

To Grant or Not to Grant

Injunctions in the World of Standard Essential Patents

by **Michelle Dias and Mudita Gairola***

Abstract: Competition law is a complex law that is ever evolving and finds itself face to face not only with difficult theories of economics and market definition but also with intellectual property law. This interaction between Competition law and Intellectual Property law can be starkly seen in the world of Standard Essential Patents. With the increase in investment in innovation and knowledge, there has been an increase in technological advancements and inventions such as in the field of electronics communications and networks. Subsequently, this has led to the rise in the importance of interoperability. This is where standards, standard-

setting organizations and standard essential patents become important. It may seem, especially in this context, that competition law and intellectual property law are in conflict. However, that is necessarily not the case. In this paper, a small aspect of this conflict will be analysed: – whether injunctions should be granted for FRAND-encumbered standard essential patents or not. For this, global trends and the Indian scenario have been studied. The study concludes by suggesting a balance be maintained between both the laws and between the rights of the standard essential patent holder and the standard implementer.

Keywords: standard essential patents; FRAND; intellectual property law; competition law

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Recommended citation: Michelle Dias and Mudita Gairola, To Grant or Not to Grant: Injunctions in the World of Standard Essential Patents, 14 (2023) JIPITEC 180 para 1.

A. Introduction

1 A patent is a form of intellectual property (IP) right that seeks to protect technological advancement that has been reduced into practice. It is a negative right that allows the inventor to exclude others from commercially exploiting the invention for a fixed period of time, in return for disclosure of the details of the patented invention. One of the main justifications for such an exclusionary right stems from the need to reward innovators via intellectual property protection as a suitable reward for their intellectual labour.¹ Further, Intellectual Property

Rights (IPRs) play a vital role in encouraging investment in the field of innovation. The growing investment in innovation and knowledge acts as a catalyst for further modernization and technological advancements. Progress in the sphere of economy and technology has always been closely linked. Thus, patents incentivize inventors to invest time, energy and money into producing valuable inventions by protecting their rights and giving them effective legal protection.

2 The growing focus on today's knowledge-based economy has led companies to value their patents more and to pay attention to their patent portfolios. In this context, IPR licensing is a key way to generate profit. One of the important ways for a company to do that is to own Standard-Essential Patents (SEPs). Standard-Essential Patents are the patents that are indispensable for implementing

* Michelle Dias, Teaching and Research Associate (Law), GNLU Gandhinagar; Mudita Gairola, LL.B. RGSOIPL, IIT Kharagpur.

1 C. May, A Global Political Economy of Intellectual Property Rights: The New Enclosures? 7 (Routledge, New York 2000).

a standard. Standards play a key role in the global economy and have become a ubiquitous part of our lives as they facilitate trade, allow cost savings for firms, increase economic efficiency and contribute significantly to economic growth.² Standards are the technical specifications for a new product or process.³ Standards are required for interoperability and interconnectivity such as the three-prong plug, Hyper Text Transfer Protocol (HTTP), Global System for Mobile Communication (GSM), Long Term Evolution (LTE), Wireless Fidelity (Wi-Fi) and many more. Standards are so interwoven in our lives that we hardly notice them. They only come to our notice when they don't perform as expected or are not complied with (e.g., different plug standards for electronics). Standards are present in various fields such as in information and communications technology (ICT) products, medical equipment, industrial products, consumer goods, transportation system and manufacturing parts.

- 3 The key instruments in adopting, analyzing, coordinating and disseminating technology standards in different industries are the Standard-setting organizations (SSOs). SSOs can be governmental like the Bureau of Indian Standards (BIS) or private bodies like the American National Standards Institute (ANSI). They can be found at the national level like Telecommunications Standards Development Society, India (TSDSI), or international level, such as the International Organization for Standardization (ISO). The inventors/the technology owners as well as the implementers of the standard are the members of these SSOs. They are the stakeholders in the standard setting process. The final adoption and completion of the selection process of the standard depends on whether specific rules have been complied with, by the members. Myriad of questions arise when it comes to SEPs and standard setting. Certain pertinent questions play with the interface of competition and IP law.

B. The Tussle between Competition law and IP law in a Standard Setting

- 4 At the very outset, it may seem that there is a tussle between IP law and competition law. From *ex-ante* view, IP law creates rivalry between firms as they fight to get IP protection and benefits for their in-

novation. However, from the *ex-post* points of view, IPRs give monopoly to the owners and exclude everyone except the owner from reaping the benefits of the innovation. Thus, interplay with competition law is always in the picture when it comes to IP law. It is the objective of competition law to curtail such activities that threaten free trading and ultimately a free market. Competition law aims to promote competitive behaviour in the market so that ultimately consumer welfare is promoted along with increase in consumer choices. Monopolization is not illegal per se under Competition law but the abuse of such dominant position is.⁴ These two branches of law seem to be at odds, as IP law grants exclusivity, while competition law prevents exclusivity when abused. However, this is over-simplification of complex laws, and it has been well established that they are in fact complementary. The end goal in each case is to promote general welfare and innovation. As Mark Lemley put it, “the goal of both antitrust law and patent law is to maximize allocative efficiency (making what consumers want) and productive efficiency (making these goods with the fewest scarce resources)”.⁵ Thus, IP law is given special treatment under competition law. In India, Section 3 of the *Competition Act*⁶ relating to agreements, explicitly exempts reasonable conditions imposed for protecting IPRs and Section 4 relating to abuse of dominance on account of holding of IPRs, considers all the factors under the framework of competition harm before arriving at any conclusion.⁷

