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Analysis of Principles to determine the Frand Royalty Terms in SEP Jurisprudence

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Standardization of technology and Standard Essential Patents (SEPs) are the backbones of technical and commercial aspects of multiple existing and emerging technologies such as Wi-Fi, telecommunication, audio-video coding and transmission, etc. To effectively achieve objects of standardization, the need for SEP negotiations and licensing through Fair, Reasonable and Non-Discriminatory (FRAND) terms and conditions are necessary. When determining FRAND royalty rates and terms, the interest of all stakeholders involved needs to be taken into consideration. Determining FRAND royalty rate and licensing terms cannot be generalized and the individual situation needs to be assessed on their merits in light of the FRAND principles. To fulfill the purpose of standardization and uphold the interest of end-users both patentee and implementers need to adhere to FRAND principles during the negotiation process. Indian SEP space is growing with the encouragement of research programs, collaboration with international standard development and standard-setting organizations and growing reliance on indigenously developed technologies. Indian SEP jurisprudence is at a nascent stage and evolving with time. Indian tribunals and courts have attempted to find solutions by taking inspiration from cases decided in various foreign courts. This article attempts to analyze essential principles of SEP licensing as observed in Indian and foreign SEP jurisprudence and the applicability of FRAND terms in the Indian SEP jurisprudence.

Keywords: *essential patents, frand, competition law, patent law, frand royalty calculation.*

INTRODUCTION

India since independence has invested its financial and human resources and made strides in science and technology. From India's indigenous space program and nuclear program to the current indigenous development of 5G and 6G technology, India's scientific endeavour has continued despite its limited resources. Protection of innovation in India traces back to its colonial history. In 1856, a statute was enacted to protect innovation which was modelled on the British patent laws. Later in 1911, The Patents and Design Act was enacted and a framework was created for the controller of patents. Post-independence to fulfill the independent nation's aspirations an Act was enacted called The Patent Act 1970¹. Patents protect scientific vigour and ensure that innovators get remunerated for their skills, knowledge and efforts. A patent is an instrument that creates a monopoly over the product or process that has been claimed in favour of the patentee till it is valid. On the other hand, various international organizations, governments and market players have favoured creating standards for the efficient use of technology and resources and to provide consumers' benefits of innovation. Standard Essential Patent (SEP) protects invention which is indispensable in the implementation of technology to which standard it is essential. Exclusivity rights created through patents defeat the purpose of standardization. The fair, Reasonable and Non-Discrimination (FRAND) principle is the crux of SEP licensing. It is necessary to analyze indispensable aspects of FRAND licensing and the applicability of FRAND licensing in Indian jurisprudence.

CONCEPT OF STANDARDS AND STANDARD ESSENTIAL PATENTS

What is Standard? - Standard is a technical description of a product or process which provides a common design. ISO/IEC Guide 2:2004 defines 'standard' 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.' Broadly standards can be categorized into two categories, de facto standards and de jure standards. De facto standards are created due to the

¹ Patent Act 1970

wide acceptance of particular technology and they are widely implemented. E.g., Car Seat belt, QWERTY keyboard format etc. De jure standards are adopted by formal standard-setting organizations (SSOs) such as ETSI, TSDIS etc. De jure standards are developed by the participation of the majority of stakeholders in the industry. In some industries international bodies are established with the sole reason of developing standards e.g. 3GPP is an active body involved in the development of standards in wireless communication and the IEEE is an active body that develops and standardizes technologies like Wi-Fi, Zigbee etc. The SSO can be operating as an international organization or territorial or national organization. Standards are shared between such organizations, e.g. Indian ingeniously developed 5Gi standards merged with 3GPP 5G standards².

What is a Standard Essential Patent (SEP)? - The need for standards arose in various industries to effectively implement technology, efficiently use resources and conserve and protect the environment and human health. However, market players started to look at the standardization process as an opportunity. Patent owners opened a new avenue to license SEP to implementers by combining intellectual property rights with standardization. The standardization process involves key players in the industry and by consensus, a product or process description is adopted as standard. Generally, each market player endeavours to convince others to adopt their patented technology as standard. Though SSOs and standard development organizations have a greater role in setting standards when the question comes to SEPs, they have a very limited role. Many SSOs adopt a policy to disclose patents and they publish such information. Market players who have pending applications or patented technology that has contributed to the standard-making, such contributors have to declare their patents and agree to license these patents in FRAND terms and conditions.

