which a uniformity in law is required as well as exclusion of jurisdiction of the defendant, although the same should not be taken as a generic rule.²²

Issues in Germany

Germany leads in handling the patent litigation of EU, which is substantial²³, and it is one of the preferred fora of patent litigation due to cost and time effectiveness. It follows the split system in which the nullity (validity) and infringement proceedings are conducted as distinct proceedings and in separate courts. This forum provides the advantage to the patent owner, as an injunction can be sought against infringement in the Trial Court before the Patent Court dealing with infringement portion of the dispute decides on the validity of patent. Under German Law, the patentee has an exclusive right and shall alone be authorized to use the patented invention. Generally, it has been observed that the German Courts grant injunctive relief to the patentee, if there is a risk of infringing use of the patent. But German Courts, unlike US Courts have no discretion as Germany don't have the situations like *e-Bay* standards²⁴ and only in exceptional cases, the courts have accepted limitations in granting injunction. Most of these limitations are based on Anti-trust laws, FRAND defense or due to misuse of the IP rights by the Plaintiff.

Issues in Japan

In Japan, like Germany, the courts issue injunction as a matter of law. Japanese Court may refuse to grant injunctive relief, only if it determines that the patentee has abused the patent right. In Japan, the FRAND defense was considered for the first time in *Samsung Electronics v Apple*,²⁵ wherein *Samsung* requested the Tokyo District Court on 21 April 2011, to issue a preliminary injunction against *Apple* to enjoin the manufacture, import, and sale of certain *i-Phones* and *i-Pad*. Against this, *Apple* filed a declaratory judgment suit against *Samsung* with Tokyo District Court on 16 September 2011 with a plea that *Samsung* has no right to claim damages due to the infringement of its patents with regard to manufacture, sale and import of the products as mentioned. Based on the arguments of both parties, the District Court refused to grant preliminary injunction on the ground that these patents are Standard Essential Patent with a FRAND commitment, and therefore declared that *Samsung* don't have a right to claim damages. The

Court held that *Samsung* entered into a contract with *Apple* based on FRAND encumbered SEPs, therefore *Samsung* is duty bound to provide the information based on the terms and conditions of the licensing agreement and should have negotiated the terms in a good faith. The Court also pointed out that *Samsung* failed to disclose the information pertaining to the royalty calculated in order to enable the Court to assess the loss, if at all, *Samsung* had suffered. The Court considered that the approach of *Samsung* looks to be an abuse of its patent right, which was not perhaps the intent of granting Patents for the purpose of SEP.²⁶

Issues in China

According to the *Huawei* Judgement²⁷, the counter offer should always contain information pertaining to use of standard in the specific product. It has been seen that the willingness of the parties to submit to a counter offer on FRAND terms is an indication of the parties towards more conducive behavior and arrive at commonly acceptable terms. It may be pertinent to note that there are no deadlines for the counter-offer of the licensee nor a generic benchmark which could be setup as it has to be case-specific. The counter offer may include details regarding various SEPs which should also contain information regarding its infringement claims. Therefore, while analyzing the response for SEP users with FRAND terms, the above aspect should not be neglected.

In *Huawei v Samsung*²⁸, the Court granted SEP injunctions against *Samsung*, as *Samsung* was making efforts to get judgment from US Court to block its enforcement. The Court held that *Samsung* maliciously delayed negotiations and was “at fault” during the negotiation. The Court also declared that the *Huawei* patent is a 4G LTE SEP, and *Samsung* infringed *Huawei*’s SEP. It is a matter of fact that *Huawei* and *Samsung* negotiated for over six years to cross-license each other’s patent portfolios including 3G and 4G LTE SEP. However, there was deadlock in the negotiations and thereafter parties filed legal action against each other in China and United States. One of the questions before the court was whether, the parent company’s FRAND commitment are binding on its affiliates; as in this case the defendants were *Samsung China*, *Samsung Huizhou* and *Samsung Tianjin* but the delay was caused by their parent company; *Samsung Electronics Co. Ltd.* The Court held that the parent company formed the affiliates for its economic interests and gaining economic benefits

by manufacturing and sale activities in China. The Court also pointed out that the parent company negotiated the license on its own behalf as well as for its affiliates and therefore the act of parent company shall be deemed to be the act of its affiliate. In this case, *Samsung* was a beneficiary of *Huawei*’s licensing commitments to ETSI and *Samsung* acted as an implementer.²⁹