- 5 In a standard-setting organization, anticompetitive conduct may include patent ambush by non-disclosure of relevant patents and violating fair, reasonable, and non-discriminatory (FRAND) licensing commitments by the IPRs holders. The SSOs have policy rules that govern the procedures for the adoption of a standard. They include disclosure rules and licensing rules. These policy rules try to strike a balance between Competition law and IP law. According to the disclosure rules, the participants in a standard-setting process must reveal any existing rights in relation to patents that may be related to the standard. The patents in question are the essential patents required for implementing the standard. The licensing rules, on the other hand, dictate that the terms under which the IPRs owners

2 T.M. Egyedi and K. Blind, *The Dynamics of Standards* 4 (Edward Elgar, Cheltenham 2008).

3 Hovekamp, H. Et Al., *IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law* Section 35.1a (Aspen Publication 2003).

4 Section 4 (2), *The Competition Act, 2002*, No. 12, Acts of Parliament, 2002.

5 Mark A. Lemley, *A New Balance between IP and Antitrust*, 13 *Sw. J. L. & Trade Am.* 237 (2007).

6 *The Competition Act, 2002*, No. 12, Acts of Parliament, 2002.

7 Provisions relating to Abuse of Dominance, *Advocacy Booklet*, Competition Commission of India (May 11, 2020, 8:20 PM), https://www.cci.gov.in/sites/default/files/advocacy_booklet_document/AOD.pdf.

license the standard-essential patents should be fair, reasonable and non-discriminatory. It is pertinent to note that SSOs don't decide what these terms are. These fair, reasonable, and non-discriminatory terms are decided upon by the implementers and the IPRs holders in private bilateral negotiations. FRAND licensing terms are an *ex-ante* commitment to negotiate with potential licensees of the technologies. This commitment is a pledge by the patent owner to limit the right to exclude. While a patent owner has the exclusive right to not license a patent, adoption of FRAND terms acts a pledge to license the patented technology to parties who need access for the purposes of manufacturing.⁸ Since there is no fixed FRAND rate and the SSOs do not outline what exactly are the fair and reasonable rates, many a times the IPRs holders do not comply with the responsibility to license their technology on FRAND terms. Further, the IPRs holders even stop the implementers from using the patent essential for the standard by seeking injunctions. In general, patent holders have the right to file for injunctions and exclude anyone from using their invention, however when FRAND commitments come into picture, this also becomes a concern for competition authorities. Thus, SEPs fall right in the interface of Competition and IP law.

- 6 The enforcement of the rights of an SEP holder through injunctions may lead to abuse of the dominant position of the SEP holder. The SEP holder's statutory rights to an injunction or an exclusion order are not waived by a normal FRAND contract. As a result, a FRAND agreement does not stop the SEP holder from seeking such remedies. Only in certain situations would a SEP holder's request for an injunction or exclusion order be considered a breach of the FRAND agreement—for example, if a FRAND commitment explicitly prohibits the use of injunctions or exclusion orders, or if the SEP holder requests an injunction before extending a FRAND license offer to the unlicensed implementer. However, the fact that an SEP holder has the right to request an injunction does not imply that the SEP holder can actually obtain such a remedy. This intricacy needs to be studied, and whether injunctive relief is a threat or not, needs to be looked into.
- 7 Technology standardisation and patent holders' rights must coexist in harmony. The main benefit of standardisation is that it may provide efficiency improvements, which are good for customers. This is because it enables producers to expand the total size of markets, achieving economies of scale and increasing product substitutability. In the realms of information and communication technology (ICT)

and the Internet of Things (IoT), standardisation is very important. Standardization is essential for the use of ICT and IoT in the creation of “smart cities”, which are able to handle a variety of challenges, such as traffic control, resource management, and public health, in a more effective way. The existence of SEPs and related litigation may have adverse effects on the production, promotion, and distribution of sophisticated products that include several proprietary standards and a growing number of IoT items. Owners of SEPs might, if they so desired, utilise the patent enforcement system to “hold up” or prohibit rivals from releasing competing goods that use the same standards by enforcing their patents. This raises fundamental questions about market competitiveness and the necessity of maintaining interoperability to guarantee the growth of the IoT business. As a result, there is a severe conflict between SEPs (which grant their owners monopolistic powers as R&D incentives/rewards) and standards (which allow for widespread and collective use).