² Aditi Das, 'TSDSI 5Gi standard merged with 3GPP 5G' (*TSDSI India's Telecom SDO*, 29 April 2022) <<https://tsdsi.in/tsdsi-5gi-standard-merged-with-3gpp-5gnew/>> accessed 04 August 2023

STAKEHOLDERS IN SEP

SEP is a patent granted to the patentee and the patentee is protected and empowered through the Patent Act. When we consider who are stakeholders in SEP jurisprudence there emerge three stakeholders,

Patentee/ Licensor/ Patent Owner: SEP's patentee holds exclusivity rights over the process or product. No implementor can use the same process or product without the prior permission of the patentee. A patentee can also be a market player providing devices or services using the described process or product.

Implementor/ Licensee: An implementor is an entity that manufactures devices that potentially use the process or product described by SEP. The implementor has to take the license from the patentee to legally manufacture/ import/ sell devices or service that uses patented product or process.

Consumer/ End-user: Consumers are individuals or entity that uses end product or service that utilizes the process or product described by SEP. Consumers don't have any direct role in transactions related to SEP but, the terms and conditions of the licensing affect the free market and free trade of such products and indirectly affect consumers.

When the question of SEP licensing arises all three stakeholders need to be given due consideration. Intellectual property rights protect the patentee, whereas fair market practice for the protection of consumers from abuse of dominance requires the protection of the interests of implementers.

DETERMINING THE ESSENTIALITY OF PATENTS

The most important step in SEP licensing is to determine which patents are essential to the technology standard in question. Wireless communication is an industry in which policy, methodology and jurisprudence of SEP have been widely researched and evolved with time. Over-declaration is a key recognized issue with the patent declaration policies of SSOs. In the

wireless communication SEP space, ETSI has only 50% to 90% of patents essential to the standards in which they are declared. In such conditions when the issue comes before courts to adjudicate on FRAND licensing matters, determining the size of the portfolio comprising truly essential patents becomes difficult. In the UK case, *Unwired Planet v Huawei*³ court observed a similar problem in determining the essentiality of patents. Both parties to suit could not agree on a method to determine the essentiality of patents. When such questions arise in large patent pools determining the essentiality of every patent by making an unbiased technical analysis is difficult. SSOs do not cross-check the essentiality of declared patents against declared technical specifications. The essentiality of patents in the portfolio is an important consideration in the patent licensing process. In *Philips v Rajesh Bansal*⁴ Hon'ble Delhi High Court, when an issue was raised regarding the essentiality of the patent in question, relied on essentiality reports for the US patent and EP patent given by two independent firms commissioned by Philips and observed that claims of US, EP and Indian patent which was in question are similar and held Indian patent as a standard essential patent. In the USA, the California district court case of *TCL v Ericsson*⁵ court relied upon analysis done by an Indian firm commissioned by TCL, where they spent an average of 20 minutes on each patent for an average of \$100 to analyze 2600 patent families. Ericsson contended the expertise and accuracy of such analysis but the court relied on the same report observing they had an error rate of only 9.5% and this error went in both directions nullifying the effect of the error. Whereas Ericsson provided claim charts for 192 families out of 235 to assert their position. This decision of the district court was vacated by the federal circuit court on account of procedural deficiency between jury trial and bench trial.

In light of the above three incidents, when it comes to technical analysis to determine essentiality court is often out of its depth and has to rely on expert opinion and analysis provided by contending parties. Technical analysis of parties involved is not always unbiased analysis and questions regarding the expertise of persons doing analysis and its accuracy is always a question. Japanese Patent Office (JPO) has established 'Hantei' to give an advisory opinion on

³ *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 711 (Pat)

⁴ *Koninklijke Philips Electronics N V v Rajesh Bansal & Ors* (2018) DLT 602

⁵ *TCL Commun. Tech. Holdings, Ltd. v Telefontaktiebolaget LM Ericsson* [2018] WL 4488286

the question of the essentiality of patents⁶. Though the advisory opinion of JPO is not binding it is given by an independent third party.

In determining the essentiality of a patent against the standard, a claim chart is the most efficient way. In claim charts, an individual claim of the patent is mapped with technical specifications of the standard to determine whether the claim encompasses essential components of the standard. However, making a claim chart requires technical expertise and consumes a more significant amount of time.