On FRAND Negotiations, the Court found that *Huawei* had met its obligations, but *Samsung* has not after examining the strength of respective SEP portfolio and royalty rates offered during negotiations. *Samsung* delayed the process by insisting on combining both SEPs & Non-SEP along with no timely response to the claim chart provided by *Huawei*. Moreover, there was delay in license offer and counteroffer. *Samsung* even refused to refer the dispute to an Arbitrator (three times) and even rejected *Huawei* proposal to submit a comprehensive proposal for mediation. All these actions show that *Huawei* has acted with patience, fairly and reasonably for having a logical conclusion. Regarding strength of SEP of *Huawei*, the Court found that its license meets with FRAND obligations, being consistent with the strength of its portfolios.³⁰ The Court, however, agreed that both *Huawei* and *Samsung* shared a similar position of strength in their international portfolios, however, *Huawei* was found stronger based on the essential patents adopted as 3G EP including the number of 3G and 4G EP declared by ETSI. Moreover, the essentiality and technical Report³¹ submitted by the third party also favours *Huawei*. On royalty issue, the Court held that the license rate offered by *Huawei* met FRAND obligations and were not found excessively far above the globally aggregate rates.⁵ In view thereof, the Court held that the *Huawei*’s patent is SEP and *Samsung* was found to be infringing the patent.

Issues in India

The Patents Act, 1970 contains no specific provisions related to protection of SEPs. The SEP litigation in India started in 2011 when *Ericsson* objected to the act of an Indian company called *Kingtech Electronics*, which imported mobile handsets by alleging that these handsets had violated their SEPs in Adaptive Multi-Rate Code technology.³²

In India there have been few instances wherein, the Competition Commission of India (CCI) acted judiciously in order to decide the issues pertaining to dominant position and abuse of power. The first case

on the subject being *Aamir Khan Productions Private Limited v Union of India*,³³ which provided the framework for the linkage between IP rights and Competition Law; wherein the Bombay High Court, while rejecting the argument of appellant that CCI has no jurisdiction over the conduct of the production houses as these production houses were exercising their IP rights, decided that the CCI has the power to determine its own jurisdiction over matters involving IP rights. The Court also highlighted that Section 3(1) do not take away the right to sue for infringement of a patent. All the defenses which can be raised before the respective IP protection boards can also be raised before CCI.³⁴ This shows the positive approach by the Judiciary to facilitate the litigants within the existing framework.

Later on, in *FICCI Multiplex Association of India v United Producer/Distributors Forum*,⁵ the standard of 'reasonability' in the context of the Section 3(5) was examined by CCI and interpreted reasonability on the touchstone of consumer interest. CCI rejected the argument that an agreement between producers and distributors did not raise competition concerns as it was entered into for the protection of their IP rights and observed that the producers/distributors had failed to produce any evidence to show that their agreement was a reasonable condition imposed to protect their IP rights. Since the conduct of parties led to distort competition and harm the consumer interests, therefore it is incumbent upon CCI to protect the interest of the consumers by promoting vigorous competition, the CCI in the instant case found a violation of the Competition Act.

Patent Holdup

Patent holdup happens when a SEP holder takes advantage of a locked-in patent by attempting to impose arbitrary rates. Unless, restricted by SSO to meet FRAND terms licenses, the SEP holder can misuse the locked in position to achieve potentially higher royalties. Furthermore, in such situation it is observed that, licensor binds the licensee by a non-disclosure agreement in order to restrain licensees from acquiring information regarding the royalty rates imposed on previous licenses. Many times, this acts as a barrier in the negotiation process between the parties, leads up to competition law concerns in FRAND litigation.