- 8 Standard-setting organisations (SSOs) typically require SEP-owners to provide an irrevocable undertaking that they are prepared to grant competitors licences on FRAND terms in order to strike a balance between the need for standardisation, required for public use, and the private rights of SEP-holders. However, issues occur when the parties are unable to agree on what constitutes FRAND in a certain situation. The dissemination of technology and the marketing of goods and services may be inconvenienced if SEP-owners and prospective licensees cannot agree on the amount of royalties that should be deemed fair and reasonable, or if one party believes that the terms of the licence are discriminatory, or if the parties cannot agree on the territorial scope of the licence. Following the *Huawei v. ZTE*⁹ case, the European Commission (EC) Communication of November 29, 2017, took into account three crucial SEP-related issues: (i) the requirement for a more transparent environment for negotiations between SEP-owners and licensees; (ii) the necessity of having common principles governing the valuation of SEPs technologies and FRAND terms; and (iii) suggestions for a more equitable enforcement system.¹⁰

8 Shubha Ghosh & D. Daniel Sokol, FRAND in India, University of Florida Levin College of Law Legal Studies Research Paper Series Paper No. 16-46 (2016).

9 EU:C:2015:477

10 Luke McDonagh & Enrico Bonadio, *Standard Essential Patents and the Internet of Things*, POLICY DEP. CITIZENS' RIGHT CONST. AFF. (2019).

C. Global Perspective

I. United States

- 9 In 2006, a case came up before the US Supreme Court which dealt with the issue of granting injunctions in relation to patents. This case did not fall in the antitrust domain but was more of an equity decision concerned with private remedies generally.¹¹ However, this judgment was in direct opposition with what was usually followed in the US: a general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.¹² The Court held in *eBay case*¹³ that four traditional principles of equity must be looked into while deciding whether to grant injunctions or not. A plaintiff must demonstrate that: (i) it has suffered an irreparable injury; (ii) remedies available at law (monetary damages) are inadequate to compensate for the injury; (iii) a remedy in equity is warranted; and (iv) the public interest would not be harmed by a permanent injunction.¹⁴ It was highlighted upon by one of the judges, Justice Thomas that injunctions may not serve the public interest in all cases especially when the patented invention is a small component of the final product that is launched in the market and the threat of injunction is employed for undue leverage in negotiations.¹⁵ This *eBay* test is used to evaluate injunction requests made by SEP holders as well.
- 10 Some commentators have argued that, after making a FRAND commitment, an SEP holder can no longer meet the *eBay* requirements for obtaining an injunction. Mark Lemley and Carl Shapiro have posited that, by making a FRAND commitment, an SEP holder has conceded that monetary damages would suffice to compensate the SEP holder for the infringement of its SEPs.¹⁶ An analysis of decisions in cases in which an SEP holder has requested an in-

junction reveals that, in each case, the SEP holder failed to meet the necessary criteria to obtain an injunction. For example, in *Apple Inc. v. Motorola, Inc.*¹⁷, the Federal Circuit found that Motorola was not entitled to an injunction because it had failed to show that Apple's infringement of Motorola's SEPs had caused Motorola irreparable harm or that monetary damages would inadequately compensate Motorola for that harm. Similarly, in *Microsoft Corp. v. Motorola, Inc.*, Judge Robart denied Motorola's request for an injunction against Microsoft's products that used Motorola's essential patents.¹⁸

- 11 However, an important question concerning the SEP holder's right to seek an injunction is whether such a request could make the SEP holder liable under US antitrust law. Several plaintiffs have challenged SEP holders' conduct under the section 2 of the *Sherman Act*.¹⁹ For example, in *Broadcom Corp. v. Qualcomm Inc.*²⁰, the plaintiff alleged that Qualcomm had monopolized the market for cellular telephone technology and components by, among other things, intentionally deceiving a private SSO. The US Court of Appeals for the Third Circuit found that the SEP holder's allegedly deceptive behavior during the standardization process was anticompetitive conduct actionable under the provisions of section 2 of the *Sherman Act*. After this, multiple plaintiffs used allegation of deceptive behavior to challenge the SEP holder's request for an injunction under the provisions of the act.
- 12 It is not just the *Sherman Act* but also the *Federal Trade Commission (FTC) Act* that has been invoked to try to make SEP holders liable for seeking injunctions under antitrust laws. Section 5 of the FTC Act²¹ gives the US Federal Trade Commission authority to prohibit "unfair methods of competition" and "unfair or deceptive acts or practices". However, the FTC alone can initiate an investigation of conduct that allegedly violates section 5 of the FTC Act and there can be no private action. The US Federal Trade Commission investigated the SEP holder's request for an injunction under section 5 of the FTC Act in its 2013 investigation of Motorola Mobility.²² The

11 S. Michel, Bargaining for RAND royalties in the shadow of patent remedies law, 77 (Antitrust Law Journal 889 2011).

12 *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695 (E.D. Va. 2003).