PRINCIPLES IN DETERMINING FRAND RATES

Royalty rate determination is an important and complex process in patent licensing. The share of intangible assets in S&P 500 companies has almost grown to 90% of total assets⁷. Intellectual property consists of a major chunk of these intangible assets. Different methodologies and principles are applied to calculate the valuation of intellectual property royalties. When calculating the royalties of SEP, FRAND principles must be applied. When determining royalty for SEP following parameters need to be considered,

Patent hold-up: A patent hold-up is a situation where the patentee denies the implementor license to SEP or agrees to give the license in such a term that it is unfavorable to the licensee and will lead to an increase in price for consumers and consumers can not enjoy the benefit of innovation. Avoiding patent hold-up situations is an essential feature of licensing on FRAND terms⁸.

⁶ 'Manual of "Hantei" (Advisory Opinion) for Essentiality Check (Revised Version)' and New Operation based on the 'Manual of "Hantei" (Advisory Opinion) for Essentiality Check (Revised Version)' (*Japan Patent Office*, July 2019)

<[https://www.jpo.go.jp/e/system/trial_appeal/hantei_hyojun.html#:~:text=The%20Japan%20Patent%20Office%20\(JPO,Opinion\)%20for%20Essentiality%20Check](https://www.jpo.go.jp/e/system/trial_appeal/hantei_hyojun.html#:~:text=The%20Japan%20Patent%20Office%20(JPO,Opinion)%20for%20Essentiality%20Check)'> accessed 06 August 2023

⁷ Bruce Berman, 'Latest data show that intangible assets comprise 90% of the value of the s&p 500 companies' (*IP CloseUp*, 19 January 2021) <<https://ipcloseup.com/2021/01/19/latest-data-show-that-intangible-assets-comprise-90-of-the-value-of-the-sp-500-companies/>> accessed 05 August 2023

⁸ *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 711 (Pat)

Patent holdout: Patent holdout is the opposite situation of patent hold-up. In a patent hold out implementor prolongs the negotiation phase for an unreasonable period resulting in loss to the patentee and the patentee cannot enjoy the benefit of their patented innovation⁹.

Royalty stacking: Royalty stacking is based on the hypothesis that manufacturing a device involves the implementation of numerous patents held by different patent holders. When the implementor negotiates a license with each patentee the royalty payable will add up to an unsustainably high level¹⁰.

Proportionality: Proportionality in SEP valuation calculates royalty considering the importance of the particular SEP to the standard. In *Samsung v Apple*¹¹ Japan IP High Court to determine damages payable by FRAND obligation opted for a methodology that considered the contribution of the patents in question to the standard. As the court couldn't determine details of other essential patents, they settled on division by total standard essential patents to the standard.

Non-Discrimination: Non-discrimination is one of the essential features of FRAND licensing. It is based on the theory that similarly situated implementors shall lie on a similar footing. If the license is granted to implementors by the patentee in such a manner that some implementors are imposed with harsh terms it will encourage monopoly indirectly. The word Non-discrimination has different meanings in different economic interpretations. In SEPs, some believe non-discrimination means similarly situated implementors have to pay similar royalties¹². In *Unwired v Huawei*¹³ UK court has held, that 'hard-edged' non-discrimination i.e., every implementor should be offered a license at the same price as other similarly situated licensees is not a principle under FRAND but a benchmark should be decided for FRAND royalty and every licensee has right to demand license on that benchmark royalty.

⁹ *Ibid*

¹⁰ Alexander Galetovic and Kirti Gupta, 'Royalty Stacking and Standard Essential Patents: Theory and Evidence from the World Mobile Wireless Industry' (2016) Northwestern Pritzker School of Law <https://www.law.northwestern.edu/research-faculty/clbe/events/innovation/documents/galetovic_royalty_stacking_060416_gg.pdf> accessed 05 August 2023

Incentivizing inventors: When determining the royalty of SEP, it must be kept in consideration that the royalty rate should be high enough to incentivize patentees in their R&D efforts and participation in the standardization process. It has been observed practice of implementors that, they would lead negotiation in patent holdout situations by contending royalty rates are not fair or reasonable. The court must give thought to this principle while applying FRAND obligations¹⁴.

