



STANDARD ESSENTIAL PATENTS AND INJUNCTION RELIEF

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ABSTRACT

Intellectual Property Rights are a relatively new concept in India. Innovation is one of the most important components of development and to encourage people to create more, it is vital to reward them accordingly. This is done by providing the owners with patents to their creations. To satisfy industry guidelines, Standard Essential Patent (SEP) is required to be followed. SEPs are used in electronic gadgets to ensure compatibility with one another. One a patent is acknowledged by the SSO and is utilized as SEP, it becomes unfeasible to manufacture products without procuring the license to SEP. SEP holders have an edge as they hold monopolistic right over the SEP. The licenses to use SEPs should comply with FRAND Terms to ensure that the interests of other manufacturers are protected and bargaining power is balanced. SEP jurisprudence came into play in India through the case of Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson. Major issues like patent holdup, royalty stacking and injunction relief followed SEP litigation. There were some cases where injunction relief was granted and some where it was denied. The United States of America and the European Union has a similar stance on granting injunction relief to patent holders. Through this paper, the authors seek to analyse the development of SEP jurisprudence in India, while providing a brief understanding of the stance of various countries on the subject.

INTRODUCTION

Intellectual Property Rights have become increasingly important in today's day and age. The advent of the concept of protecting the Intellectual Property Rights of an individual has been pivotal to the acceleration to the development of a scientific temperament among individuals.

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Innovation is the stepping stone to development in any industry, and to encourage people to create more is of paramount importance to give them the fruits of their labour. This is carried out by providing the owners of the inventions with patents to their creations. A patent refers to an exclusive right granted for an invention. Getting a patent is how a person is able to protect their Intellectual Property Rights, and even further licence their patents to a third-party for a monetary consideration. Non-owners may get into negotiable agreements with the patent owners and use their work in accordance to these agreements. Some such patents are accepted by certain Standard Setting Organisations as Standards. Standardization is a practice that was made popular during the advent of industrialisation in the west. This happened so that everything becomes interoperable and compatible. The importance for standardization was seen when Apple started using 'USB Type-C' chargers for their iPads, instead of their proprietary lightning port chargers that they use for the rest of their devices, their chargers are highly priced and are only compatible with only their products. Although Apple is creating its own technological ecosystem, they still had to submit to standardization. Further, even though their proprietary technology works flawlessly, the need for interoperability forced them to use USB Type-C chargers.

There are some patents that become standards in the industry that makes it mandatory for the others in the industry to manufacture their products according to the set standards. These set standards are registered in the form of Standard Essential Patents (SEP). The Washington District Court in *Microsoft Corp. v. Motorola Mobility, Inc.*³ defined SEP, *as a given patent is essential to a standard if use of the standard requires infringement of the patent, even if acceptable alternatives of that patent could have been written into the standard. A patent is also essential if the patent only reads onto an optional portion of the standard. Thus, it is impossible to manufacture standard-compliant products without using technologies covered by one or more SEPs.*⁴ These SEP owners often seek to hold a monopolistic position in the market and benefit from the dominant position they have in the market and this practice is contrary to the anti-trust laws of the country.

SEP, STANDARD, SSO AND FRAND

A SEP may be referred to as a patent that is required to be complied with to meet an industry standard. It becomes impossible to manufacture products that comply with the industry standards without infringing upon these patents.⁵ This implies that to manufacture products

³ Microsoft Corp. v. Motorola, Inc., 854 F. Supp. 2d 993, 103 U.S.P.Q.2d 1235 (2012).

⁴ Id.

⁵ Microsoft Corp. v. Motorola, Inc., 116 U.S.P.Q.2d 1001 (2015).