13 *Supra*, note 10.

14 Valerio Torti, Intellectual Property Rights and Competition in Standard Setting 117 (Routledge Research in Intellectual Property 2016); *Supra*, note 10.

15 *eBay Inc v MercExchange LLC*, 547 US 388 (2006).

16 M.A Lemley and C. Shapiro, "A simple approach to setting reasonable royalties for standard-essential patents" (2013) 28 Berkeley Technology Law Journal 1135.

17 *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1331–32 (Fed. Cir. 2014).

18 *Microsoft Corp. v. Motorola, Inc.*, No. 10-cv-01823 (W.D. Wash. Nov. 30, 2012), ECF No. 607.

19 *Sherman Anti-Trust Act*, 15 U.S.C. § 2 (1890).

20 *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 307 (3d Cir. 2007).

21 *Federal Trade Commission Act*, 15 U.S.C. § 45-58 (1914).

22 *Decision and Order, Motorola Mobility, L.L.C.*, No. 121-0120

FTC alleged that Motorola Mobility, following its acquisition by Google, engaged in “unfair methods of competition and unfair acts or practices” when it sought injunctions against allegedly willing licensees of its SEPs for smart-phones and tablet computers.²³ The FTC charged Motorola Mobility with violating section 5 by engaging in unfair practices that harmed competition in the market for electronic devices and that were “likely to cause substantial injury to consumers”. Ultimately, the FTC settled its Motorola Mobility investigation with a consent agreement requiring Motorola to cease and desist from seeking injunctions against alleged infringers.

- 13 Both the US Department of Justice (DOJ) and the Federal Trade Commission took similar methods, citing worries about the competitive consequences of patent holders who had made FRAND pledges seeking injunctive relief to keep willing licensees out. However, this perspective has lately shifted. There is currently a developing schism between the two agencies regarding how the FRAND procedure should work. In December 2019, the Justice Department, the US Patent and Trademark Office, and the National Institute of Standards and Technology issued a formal policy statement²⁴ on remedies for SEPs. Injunctions for SEPs should be accessible on the same terms as for patents in general, according to the new declaration. It further maintains that antitrust rules do not apply to FRAND issues in general. This contradicts what has been widely accepted in the United States for many years. However, the on-going case of *FTC v. Qualcomm*, which has been closely followed and has garnered great public and media interest, could give a picture of how things will move on in the US. In this case, the DOJ has openly contested the FTC’s accusations that Qualcomm exploited its market dominance to force others to pay greater royalties than they intended, and that Qualcomm then used this additional cash to prevent others from successfully competing with Qualcomm. The interface between Patents Law and Antitrust Law can be seen from this case, which perhaps may decide the role of anti-trust in SEPs and related FRAND activities moving forward.

(F.T.C. July 24, 2013).

- 23 Complaint, Motorola Mobility, L.L.C., No. 121-0120, at 1 (F.T.C. Jan. 3, 2013).
- 24 Policy Statement on Remedies for Standards-essential patents subject to voluntary F/RAND commitments, (May 11, 2021 8:30 PM) <https://www.justice.gov/atr/page/file/1228016/download>.

II. European Union

- 14 While the European Commission acknowledges that an injunction is a valid remedy, it has determined that where a patent owner has made a voluntary FRAND licencing promise and a licensee is prepared to engage into a FRAND licence agreement, seeking an injunction may constitute an abuse of a dominant position. This was held in the *Motorola*²⁵ case and the *Samsung*²⁶ case. The courts believed that the rights of the patent holder to enforce their intellectual property right, access the tribunals and freedom of trade needed to be balanced against the harms that will accrue due to the abuse of the dominant position of the SEP holder, which would be contrary to Article 102 TFEU. Thus, the European Union also recognizes that granting an injunctions as a relief would be inconsistent with FRAND terms.²⁷
- 15 Further, in 2015 in the seminal case of *Huawei v. ZTE*²⁸ (*Huawei*) the European Court of Justice set the framework for the admissibility of FRAND defences in SEP infringement cases and clarified that in order for the SEP owner to obtain an injunction, (i) it must notify the alleged infringer of the infringement and designate the SEPs infringed as well as the manner in which they have been infringed; (ii) the alleged infringer must express its willingness to take a licence on FRAND terms; (iii) the SEP holder must provide a written licence offer on FRAND terms, specifying in particular the royalty and how it is to be calculated; (iv) the alleged infringer must provide appropriate security and be able to render an account of its acts of use in accordance with recognised commercial practises in the field and in good faith (and in particular without delay tactics) by accepting the SEP holder’s offer or making a counter-offer, and (v) the alleged infringer must provide appropriate security and be able to render an account of its acts of use in accordance with recognised commercial practises in the field.
- 16 If an SEP holder seeks an injunction without first following these steps, a court may permit the alleged infringer to raise the “FRAND defense”—that is, argue that a license for the SEP was not offered on FRAND terms.