METHODS OF DETERMINING FRAND ROYALTIES

Indian SEP jurisprudence is still in nascent stage. A complex issue such as the calculation of royalty rates in SEP is not yet authoritatively decided by the High Courts or the Supreme Court of India. When we look at foreign cases decided in the UK, the US, Japan and European courts have used different techniques to determine royalties. Some of those methods are analyzed below.

Comparable Licensing approach: In determining royalty rates, courts often rely on royalties received by licensors or paid by licensees for SEPs in similar licensing situations based on FRAND terms¹⁵. In *Microsoft v Motorola*¹⁶ US district court on the question of FRAND royalty of Motorola's patents relied upon the royalty rate of three patent pools offered by three different entities in the same standard and calculated an average of three royalty rates and assigned it to Motorola's patents. In another *In re Innovatio*¹⁷ US district court case, in contrast to the *Microsoft* case did not rely on the patent pool for calculating comparable licenses. Further, the court also declined comparable royalty calculations because prior license negotiations can be under different circumstances, larger portfolio pools, or different standards. Instead, the court

¹¹ *Samsung Electronics Co. Ltd. v Apple Japan Godo Kaisha* [2013] (Ne) 10043

¹² Jorge L. Conteras, 'Global Rate Setting: A Solution for Standards Essential Patents?' (2019) 94(2) Washington Law Review

¹³ *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 711 (Pat)

¹⁴ *In re Innovatio IP Ventures, LLC* [2013] WL 5593609

¹⁵ Koren W. Wong-Ervin, 'Methodologies for Calculating FRAND Royalty Rates and Damages' (*ABA Defending Liberty Pursuing Justice*, 22 October 2014) <https://www.ftc.gov/system/files/attachments/key-speeches-presentations/wong-ervin_aba_program_frand_royalty_rates_10-22-14.pdf> accessed 06 August 2023

¹⁶ *Microsoft Corp. v Motorola, Inc.* [2013] WL 2111217

¹⁷ *In re Innovatio IP Ventures LLC* [2013] WL 5593609

suggested a top-down method. In *Unwired v Huawei*¹⁸ UK courts accepted comparable licensing as a reliable approach to determine royalty if there are relevant comparable licensing programs available.

In incomparable licensing programs, ‘unpacking’ plays a major role. All patent licensing programs are not necessarily one-way licensing. In the case of cross-licensing, there can be two-way licensing between parties who are implementors as well as licensors. Sometimes FRAND licensing is part of a bundle of agreements that would not resemble characteristics of patent licensing e.g., technology sharing. When using a comparative licensing approach such agreements first need to be unpacked and notional royalties shall be determined¹⁹.

Top-down Approach: The alternate method of comparable licensing approach is a top-down approach. In a top-down approach, an aggregate royalty needs to be assigned to all SEPs available for that particular standard. Later, it should be calculated what portion of patents or patent pools in question contribute to the aggregate SEPs pool. In *TCL v Ericsson*²⁰ court settled on a Top-down approach to calculate the royalty rate payable by TCL. The court identified all patent families essential to the standard in question and identified a portion of Ericsson’s portfolio in the aggregate pool. Based on royalty applicable to aggregate pool calculated royalty payable for Ericsson’s patents in question. The top-down approach ensures that the effect of royalty stacking does not appear, as an aggregate royalty rate is fixed which covers all the patents that need to be licensed to implement the technology in the device. In *Samsung v Apple*²¹ Japan IP High Court relied on a top-down approach when awarding damages. In *Unwired v Huawei*²² court relied upon a top-down approach to determine whether offers made by Unwired and Huawei complied with FRAND terms.

When applying the top-down approach court has to decide two factors, what is the aggregate patent pool present in the standard that is in question and how much contribution licensor’s

¹⁸ *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 711 (Pat)

¹⁹ *Ibid*

²⁰ *TCL Commun. Tech. Holdings, Ltd. v Telefonaktiebolaget LM Ericsson* [2018] WL 4488286

²¹ *Samsung Electronics Co., Ltd. v Apple Japan Godo Kaisha* [2013] (Ne) 10043

²² *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 711 (Pat)

patents have made in that aggregate pool. When determining the aggregate pool using patent family for statistical purposes is the best solution as it removes duplicate patents from both the aggregate pool and the licensor's portfolio and can generate an accurate ratio of the licensor's contribution. The next question the court has to determine is what is the royalty rate of the aggregate pool in the standard? If the formula for the top-down approach is generalised with the help of the abovementioned authorities, it can be specified as,