Royalty Base

Rationality of a royalty base depends on the correct choice of the royalty base. It has been generally

observed that the SEP holders likely to levy the royalty rate on the net sale price of the final product rather than on the component which comprises the infringing patent. This means that even if SEP is used in a single product of a multi-component product, the implementer would have to pay the royalty on the component which does not include SEP. In such a scenario, concept of FRAND terms weakens because at the time of calculating a royalty there is a substantial risk that the patentee will be incorrectly compensated for those components which are not infringing the law as well.³⁵

Royalty Stacking

Royalty stacking includes overlapping of royalties which ultimately results an increase in the royalty rate. It mostly happens when more than one SEP holders inflicts similar royalties on different components of same multi-component product. This issue was also raised before the Delhi High Court in the case of *Micromax and Inte*,³⁶ where *Micromax* was directed to pay royalty charges to *Ericsson* on the basis of net sale price of the phone rather than the value of technology.³⁷

Net-balancing Royalties

Keeping all other factors constant, the party whose SEP portfolio contributes less value to the relevant standards will have to pay the net-balancing royalty. This reflects the values patent portfolios of both the parties.³⁸

Availability of Injunctive Relief

The use of injunction against willing licensees is undoubtedly breach of FRAND commitment because FRAND royalty rates are itself sufficient remuneration to the SEP. This is also considered as an abuse of dominant position under the Competition Act, 2002. The Indian Competition Law follows the principle of equity, being foundation of injunctive relief in India. It is, therefore, the duty of the companies to ensure that their product should pass the technology standards as per FRAND commitments; for safeguarding rights of the patent holder. However, in SEP disputes, the parties should be given fair chance to present their case before the Court.³⁹

Way Forward to have Balanced FRAND Terms

Raising Awareness

It is duty of the SSO and SEP holders, to raise awareness on FRAND licensing process. It also requires both parties to negotiate in good faith in a time bound manner. It may be pertinent to note that

there is an immediate need to have model FRAND terms to be universally adopted and the national bodies should work closely in developing methodologies, which shall assist in making dispute resolution more efficient and effective.

Approach to SEP

EU Commission identified three key areas where the SEP licensing process should be improved. Firstly, opaque information on SEP exposure; secondly, unclear valuation of patented technologies related to the standards and the definition of FRAND; and finally the risk of uncertainty in enforcement of SEPs.⁴⁰ It is well known that the licensing platform initiatives in this area are still at an early stage and are yet to be adopted by implementers. Therefore, it becomes necessary for every nation to understand its importance in the area of intellectual property and should work towards developing and formulating standardized technologies.⁴¹

Timely Declaration by SSO and SSO Compliant

Declarations should contain adequate information to analyze exposure of the patent. It is advisable that SSOs should provide enough incentives for patent holders so that they report case references and the final outcome of the decisions. Thus it is important that the declared SEPs should be subjected to scrutiny of their essentiality by SSO. It is recommended that SSOs should introduce an appropriate scrutiny mechanism for the same.

Essentiality Checks

This requires a high scrutiny on essentiality claims by a third party who understands technicalities. Such requirements to SEPs must be balanced against the cost. However, whenever scrutiny takes place on the behalf of either patent right holders or prospective users, it is important to assess the depth of scrutiny and limiting checks to one patent within a family and to sample separately in new patent in order to ensure the right cost-benefit, balances this measure.

Means of Implementation

These measures should be carried out progressively, and applied to new and key standards say for example 5G technologies. Firstly, stakeholders should be encouraged to understand and appreciate the value of transparency. Therefore, the Patent Offices, while considering essentiality checks, should work with national bodies to ensure effective and proportionate solutions so that SEP essentiality assessment can be carried out qualitatively and quantitatively.

Cross-licensing Portfolios of SEP's

It is the duty of SSO to develop and promote technical standards to permit inter-operability among standard-compliant products. Cross-licensing portfolios are common these days which enables every party to make its standard-compliant products without infringing other's SEPs.⁴²

Steps in Right Direction

It casts a duty on the governments to ensure that its related entities adhere to the accessibility standards and should formulate common enforcement procedure for the convenience of the public.⁴³ This is to set out minimum accessibility requirements for websites and mobile apps.⁴⁴ It will also enable anyone to notify a public sector organization if a website or mobile application is inaccessible. It must be safeguarded that there is satisfactory and effective enforcement procedure with a designated authority to monitor and implement these new rules. It is likely that this procedure will definitely become a good alternative for seeking solution through a non-judicial body.⁴⁵