25 Case AT.39985 (2014), *Motorola - Enforcement of GPRS Standard Essential Patents*.

26 Case AT.39939 (2014), *Samsung - Enforcement of UMTS Standard Essential Patents*.

27 Nicolas Petit, *Injunctions for FRAND-Pledged Standard Essential Patents: The Quest for an Appropriate Test of Abuse Under Article 102 TFEU* (December 23, 2013).

28 Case C170/13, *Huawei Technologies Co. Ltd v. ZTE Corp., ZTE Deutschland GmbH*.

- 17 In 2016, the Dutch technology company Philips began to bring litigations in Germany and the Netherlands to protect an SEP it owned covering mobile cellular communication systems. In *Philips v. Archos*²⁹, a German regional court refused to grant an injunction, finding that Philips did not satisfy the Huawei principles and, thus, Archos had a FRAND defense. On the other hand, a district court in the Netherlands concluded in parallel proceedings that the SEP-implementer, Archos, proved unwilling to license Philips' SEP on FRAND terms as required by Huawei. In 2019, the Court of Appeal of The Hague again gave guidance on the interpretation of the Court of Justice of the European Union (CJEU) decision in *Huawei* and the standards for assessing FRAND defences under Dutch law in *Philips v. Wiko*.³⁰ The Court awarded Philips an injunction against Wiko as it was held to be an 'unwilling licensee'. The divergent national court opinions create confusion and it is important that there should be clarity amongst the members of the European Union as to how to approach this issue. The discussion around this is bound to evolve and develop in the coming years.
- 19 The Supreme Court determined that Unwired Planet was not required to provide Huawei a licence on the same terms that it had previously granted Samsung under the European Telecommunication Standard Institute (ETSI) IPR policy. Non-discriminatory "provides focus and narrows the scope for argument about what might count as 'fair' or 'reasonable' for these purposes in a given context," the Supreme Court said in explaining this decision, concluding that "fair", "reasonable", and "non-discriminatory" should not be seen as three separate obligations but rather as a single obligation. The Supreme Court further noted that a "most-favourable licence" word was missing from the ETSI IP rights policy (as was implied by the Huawei interpretation of non-discriminatory). ETSI has previously explored and rejected such a phrase. Because the circumstances of the CJEU case cited were different from those of the *Unwired Planet v. Huawei* case and Unwired Planet had demonstrated its willingness to grant a licence on terms deemed to be FRAND by the courts, the Supreme Court determined that Unwired Planet had not abused its dominant position in the market by starting legal proceedings before making a FRAND offer. Additionally, the Supreme Court ruled that it is not necessary to comply with Competition law in order to make a FRAND offer before seeking an injunction.

III. United Kingdom

- 18 *Unwired Planet v. Huawei*³¹, one of the most significant standards-related patent matters heard by the UK courts recently, was decided by the UK Supreme Court. The Supreme Court ruled that the UK courts had the authority to decide on FRAND conditions for SEP worldwide licences, a ruling that is expected to solidify the UK's position as the preferred location for SEP holders seeking to enforce their legal rights. The Supreme Court concluded that the Courts of England and Wales have jurisdiction and may use a power to prevent infringement of a UK SEP unless an implementer accepts a global licence on FRAND terms in a unanimous ruling delivered by Lord Hodge. The Supreme Court determined that courts have the authority to determine the conditions and fees for FRAND worldwide licences. The Supreme Court also ruled that a UK injunction is the proper response when a UK patent is violated as a result of the implementer's refusal to accept a global licence, as doing so gives them "certainty that they can legally manufacture and sell products that comply with the standard on a worldwide basis," in addition to access to the UK market.
- 20 Because a worldwide licence may be obtained without the need for infringement procedures in many other jurisdictions, the Supreme Court's ruling is expected to strengthen the UK's position as the venue of choice for SEP holders looking to protect their rights. The judgement further improves the position of SEP holders and offers some guidance on how FRAND conditions may be determined, such as by taking into account the global rather than simply the national circumstances. The implementer may choose to accept the injunction and, if necessary, pay damages or refrain from operating in the UK market rather than complying with the court's direction to enter into a worldwide licence. Since SEP holders are not required to match earlier bids, an implementer's main decision may be whether to try to acquire a licence swiftly and at a fair price. It would be advantageous to let the courts decide on FRAND conditions if a SEP holder's demands for a worldwide licence are irrational. Additionally, even if a SEP holder is not required by law to make a FRAND offer before starting legal action, if a SEP holder behaves unreasonably, Competition law defences may still be available. Other national courts are likely to decide that they have the authority to impose worldwide FRAND licence terms in a manner similar to those of the UK courts. In this case, it's possible that SEP holders may engage in some forum shopping. When choosing a proper (EU) court in which to begin proceedings, any divergent interpretations of the CJEU decision in *Huawei v. ZTE* may also be taken into

29 *Philips v. Archos*, Regional Court Mannheim (7 O 19/16).

