



**SUBMISSION ON DIPP DISCUSSION PAPER ON
STANDARD ESSENTIAL PATENTS AND
THEIR AVAILABILITY ON FRAND TERMS**

-Additional Points-

June 2018

STANDARD ESSENTIAL PATENTS AND THEIR AVAILABILITY ON FRAND TERMS

-Some Related References-

FICCI, in 2016, had submitted its submission to the DIPP Discussion Paper on 'SEP and their Availability on FRAND Terms'.

During a meeting called by DIPP on 14th May 2018, the Department had invited additional suggestions from FICCI on SEP-FRAND issues by way of recent case studies, examples of actions by global IP authorities, related researches/studies etc. In this regard, FICCI on the basis of inputs received from industry members, makes the following additional submissions on the issue raised for resolution:

- There is no need to establish any independent expert body to determine FRAND terms for SEP and devising a methodology for the purpose. It is submitted that the idea behind establishing any such body would point at government's role as a competition regulator (*and not a facilitator*) on the indication that SEPs licensed under FRAND terms degrade market competition and increase monopoly. This, however, is not the case. There is, in fact, no study to prove that patents confer market power through inclusion in a standard or that it contradicts with the competition in the market. It is best when FRAND negotiations are left to parties negotiating among themselves at arm's length, and when disputes do arise, courts and arbitrators should intervene.
- Adoption of any IPR policy for Indian Standard Setting Organisation is not recommended as IPR policy of TSDSI is self-sufficient. Since SSO's are private organizations at large in which companies participate voluntarily, involvement of the government may slow down the access of new technology to the general public as companies may refrain from giving FRAND assurances.
- The royalties in case of various SEPs used in one product should not be capped. Studies show that using the smallest salable patent-practising component (SSPPU) as the royalty base risks undercompensating the patent holder and royalty rates based on the SSPPU is much lower than royalties based on end device market price¹. In a recently issued guide to license SEPs, Japan Patent office has recognised that generally the rights holder is in the position to decide with which party in the supply chain it signs an agreement².

¹ <https://www.criterioneconomics.com/docs/emvr-entire-market-value-rule-proper-royalty-base-for-patent-damages.pdf>

² http://www.ipa.go.jp/torikumi_e/kokusai_e/files/seps-tebiki_e/guide-seps-en.pdf

Further, SSPPU based royalties are also not supported by courts in different jurisdictions globally. In **Lucent vs Gateway**³, it was held that “even when the patented invention is a small component of a much larger commercial product, awarding a reasonable royalty based on either sale price or number of units sold can be economically justified”. In **Ericsson vs D-Link**⁴, the Federal Circuit has found that basing patent damages/royalties on the end device is legitimate. In the case of **CSIRO v CISCO**⁵, the US Federal Circuit Court, while straightaway rejecting the submission that SEP damages model begin with the SSPPU, held that “the benefit of a patent lies in the idea, not in the small amount of silicon that happens to be where the idea is physically implemented”

- **Huawei v ZTE**⁶ is a case where the European Court of Justice highlighted the issue of hold out and finding that in case of unwilling licensees who act in bad faith, the SEP owner shall have a right to seek injunction. The Delhi High Court has also in a case⁷ identified the problem of reverse hold - up in India and has termed it condemned such tactics.
- Earlier this year, the Shenzhen IP Court granted the injunction to Huawei in the **Huawei v Samsung** case based on the finding that Samsung was an unwilling negotiator.⁸ In guidance for adjudicating disputes over SEPs, China’s Guangdong High People’s Court follows a similar approach, making injunctions available against infringers who hold-out or engage in other bad faith tactics.⁹ According to the Court, “the patentee’s contribution to innovation shall be taken into full consideration so as to protect the rights of the patentee pursuant to the law, and in addition, the interests of the patentee, the implementer, as well as the public interest shall be balanced.”¹⁰

³ <https://www.law.berkeley.edu/wp-content/uploads/2016/05/Lucent-v-Gateway-580-F.3d-1301.pdf>

⁴ <http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/13-1625.Opinion.12-2-2014.1.PDF>

⁵ <http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/15-1066.Opinion.12-1-2015.1.PDF>

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<http://curia.europa.eu/juris/document/document.jsf?jsessionid=9ea7d2dc30dda61cb1ac7c8e4a08af91b9131471786b.e34KaxiLc3qMb40Rch0SaxyNchz0?text=&docid=165911&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=524197>

⁷ <http://lobis.nic.in/ddir/dhc/MAN/judgement/16-03-2015/MAN13032015S10452014.pdf>

⁸ Huawei v Samsung, Shenzhen Intermediate People’s Court of Guangdong Province Civil Judgment (2016) Yue Min Chu No. 816.

⁹ *Guidelines of Guangdong High People’s Court on Adjudicating Cases of Disputes over Standard-Essential Patents (Trial)* (Apr. 26, 2018) at para. 14 (“For the adjudication of disputes concerning SEPs, the examination and determination shall be made by taking industrial characteristics as well as business practices into consideration. The intellectual property policies implemented by a standardization setting organization have binding effects on its members...and can be used as a basis for trial over disputes concerning SEPs.”)

¹⁰ *Id.* at paras. 5-7.

In India, a similar issue was faced by the Delhi High Court in the ***Ericsson v Intex***¹¹ case, where the court held that intention of the defendant was not bonafide as *while giving the impression to the plaintiff that it is still bonafide interested in taking a license from plaintiff. The defendant never informed plaintiff that it is initiating or has initiated any proceedings before the IPAB and the CCI.*

- Portfolio licensing is an industry accepted norm¹² and licensing on a portfolio basis does not violate FRAND obligations and offering a global portfolio license does not violate any antitrust laws. The European Commission has recommended patent pools in guidelines issue by it¹³. Further, the U.K. High Court in the ***Unwired Planet v Huawei***¹⁴ case has held that offering a global portfolio license does not violate any antitrust laws. The court further recognised that it saves transaction costs for both licensors and licensees, and obviates the need to determine a royalty on a patent by patent basis.
- A Non-Disclosure Agreement is a *sine qua non* in every licensing deal, particularly in patent licensing negotiations which entails exchange of various confidential business and technical information between the parties. This was held by the Delhi High Court in the ***Ericsson vs Intex case***. NDA's are also recognised to protect the interest of both licensor and licensee and this generally is not challenged¹⁵.
- The decision laid down by the Court of Justice of the European Union in ***Huawei vs ZTE***¹⁶ the court has found that even if the SEP holder is found to be in dominant position, it may still obtain an injunction against the infringer if; (i) *it gives the alleged infringer notice of the infringement, (ii) it offers the license on FRAND terms, (iii) alleged infringer fails to respond to the offer of SEP holder or fails to make any counter offer.*

¹¹ http://lobis.nic.in/d_dir/dhc/MAN/judgement/16-03-2015/MAN13032015S10452014.pdf

¹² <https://caselaw.4ipcouncil.com/german-court-decisions/lg-dusseldorf/saint-lawrence-v-vodafone-lg-dusseldorf>

¹³ <https://eur-lex.europa.eu/legal-content/en/TXT/PDF/?uri=CELEX:52014XC0328%2801%29&rid=2>

¹⁴ <https://www.judiciary.uk/wp-content/uploads/2017/04/unwired-planet-v-huawei-20170405.pdf>

¹⁵ <http://www.etsi.org/images/files/IPR/etsi-guide-on-ipr.pdf>

¹⁶ <http://curia.europa.eu/juris/document/document.jsf?text=&docid=165911&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=564002>

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