Conclusion

The analysis of the facts lead to the clarity that the law on the subject is at nascent stage and the judgment on the subject have followed a sinusoidal approach and closer to its territorial operation. The licensing platform in this area has not been yet adopted by the implementer, who is hesitant due to uncertainty in the current regulatory environment and have little incentive to enter into a deal in this context. If the Make in India Concept is to be translated into reality, there is a need for SSO to encourage the technologist to develop the technology and the manufacturer need to ensure that the patentee rights are safeguarded and protected. This also requires that the patentee should not charge royalty on product basis but on technology for that part which belongs to them and fall under SEP not the whole. Therefore, while negotiating technology based on FRAND commitments, it must be ensured that the rights of the patent holders are duly safeguarded and protected keeping in mind the interest of the ultimate beneficiary (consumer) is not compromised. It is true that both patentee and manufacturer are at their profitability, which is fair enough but both should comply with the guidelines fixed by the SSOs including the recommendations of EU or other International body on SEP (to be established later, if any), in order to achieve a fair deal between the

manufacturer and the patentee and with a neutral role of SSO.⁴⁶

The development of law on SEP in EU, US, China and Japan as seen through the case laws, will act as a guiding tool for the Indian legal scholars and the technologist mainly on patent applicability on cross boarder litigations; such as, the *Huawei* cases in US and Chinese Courts. In order to gain the full benefit to the society, a balanced framework of IPR is required, which can support a sustainable and efficient standardized eco system *vis-à-vis* the licensing environment.⁴⁷

Furthermore, the net benefits in extending the current practice and with declarations to ensure that SSO to ensure that the database of the government department as well as in the private entities are available to the public at large, which shall facilitate the licensing negotiations in a transparent manner. It has also been seen that many courts follow the approach adopted by German Courts on SEP infringement; as followed in *Huawei v ZTE*⁴⁸ and *Huawei v Samsung*⁴⁴ by the Chinese Court and emphasized that a party at fault in FRAND negotiations cannot be treated as a party with clean hands.⁴⁹

From above, one can see that the challenges in the area of SEP and the role of stake holders, is to minimize the gap for SEP licensing, thereby leading to the industrial and economic progress so that maximum benefits to SMEs and start-ups reaches to the last door. One of the biggest challenges in the SEP licensing markets is to monitor with a focus on IOT technologies by creating an expert group to take stock of progress achieved and assess the need for further measures to ensure a balanced framework for smooth, efficient and effective licensing regime for SEPs.

In this regard, the recommendations of the EU Commission are vital, which suggest for a Uniform Patent Court and monitoring by the EU Commission on the market players in the SEP licensing market in Europe. It is expected that it shall have a positive impact on resolution of disputes pertaining to SEP.

Therefore, in line with the recommendations of European Commission, it is suggested that a Unified Global Patent Body to be created at international level to set up pools for key standardized technologies by facilitating access to pool management including techno-legal assistance to SEP's to provide standard setting guidelines for SEPs, which are FRAND based, by taking into account the practices and the judicial precedents on the subject and suggest the Model dispute resolution pertaining to SEP with a dedicated

negotiation, arbitration and mediation center benefitting from a pool of coherent and skilled judges, arbitrators and techno-legal experts to curb any malpractice and provide necessary recommendations to national bodies for its implementation. It should also coordinate with the national patent bodies dealing with SEP's to monitor their recommendations for implementation. Once these principles are adopted and based on the review, necessary amendments can be incorporated on FRAND terms by considering the changes in the technology and needs of the society.

References

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- 23 *eBay Inc. v Merc Exchange*, 547 U.S.388(2006).
- 24 *Samsung Electronics v Apple*, 196 L. Ed. 2d 363.
- 25 www.jonesday.com (accessed on 20 August 2019).
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- 27 Delivered on 3 April 2018 by Shenzhen /Court, China. This was a second injunction after the *Iwncomm* was granted injunction against *Sony* in 2016.
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- 30 The Court however, rejected the two reports as they were essentially focused on US patent portfolios and applications only.
- 31 The Court also rejected *Samsung* reference to *Huawei v IDC Case*, as in that case the royalty rate was to IDCs Chinese portfolio; whereas in present case, *Samsung* and *Huawei* are negotiating on a global cross- license, nor the portfolio strength of IDC matches with *Samsung* or *Huawei*.
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