30 *Koninklijke Philips N.V. v. Wiko SAS*, Court of Appeal the Hague, The Netherlands, Case no. 200.219.487/01 (2 juli 2019).

31 UKSC 2018/0214

consideration. The appeal of simply accepting an injunction and paying damages or avoiding that national market may be diminished for implementers if other national courts follow the UK courts' example and issue injunctions preventing infringement of national SEPs absent the entry of a defendant into a global licence.

IV. India

- 21 In India too, the standard implementers can approach the Competition Commission of India (CCI) for remedies against abuse of dominant position and against anti-competitive agreements. However, most cases involving IPR issues have landed in the High Courts or the Supreme Court pursuant to a challenge to the jurisdiction of the Commission for adjudicating such matters.
- 22 In March 2013, after Ericsson failed to get mobile companies to discuss in good faith what Ericsson believed was a FRAND offer, it commenced the first of many SEP battles in India. Ericsson, as a member of the European Telecommunication Standard Institute (ETSI)—the European SSO for telecommunication industry—, had patents covering technology adopted as a part of a standard.³² Ericsson wanted to enter into Ericsson's global patent license agreement (GPLA) while insisting that the mobile companies sign a non-disclosure agreement (NDA). In light of this NDA, Ericsson refused to share the license rates meted out to other licensees. Micromax refused to sign this agreement which led Ericsson to file for an injunction in the Delhi High Court.³³ An injunction was granted to Ericsson, as the single judge held that *prima facie* case had been made out by the plaintiff. Further, interim arrangement for royalties were made by the Court, additionally with authorization of search and report of consignments imported by Micromax. Similarly, Delhi HC had granted an *ex-parte* injunctive relief in *Vringo v. Xu Dejun*³⁴ stating that the case satisfied the three conditions for grant of temporary injunction in favour of the plaintiff, i.e., existence of a *prima facie* case, *balance of convenience and probability for suffering irreparable loss and injury*. This was later vacated on multiple grounds, one of them being that ZTE Corporation (Xu Dejun was the CEO at that time) had been directed to
- furnish the bank guarantee of Rs. 5 crores in lieu of the same and all relevant accounts of the quantum of CDMA devices sold by them in India and the revenues resulting from them.
- 23 In the *Micromax* case, following the Delhi High Court order, both the parties approached the court stating that they would start negotiating on a FRAND licence agreement, the failure of which would lead to resorting to mediation. However, the mediation failed and Micromax approached the CCI on grounds that Ericsson was abusing its dominant position.³⁵ Similarly, Intex too approached the CCI against Ericsson on similar grounds.³⁶ The Commission assigned the director general to conduct investigation stating clearly that Ericsson was charging royalty not based on FRAND terms. CCI's reasoning for the same was that Micromax in its complaint had stated that Ericsson was abusing its dominant position as the sole possessor of the essential patents by imposing exorbitant royalty rates. Further, these rates were based on the final product, i.e., the phone instead of the patents used.
- 24 Aggrieved by the CCI's order, Ericsson approached the Delhi High Court for judicial review.³⁷ The questions raised in this landmark judgment were of high importance as it was the first time such questions on SEP licensing, FRAND terms and jurisdiction of CCI were raised. According to Ericsson's argument before the Delhi High Court, the CCI lacks power to begin any case in connection to a claim of royalties by a patent holder, which is governed under the *Indian Patents Act, 1970*.³⁸ After a long-ranging discussion on the nature of remedies that are provided for in the *Indian Patents Act, 1970* and the *Competition Act, 2002*, the Delhi High Court observed that, "if there are irreconcilable differences between the Patents Act and the Competition Act in so far as anti-abuse provisions are concerned, the Patents Act being a special Act shall prevail."
- 25 The Delhi High Court, on the other hand, found no irreconcilable discrepancies between the two acts since the remedies available under the *Competition Act, 2002* for abuse of dominant position were fundamentally different from those available under the *Indian Patents Act, 1970*. The Delhi High Court (HC) also observed that it was apparent that the remedies under the two enactments were not mutually exclusive.

32 Telefonaktiebolaget LM Ericsson (PUBL) v. Competition Commission of India and Another (2016) SCC OnLine Del 1951.

33 Telefonaktiebolaget LM Ericsson v. Mercury Electronics (2013) SCC OnLine Del 4934.

34 CS(OS) 2168/2013 and IA 17292/2013 available at http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=221627&yr=2013.

35 Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson (PUBL) (2013) SCC OnLine CCI 78.

36 Intex Technologies (India) Ltd v. Telefonaktiebolaget LM Ericsson (2014) SCC OnLine CCI 8.

37 *Supra*, note 29.