like smartphones, tablets and other electronic devices the manufacturers have to use technologies that are a part of SEP. They are generally used in electronic devices so that all the devices are compatible with each other and are interoperable, and can participate in a common technology platform. For becoming SEPs, patents first need to be adopted by the Standard Setting Organisations as a patent that is essential to meet a required standard. These organisations are formed voluntarily and their main purpose is to standardize technology for the general benefit of consumers. These organisations require the patent holders to submit their technology to be registered as a standard. A Standard Setting Organization (SSO) is primarily engaged in activities such as developing, coordinating, promulgating, revising, amending, reissuing, interpreting, or otherwise maintaining hundreds of thousands of standards applicable to a wide base of users outside the standards developing organization. It aims to generate the acceptance or proliferation of such new standards-based technologies, products or services.⁶ A standard refers to a document which provides requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose.⁷ According to the *ISO/IEC Guide 2:2004 Standardization and related activities - General vocabulary*, the term ‘standard’ is defined as a “*document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context*”.⁸ Furthermore, standards are considered to be an important way of promoting wide adoption of new technologies in the market place, in particular in, but not limited to, the field of information and communication technologies.⁹

Once a patent is recognised by the SSO and has been adopted as a SEP, it becomes impossible for manufactures to manufacture their products in the industry without obtaining the licence to the SEP. From an antitrust perspective, the SEP holder here obtains the monopolistic right over the SEP and over the production process in the industry due to lack of any alternative form of technology. Due to which the SEP holder is susceptible to misuse the monopolistic authority and engage in abusive practices. These practices include charging exorbitantly high prices for providing license or even refusal to provide licenses. In some cases, they ask for the Courts to provide them injunctions so that they get a competitive edge

⁶ *Standard Setting Organization [SSO] Law and Legal Definition*, USLEGAL.COM, <https://definitions.uslegal.com/s/standard-setting-organization-ss/> (last visited Dec. 1, 2020).

⁷ Kartikey Kulshrestha & Geethika M.A., *FRAND-Ship through SEP*, PL (Comp. L) February 2016, 64 at page 65.

⁸ World Intellectual Property Organization Geneva, Standing Committee on The Law of Patents: Standards and Patents (February 18, 2009), https://www.wipo.int/edocs/mdocs/scp/en/scp_13/scp_13_2.pdf.

⁹ Id.

and they are the only people who benefit from the SEP, but “*sadly, our courts continue to dish out these problematic injunctions, with alarming alacrity.*”¹⁰

To safeguard the interest of the other manufacturers and to take away the majority bargaining powers of the patent holders, the licenses to use the SEP are provided under FRAND Terms, an acronym for Fair, Reasonable and Non-Discriminatory Terms. A patent owner's failure to comply with a FRAND licensing commitment may provide a claim or defence to an accused infringer.¹¹ The essence of FRAND is that it is the product of a voluntary agreement among the participants, requiring them to make their patents available on FRAND Terms.¹² It becomes pertinent to note here that they are not statutory provisions but are contractual obligations that the patent holder can be held to as he has provided the license based on these terms. There are still many cases wherein the FRAND Terms are only loosely followed and this benefits the patent holders and such blatant abuse of a dominant position is violative of the Anti-Trust Laws of the country.¹³ The patent holders still try to benefit from the recourse on injunction that is provide to them in case their SEP is being misused.

Patent owners often try to circumvent their FRAND obligations by trying to get injunctions for frivolous reasons. By doing this, they ostensibly scare the licensees to pay higher royalties. This is also referred to as ‘Patent Hold up’, where the patent owner, uses his dominant position to exploit other manufacturers. This practice is completely against the Competition Laws in the country. The Competition Commission of India, observed that “*Hold-up can subvert the competitive process of choosing among technologies and undermine the integrity of standard-setting activities. Ultimately, the High costs of such patents get transferred to the final consumers.*”¹⁴ As the companies have to bear the higher costs of production, they charge it to the consumers by giving the same product at a higher cost. Patent owners also indulge in the practice of Royalty Stalking. They use it to layer royalty on each other to get a higher aggregate from the manufacturers. Even if a reasonable royalty is charged individually the accumulated amount will be unreasonably high, thereby

¹⁰ Shamnad Basheer, *FRAND-ly Injunctions from India: Has Ex Parte Becom the “Standard”?* SPICY IP, <http://spicyip.com/2014/12/FRAND-ly-injunctions-from-india-has-ex-parte-become-the-standard.html> (last visited Dec. 1, 2020)

¹¹ Glossary, F/RAND Licensing Commitment [https://uk.practicallaw.thomsonreuters.com/8-557-1849?originationContext=document&transitionType=DocumentItem&contextData=\(sc.Default\)&comp=pluk&firstPage=true](https://uk.practicallaw.thomsonreuters.com/8-557-1849?originationContext=document&transitionType=DocumentItem&contextData=(sc.Default)&comp=pluk&firstPage=true).