Royalty rate of licensor's portfolio

$$= \frac{\text{(Number of essential patent families contributed by licensor)}}{\text{(Number of total essential patent families in the standard)}} \\ * \text{(Aggregate royalty rate of total essential patent family)}$$

Smallest Saleable Patent Practising Unit (SSPPU): Competition Commission of India, in *Intex v Ericsson*,²³ though did not explicitly use SSPPU for calculating royalty, on passing the injunction order held that a royalty claim based on the price of the product for an end-user is contrary to FRAND terms. In *Laser Dynamic v Quanta Computer*²⁴ court observed that when a product consists of multiple components, calculating damages or royalty should not be based on the market valuation of the entire product but using the smallest saleable patent-practicing unit only. The court further made an exception that if it has been proved that market demand for the product is attributed to the patent portfolio of the licensor, the market value of the entire product can be considered in determining royalty. The majority opinion in *Ericsson v D-link*²⁵ relied on the SSPPU approach and held calculating the damages or royalties must be premised on the value of the patented feature. Any value added by the adoption of patented technology in standard shall not be considered. This approach is to ensure the patentee gets compensated or benefited only for the value their patented technology adds to the product.

In the current technological landscape, devices consist of multiple technologies bundled together which may not be directly dependent on each other. In today's smartphone market,

²³ *Intex Technologies (India) Limited v Telefonaktiebolaget LM Ericsson* [2014] CCI 10

²⁴ *LaserDynamics, Inc. v Quanta Computer Inc* 694 F.3d 51

²⁵ *Ericsson, Inc. v D Link Sys.* 773 F.3d 1201

mobile phone demand is not dependent solely upon wireless communication technology. Royalty calculated for wireless SEPs considering mobile phones' entire market value and sell quantity would not be reasonable or fair terms. When calculating licenses for SEP, value added in devices by the patented technology shall be considered.

ANALYSIS OF INDIAN SEP JURISPRUDENCE

Indian SEP jurisprudence is still at a young age. As per the National Telecom Policy, 2012, India formed the Telecommunications Standards Development Society, India (TSDSI) on 7th January 2014. TSDSI India has contributed to the indigenously developed 5G standard in wireless communication standards since its inception. The majority of wireless communication standards are set by ETSI and Intellectual Property Rights (IPR) declaration signed by patentees when contributing to standard development. ETSI's IPR declaration is exclusively governed by French laws. FRAND obligations are placed on SEP owners through IPR declarations made to SSOs. Other aspects of Indian SEP jurisprudence are competition law and patent law.

Remedies available in Patent law: The Patent Act in Chapter XVI highlights that a patent shall not be used as an instrument to create a monopoly depriving the general public opportunity to enjoy the benefits of inventions at affordable prices. Sec. 84²⁶ expressly creates a framework to grant compulsory licenses. But at the same time, legislators have included some safeguards to protect the interests of the patentee. The compulsory license can be granted in the following circumstances:

- a) After granting the patent 3 years have been lapsed.
- b) After the expiry of 3 years, the patented invention is not available to the public at an affordable price or the invention has not worked in India or the current implementation of the invention does not satisfy public requirements.
- c) A person or entity asking for a grant of compulsory license has the ability and necessary capital to implement the invention.

²⁶ Patents Act 1970, s 84

- d) A person or entity seeking a grant of compulsory license has made reasonable efforts to obtain a license for the patent from the patentee.

The above provisions though do not directly deal with SEP, the implementor can ask for a license from the controller if the patentee negotiates contrary to FRAND terms. But at the same time, it protects the patentee's interest for 3 years and if the patented invention is available for an affordable price for public use compulsory license cannot be granted.

Remedies available in Competition law: The objective of the Competition Act is to protect free trade for the benefit of consumers. The architecture of the Competition Act bars anti-competitive agreements and abuse of the dominant position of the patentee. The most relevant provision from the viewpoint of SEP is Sec. 4²⁷ of the Competition Act barring abuse of dominant position and for this provision following incidents come under dominant position:

- a) Imposing unfair, discriminatory terms or prices on the sale of goods or services,
- b) Restricting production of goods or providing service or technical or scientific development which negatively impacts consumers,
- c) Adopting practices denying market access,
- d) Uses its dominant position in one market to enter into another market.