38 The Patents Act, 1970, No. 39, Acts of Parliament, 1970.

Further, the Court held that Ericsson did stand in a dominant position and abused it, by citing *Huawei* and drawing similarities between *Treaty on the Functioning of the European Union* (TFEU) and the *Competition Act*. Thus, application of Competition Law is not barred in the Indian jurisdiction to IPR cases. From the injunction aspect we see that interim injunctions have been granted by the Delhi High Court in such cases but the court was ready to lift the injunction if the implementers deposited the (court determined) royalty payment with the court during the pendency of the litigation. Thus, in India, there's a possibility that an SEP holder may be able to seek injunctions against implementers.

26 The High Court of Delhi handed down India's first-ever SEP ruling in the joint (similar) cases of *Koninklijke Philips v. Rajesh Bansal* and *Koninklijke Philips v. Bhagirathi Electronics*³⁹ in July 2018. The defendants in both cases were importers and assemblers of DVD players in India. Philips filed patent infringement lawsuits against both of them, accusing them of importing DVD player parts made using its proprietary technology and putting them together in India without a licence. The implementers maintained that because they got the parts from Philips approved licensees, they had not violated the patent. The Delhi High Court made a decision in Philips' favour. The defendants' failure to obtain a licence from Philips to use its SEP prima facie led to the finding of infringement, the court held, even though the defendants' products complied with the standard. The court held that the defendants failed to prove that the components were imported from Philips' authorised licensees. The defendants were unable to demonstrate that the appropriate licence fee Philips levied was not on FRAND terms. As a result, the court set the requested royalties charged by Philips. Although ground-breaking, this ruling was rather simple and solely concerned itself with domestic matters. There is another dispute on SEP and FRAND which involves an international jurisdiction issue.

27 An anti-enforcement injunction was given by the Delhi High Court in *Interdigital Technology Corporation v. Xiaomi Corporation & Ors.*⁴⁰ It was decided that when Indian jurisdiction is the sole venue qualified to hear the claim, a party cannot be prevented from pursuing their case before an Indian court. By affirming and making India's first anti-enforcement injunction ordered in favour of a US technology pioneer, Interdigital, against the Chinese multinational Xiaomi Corporation, the Delhi High Court made legal history. The proceedings before the Wuhan Court involved alleged violation of six particular Indian

patents, and the court noticed that the Wuhan Court had neglected to take this into account. The difference between an Anti-Suit injunction, an Anti-Anti-Suit injunction, and an Anti-Enforcement injunction was highlighted by the court. It was determined that the Indian injunction was in the character of an anti-enforcement injunction because the Wuhan anti-suit procedures had already come to a conclusion. The court also noted that any overlap between the proceedings in Wuhan and those in India is minimal, and that there was no justification for the Wuhan Court to have prohibited Interdigital from pursuing its claims for an injunction against Xiaomi in India unless the overlap was such that it rendered the Indian proceedings oppressive and vexatious.

28 Anti-enforcement suit settlements and various later reliefs have established new precedents. For Indian plaintiffs, this is a favourable and welcome development. The Delhi High Court has established new jurisprudential guidelines for the granting of an anti-suit or an anti-enforcement injunction with this ruling. Since there has never been a precedence in Indian law for this element, these principles will undoubtedly provide clarity in this area. The challenged ruling itself was oppressive and did not respect the jurisdiction of an Indian court to decide cases governed by Indian law, thus the court has specifically mentioned the restricted use of the concept of comity of courts. While deciding each case on its own merits, courts must strike a balance between the parties' rights and the need for justice and equality. After this ruling, it is extremely possible that the parties involved in the litigation will start using anti-suit injunction grounds. Therefore, this decision will make a significant contribution to both Indian and global law.

D. Issues with FRAND terms

29 There is a 2019 report⁴¹ published by the Policy Department for Citizens' Rights and Constitutional Affairs of the European Parliament which addresses the conflicts between SEPs, FRAND and competition law. In the case of *Huawei v ZTE*⁴², the CJEU laid down certain guidelines with an attempt to satisfy the interests of all stakeholders, i.e., SEP-owners, standard implementers, especially SMEs, and consumers. In a publication, EC Communication of 29th November 2017, recommendations were made to deal with each issue on a case-to-case basis and to leave the matter to the jurisdiction of the national courts to determine what is FRAND. Swift and cost-effective

39 CS(OS) No. 1034/2009 and CS (OS) No.1082/2009

40 8772/2020 in CS(COMM) 295/2020

41 Mcdonagh and Bonadio, *supra* note 12.

42 EU:C:2015:477

alternate dispute mechanisms are encouraged to resolve disputes. SSOs often need SEP-owners to provide an unequivocal declaration that they are willing to award competitors licences on FRAND terms in order to strike a balance between the need for standardisation and the private rights of SEP-owners. However, issues occur when the parties are unable to agree on what constitutes FRAND in a certain situation. If SEP-owners and prospective licensees disagree over the amount of royalties that should be deemed fair and reasonable, or if one party believes that the terms of the licence are discriminatory, or if the parties disagree over the license's territorial scope, this could cause an unfavourable hold-up in the marketing of goods and services as well as the diffusion of technology. The report offers a good suggestion to auctions of different technologies which the patent owners want to be included as or in the standard. The least restrictive and maximum royalty proposal could be accepted. This however, comes with its downsides where only the big and wealthy companies will be able to cherry pick leaving the small, striving companies to die.