¹² Herbert Hovenkamp, *FRAND and Antitrust*, 105 Cornell L. Rev. 1683, 1684 (2020)

¹³ The Competition Act, 2002, §4.

¹⁴ *Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson* (Publ) 2013 SCC OnLine CCI 78 (2013) (India). [Hereinafter *Micromax*]

making the end product too expensive for the consumers.¹⁵ This is only possible owing to the high bargaining power of the patent owners.

SEP JURISPRUDENCE IN INDIA

SEP is newly born in India. It was first brought in through the case of *Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson*.¹⁶ The differentiating objectives of Intellectual Property Rights and Competition Law in India portray an uncomfortable relationship. These two laws are put together to ensure that the rights are exercised for the purpose of promoting competition and making sure that benefits are enjoyed by consumers. This is exercised within the limits prescribed by law.

Micromax filed information under Section 19(1)(a) of the Competition Act, 2002, known to be the world's 12th largest mobile handset manufacturer in 2008 in India.¹⁷ 400 out of 33,000 patents of Ericsson are granted in India.¹⁸ It is known to be the largest holder of 'SEP's for mobile communication.'¹⁹

Micromax claimed that Ericsson demanded unfair, discriminatory and exorbitant royalty for its patents concerning GSM (Global System for Mobile Communications) technology. Ericsson sent a notice to Micromax stating that essential GSM patents were being infringed by Micromax and a demand to secure the licenses of these patents under Fair, Reasonable, and Non-Discriminatory Terms (FRAND Terms)²⁰ was made. Micromax entered into a Non-Disclosure Agreement with Ericsson after being sent another notice demanding for the same and stated that Ericsson will put forth the activities of infringing the patents in front of Securities Exchange Board of India. Micromax, before the Competition Commission of India stated that Ericsson is abusing its dominant position by imposing extortionate royalties for SEPs after the High Court of Delhi passed an ad interim ex-parte order in favour of Ericsson. It also contended that the royalty charged was on the basis of the value of the phone and not on the basis of the cost of product. Due to this, royalty for use of same chipset in a smart phone is more than 10 times the royalty for ordinary phone, while the chipset gives no

¹⁵ Neha Goyal, *Anti-Competitive Repercussions of the Standard Setting Process*, 3.1 JIPS. 67, 73 (2020).

¹⁶ *Micromax*, Supra Note 12.

¹⁷ *Micromax*, Supra Note 12.

¹⁸ PTI, *Competition Comm to now probe Ericsson on Intex complaint*, THE ECONOMIC TIMES (Jan 17, 2014, 06:55 PM), <https://economictimes.indiatimes.com/industry/telecom/competition-comm-to-now-probe-ericsson-on-intex-complaint/articleshow/28959924.cms>.

¹⁹ *Micromax*, Supra Note 12.

²⁰ Licensing on FRAND terms, ERICSSON, <https://www.ericsson.com/en/patents/FRAND#:~:text=FRAND%20%2D%20Fair%2C%20reasonable%2C%20and,thereby%20lowering%20prices%20for%20consumers>

additional value to a smart phone, then it gives to an ordinary phone.²¹

The concept of standardisation and FRAND Terms were brought into the limelight through this case. It was explained that standardisation is the procedure of developing and executing technical standards and these standards are known to be SEP.

Major issues that follow SEP litigation are:

1. Patent Holdup- After the adoption and establishment of a patent as a standard, certain standards and patented technologies that are incorporated in it get locked-in. SEP holder holds back the patented technology. The SEP holder either reduces to license or threatens to seek injunctions. Patent holdup eventuates due to extortionate royalties being charged by the SEP holder. SEP holder secures a higher position in the market and has the capacity to bargain as there are not many alternatives of the same technology available to the licensee. Instead of incurring the cost of switching and delaying the manufacturing process of the product the implementer agrees to pay the unreasonable amount of royalty demanded by the patentee.²² Higher royalties are obtained in account of exploitation of the locked in position by the SEP holder. To prevent this, FRAND Terms are to be complied with that are constrained by SSO.
2. Royalty Stacking- To execute a standard, it is vital for a licensee to pay the royalties for the technologies that are patented in a standard. Royalties become unreasonably high after adding up the royalty amount for each technology in the standard. In this regard, an onerous situation occurs to manufacture the product. The end product produced will thereby be expensive due to the accumulated amount being unreasonably high. The CCI noted that *“For the use of GSM chip in a phone costing Rs. 100, royalty would be Rs. 1.25 but if this GSM chip is used in a phone of Rs. 1000, royalty would be Rs. 12.5. Thus increase in the royalty for patent holder is without any contribution to the product of the licensee. Higher cost of a smartphone is due to various other software/technical facilities and applications provided by the*

²¹ Micromax, Supra Note 12.

²² Colleen V. Chien, Holding Up and Holding Out, 21(1) Mich. Telecomm. & Tech. L. Rev., 1 (2014).

*manufacturer/licensee for which he had to pay royalties/charges to other patent holders/patent developers. Charging of two different license fees per unit phone for use of the same technology prima facie is discriminatory and also reflects excessive pricing vis-a-vis high-cost phones.”*²³

3. Threat of seeking injunction relief- Threat of injunction relief is a way through which the SEP holders can impose their terms and conditions on the implementers. It compels the implementers to pay unreasonably high-rate royalties. The dominant position is thereby abused by the SEP holder and it creates anti-competitive environment, but the problem arises is that it cannot be barred completely. If injunction relief is barred completely, the infringers of SEPs might refuse to pay the royalties as there won't be any repercussions.

In this case, it was evident that Ericsson's activities were discriminatory and contrary to FRAND terms. The issues were raised before the High Court regarding infringement of IPR rights. Further, Ericsson had also claimed that the Competition Commission of India cannot entertain this matter. As per Section 3(5) of the Competition Act, 2002, Intellectual Property Rights of a person are protected subject to reasonable conditions. As per Section 4(1) of the Act, abuse of dominant position by an enterprise is prohibited. Section 4(2) of the Act states that imposition of unfair and discriminatory conditions in purchase or sale of goods or services amounted to an abuse of dominant position. Thus, the Commission has jurisdiction to look into the issues of competition law.²⁴

SUBSEQUENT CASES OF SEP LITIGATION IN INDIA

A. TELEFONAKTIEBOLAGET LM ERICSSON V. INTEX TECHNOLOGY (INDIA) LIMITED

In the case of *Telefonaktiebolaget LM Ericsson v. Intex Technology (India) Limited*,²⁵ an injunction was issued by the Delhi High Court against Intex and Intex was ordered to pay the royalties to Ericsson. Ericsson has filed an infringement suit against Intex stating that it had infringed eight SEPs. Ericsson claimed that Intex did not secure a license to

²³ *Micromax*, Supra Note 12.

²⁴ Competition Commission of India, An Overview of the Competition Act, 2002, September 2004, https://www.cci.gov.in/sites/default/files/presentation_document/5ahmed_20sep04_20080410185941.pdf?download=1.

²⁵ *Telefonaktiebolaget LM Ericsson v. Intex Technology (India) Limited*, 2015 SCC OnLine CCI 76 (India) [Hereinafter *Intex*]

Ericsson's portfolio whereas, Intex claimed that it had no knowledge of the said portfolio. It is pertinent to note that Ericsson had initiated proceedings before the Competition Commission of India and Intellectual Property Appellate Board claiming that Intex had infringed the SEPs. An investigation was ordered by the Competition Commission of India. Intex objected to Ericsson's request for an injunction, emphasizing that the Indian Supreme Court had interpreted section 13(4) of the Patent Act to mean that 'no patent which is granted in India enjoys presumptive validity owing to the mere factum of grant', and that 'the validity of a patent must be established before the issue of infringement is considered by the Court. It was alleged that entire information was not disclosed by Ericsson that violates Section 8 of the Patent Act.²⁶

Intex avoided to execute FRAND agreement and also infringed patents. Intex was trapped due to its contrary activities. It was held that statutory and monopoly rights can't be brought down to nullify till the suit patents are valid. Ericsson was entitled to injunction in this case. As regard irreparable loss and injury is concerned, in case the FRAND agreement is not signed by the defendant or royalty is not paid, it would have impact of other 100 licensors who are well known companies in the world who are paying the royalty. The plaintiff would suffer irreparable loss and injury in case the arguments of the defendant are accepted.