To apply the Competition Act in SEP jurisprudence one of the above four elements of the use of an abusive dominant position shall be established against the patentee. If the patentee uses their license negotiation to hold the implementor at ransom and tries to enter the market which has not been explored by the patentee it can be said that the patentee has abused its dominant position. Further, SEP owner can use their technical dominant position to deny sharing technical and scientific innovation with implementors which can ultimately lead to a monopoly over the invention depriving consumers of access to quality and affordable products or services. When it comes to whether a patent can be construed as 'goods' and whether giving a license for a patented invention can be considered a 'sale of goods' is a grey area.

²⁷ Competition Act 2002, s 4

Whether patents and patent license come under the definition of ‘goods’ and ‘sale of goods’?

In *Ericsson v CCI*,²⁸ the Delhi High Court considered whether a patent can be said to be goods for the Competition Act. When considering the definition²⁹ of ‘goods’ it encompasses all movable property other than actionable claims and money. In all movable property, tangible as well as intangible property is included. Delhi High Court ruled that a patent comes under the definition of goods and the Competition Act applies to patents. When we consider SEP licensing there is no actual sale of the patent as such but only interest is sold to exercise enjoyment of the invention for producing a product or providing service to the implementor. Delhi High Court left whether licensing a patent comes under the definition of ‘sale of goods’ unanswered.

In patent licensing, only part of the interests arising out of a patent is transferred. When we consider patent licensing as the sale of goods, it has to be established that interests arising out of patents amount to movable property. Movable property is defined in the General Clauses Act as ‘*property of every description, except immovable property.*’³⁰ General Clauses Act further defines immovable property as, ‘*immovable property shall include land, benefits to arise out of land and things attached to the earth, or permanently fastened to anything attached to the earth.*’³¹ The definition of immovable property in the Transfer of Property Act is not relevant to patent rights but to exclude actionable claims, it is defined in the Transfer of Property Act as, ‘*means a claim to any debt, other than a debt secured by mortgage of immoveable property or by hypothecation or pledge of moveable property, or to any beneficial interest in moveable property not in the possession, either actual or constructive, of the claimant, which the Civil Courts recognize as affording grounds for relief, whether such debt or beneficial interest be existent, accruing, conditional or contingent.*’³² In light of the above discussion, movable property is anything that is not attached to the earth or has no benefits arising out of land other than actionable claims or money. As mentioned above Delhi High Court has already held that a patent is an intangible property and comes under the definition of immovable property and goods. ‘Property’ includes any interest in any movable or immovable

²⁸ *Telefonaktiebolaget Lm Ericsson v Competition Commission of India and Another* [2016] 66 PTC 58

²⁹ Sale of Goods Act 1930, s 2

³⁰ General Clauses Act 1977, s 3

³¹ General Clauses Act 1977, s 3

³² Transfer of Property Act 1882, s 3

property³³. Supreme Court held that the term property in its widest sense includes every possible interest that a person can hold or enjoy³⁴. Patent Act grants a patentee bundle of rights and interests with a grant of patent. The rights and interests include exclusivity rights and these exclusivity rights apply to making, using, offering for sale, selling, or importing the patented invention³⁵. If we consider making, using, offering for sale, selling and importing as interest arising out of the patent and the patentee devolves any of the interest without exclusivity right on any licensee, in light of the above discussion about 'property', the patentee is selling 'property' for consideration. The patent itself is an immovable, intangible and incorporeal property therefore interest arising out of the patent resembles a similar character. When the patentee is licensing SEP to the implementor he is for the Competition Act selling 'good'. If in the licensing process, the patentee imposed unreasonable conditions patentee is abusing his dominant position and, in such situations, the implementor can seek remedy from the Competition Commission of India under the Competition Act.

Principle of harmonious construction in remedies available with implementors: In Indian SEP jurisprudence implementors can seek two remedies when they are denied a license to SEP or during negotiation FRAND principle was not implemented. For SEP, the Competition Act is general whereas the Patent Act is specific legislation. When multiple acts take contradictory positions, the general rule is specific legislation prevails. However, the Delhi High Court in *Ericsson v CCI*³⁶ held that the provisions of the patent act for compulsory licensing and the power of the Competition Commission to pass an order against the patentee for their abuse of dominant position co-exist. Implementors can take any recourse of their choosing as well as they can use both remedies simultaneously.