- 30 The report points out the trend of court's interpretation of FRAND in the EU. There is a common principle followed by the courts in a select few countries mentioned in the report where the proprietor of a patent essential to a standard established by a standardisation body, which has given an irrevocable undertaking to that body to grant a licence to third parties on FRAND terms, does not abuse its dominant position by bringing an action for infringement seeking an injunction that prohibits the infringement of its patent or seeking the recall of products for the manufacture of which that patent has been used. Overall, of all the cases mentioned from Germany, The Netherlands, France and the UK, the courts give weight to the Commission's claim that there is legal complexity involved in SEP and FRAND cases. The disputes are 'hard cases' unsuited to a strict, inflexible approach. This is because what one interprets as FRAND is different in different locations and varies for different products, not to mention the change in value over time. How the economic value of a SEP is assessed cannot be put into a 'one-size-fits-all' mould. The discrepancies are inevitable. It should be left to the parties to come into agreement about what best suits them and only when there is a gross disregard to competitive practices, should the courts be involved.

E. Conclusion

- 31 Seeking injunctions for FRAND-encumbered patents presents the challenge of balancing innovator's intellectual property rights with the implementer's desire for fair access to technology. The analysis of the US, EU, and UK jurisdictions on the availability of injunctions for FRAND-encumbered patents has evidenced a somewhat consistent approach until recently. In the US, the DOJ and the FTC had taken similar approaches in the past. Both agencies had expressed concerns about the competitive implications of patent holders that had made FRAND commitments obtaining injunctive relief to exclude willing licensees. The Courts and authorities have clarified that IPRs holders may find it difficult to seek injunctive relief for patent infringements when they have committed to FRAND terms and the licensees have agreed to pay fair and reasonable royalties. The antitrust aspect thus has been in the picture for SEP holders in the US. However, the DOJ may be digressing from this view on account of its latest statements that injunctions should be available for SEPs on the same terms as for patents generally. Further, their statement also states that FRAND disputes may be kept out of the purview of the Antitrust law. This may put the patent-holders in a very favourable position, potentially leading to an abuse by them of their dominant position. The exact position in US needs to be clarified and the case currently in limelight, i.e., the Qualcomm case, may shed light on this apparent rift.
- 32 In EU, it has been held that when the implementer has shown itself to be ready, willing and able to enter into a FRAND licensing agreement, then an SEP proprietor who has made a FRAND commitment to license the patent to third parties on fair, reasonable and non-discriminatory terms will be held liable for abusing its dominant position if it takes recourse to injunctive relief. Even though these *Huawei* principles have been universally acknowledged, doubt still prevails as to the interpretation of these principles in the European Union in the light of the diverging opinions in the Philips case in Netherlands and Germany. These tensions may lead to a further reference to the CJEU in order to understand the final position.
- 33 In India, injunctions have been granted with a caveat that it will be lifted if the implementers deposit court-determined royalty. Such exclusion orders can be allowed if for example, the implementers are unwilling licensees and refuse to accept a FRAND royalty rate, demand royalty rates that are outside the scope of the FRAND commitment, etc. As far as India is concerned, there is also no ban on seeking injunctions with regard to SEP infringement. However, the Indian courts have acknowledged the role of Competition law in IPR cases. How far can Competition

law penetrate FRAND-encumbered patent issues is yet to be decided.

- 34 The key takeaway from the global conflicts is that it is crucial to encourage the parties, i.e., the SEP holders and the implementers, to engage in good-faith negotiations and induce them to reach mutually agreeable terms in an expedient manner. Thus, the risk of injunctions should be avoided at all cost, as patent litigations are always highly costly and time inefficient. For this it is essential to have a clearer picture of the licensing terms to be applied. The SSOs' FRAND licensing policies are mostly vague and at the root of the problems of the disputes. The conundrum remains as to what exactly are fair and reasonable terms. It is to be noted that the number of patent cases submitted to arbitration is relatively small.⁴³ Commentators have suggested the use of arbitration to answer this thorny issue. Mark Lemley and Carl Shapiro have proposed best practices for stand-setting bodies based on "baseball-style" or "final offer" arbitration.⁴⁴ However, this solution faces the issues of needing adoption by all the members of the SSO. Until then, with regards to seeking and granting injunctions, a balance needs to be created and it should be ensured by the courts and authorities that an approach that skews the process towards any one party unfairly should not be adopted.

43 M.M Lim, "ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy" (2004) 6 *Cardozo Journal of Conflict Resolution* 155.

44 M.A Lemley and C. Shapiro, *Supra*, note 14.