Implementation of the FRAND terms by Indian courts: There are less than 50 reported cases decided by various tribunals and High Courts regarding SEP matters. Matters relating to FRAND royalty calculations or damages calculations have not yet been authoritatively decided

³³ Gift Tax Act 1958, s 2

³⁴ *Ahmed G.H. Ariff and Ors v Commissioner of Wealth Tax* (1969) 2 SCC 471

³⁵ Patent Act 1970, s 48

³⁶ *Telefonaktiebolaget Lm Ericsson v Competition Commission of India and Another* [2016] 66 PTC 58

by Indian courts. The injunction is the most prayed remedy before courts and tribunals in matters concerning SEP licensing and infringement. Non-sharing of licensing terms and rates with the implementor by the patentee in the course of negotiation has been held as abusing the dominant position by the SEP owner³⁷. If the SEP owner thrusts a non-disclosure agreement on the implementor before negotiation and puts the implementor in an unfavourable position so that the implementor cannot determine whether offered prices for the license and terms of the license are comparative, there is no obligation upon the implementor to accept the license in the dark and such negotiations are in contravention of FRAND principles³⁸. On the other hand, if the implementor refuses to sign a reasonable non-disclosure agreement and drags the negotiation process on unnecessary grounds, this is an infringement by the implementor on the patentee's rights³⁹. Threatening the implementor with legal action in the course of license negotiation is an abuse of the dominant position by the SEP owner⁴⁰. With the above laid down principles Indian courts have tried to uphold a delicate balance between patentees' and implementors' rights, interests and obligations.

CONCLUSION

Necessity is the mother of invention. In the current digital world race for developing technology-packed products, scientific invention consists major part of market players' expenditure. Many industries require a standardization of technology for efficient use of invention and resources. During standardization, processes and products developed and patented by various market players are also included in essential components of the standard. The patentee is obligated to license patents on FRAND terms based on the declaration made to SSOs when including those patents in the technical specification of the standard. In Indian SEP jurisprudence, the Patent Act provides for exclusivity rights of the patentee as well as privileges for implementors to demand a compulsory license from the patent controller in certain situations. Simultaneously, the Competition Act provides remedies to implementors against predatory and abusive

³⁷ *Micromax Informatics Limited v Telefonaktiebolaget LM Ericsson* [2013] CCI 77

³⁸ *Intex Technologies (India) Limited v Telefonaktiebolaget LM Ericsson* (2014) CCI 10

³⁹ *Telefonaktiebolaget LM Ericsson v M/s. Best IT World (India) Private Limited* 2015 SCC OnLine Del 11684

⁴⁰ *Ibid*

practices of SEP owners. To apply the Competition Act, a patent can be said to be a 'good', whereas licensing a particular interest arising out of a patent can be construed as a 'sale of good'.

When applying the FRAND principles in SEP jurisprudence rights and interests of the patentee, the implementor and the consumer shall be given due consideration. During the licensing process, the patentee shall avoid patent hold-up situations, excessive NDA thrusting and concealing necessary data from potential licensees. On the other hand, the implementor shall avoid patent holdout situations, unnecessary delays in negotiations and encroaching upon the patentee's exclusivity rights by denying due royalty to patentees. There is a need to establish a mechanism to constitute an independent body of technical experts to determine the essentiality of patents and provide non-partisan opinions about technological contentions raised by parties before the court. When determining FRAND royalty, the patentee shall be remunerated only for value added by the patent in the product and royalty stacking shall be avoided. There is a need to place a stricter declaration norm to mandatory declare all SEPs with SSOs and cross-check the actual essentiality of declared patents with the standards in which they are declared.

There is no universal royalty determination approach accepted by all the stakeholders and courts. The approach for royalty declaration changes as per the type of product, value added by SEP in that product and proportionality of the patent pool's contribution to a particular standard. However, the FRAND principles such as non-discrimination, incentivizing investors and providing the benefit of invention to consumers at affordable prices shall be reflected in any royalty determination approach. As Indian SEP jurisprudence evolves Indian judicial system needs training and skill upgradation to appreciate the technical aspects of the standards and patents and economic aspects of patent licensing.