B. BEST IT WORLD (INDIA) PRIVATE LIMITED (IBALL) V. TELEFONAKTIEBOLAGET L.M. ERICSSON (PUBL) AND ERICSSON INDIA PRIVATE LIMITED

November 2010, an Indian IT and Electronics Company under the name of 'iBall' entered the mobile market. This company is incorporated under the Companies Act, 1956. In this case,²⁷ Best IT World (India) Private Limited (hereinafter iBall), filed a complaint under Section 19(1)(a) of the Competition Act, 2002. The complaint is filed against Telefonaktiebolaget LM Ericsson and Ericsson India Private Limited. iBall claimed that Ericsson sent a letter stating that it has infringed certain patents of Ericsson. These patents were directly related to iBall's Global System of Mobile Communications and/or Wideband Code Division Multiple Access. The willingness to enter into a global patent

²⁶ J. Gregory Sidak, *FRAND in India: The Delhi High Court's emerging jurisprudence on royalties for standard-essential patents*, 10.8 JIPLP. 609, 609-618 (2015).

²⁷ Best IT World (India) Private Limited (iBall) v. Telefonaktiebolaget L.M. Ericsson (Publ) and Ericsson India Private Limited, 2015 SCC OnLine CCI 76 (2015) (India)

licensing arrangement was expressed by iBall and asked Ericsson to disclose the patents that have been infringed, but Ericsson did not disclose any information. Instead, Ericsson asked iBall to enter into a non-disclosure agreement before moving ahead with the matter. It was claimed by iBall that very strict conditions were imposed by Ericsson. Even after multiple requests to impose lenient terms, Ericsson did not agree. Therefore, due to the threat of patent infringement suit, iBall was forced into a Non-Disclosure Agreement with strict terms and conditions. Ericsson demanded very high and unreasonable royalties. These were not in correspondence with the cost of the patented technology and hence, this violated Section 4 of the Competition Act, 2002.

The decision of the Competition Commission of India was similar to the decision in the case of Micromax²⁸ and held that, Ericsson charged high and unreasonable amount of royalties. The royalties were charged on the cost of manufactured product rather being charged on the functionality of the patented product. These activities were not only discriminatory, but also contrary to the FRAND Terms. Charging of two different license fees per phone for use of the same technology appeared to be discriminatory. By making iBall execute a Non-Disclosure Agreement, FRAND Terms are contradicted. Further, imposing extortionate royalties and compelling iBall to execute a Non-Disclosure Agreement leads to abuse of dominance violating Section 4 of the Competition Act, 2002.²⁹

C. TELEFONAKTIEBOLAGET LM ERICSSON (PUBL) V. XIAOMI TECHNOLOGY & ORS.

Xiaomi Technology Company Limited was sued by Ericsson in Delhi High Court in December 2014. The company was sued for infringement of its eight patents essential to the 2G and 3G standards registered in India.³⁰ Ericsson had asked Xiaomi to acquire a license from Ericsson for its SEPs; be that as it may, Xiaomi launched the encroaching products without acquiring a license in India in 2014. Xiaomi was in the crosshairs, just like Micromax³¹ and Intex.³² It was additionally contended by Ericsson that Xiaomi had extended its activities in India by making an Indian subsidiary to showcase the

²⁸ *Micromax*, Supra Note 12.

²⁹ Supra Note 11.

³⁰ *Telefonaktiebolaget Lm Ericsson (Publ) v. Xiaomi Technology & Ors.*, 2016 SCC OnLine Del 2404. (2016) (India).

³¹ *Micromax*, Supra Note 12.

³² *Intex*, Supra Note 23.

products that were infringed. It was contended by Xiaomi that Flipkart Internet Private Limited and Xiaomi had entered into an exclusive agreement. Flipkart Internet Private Limited markets and sells products produced by Xiaomi in India. An interim injunction was passed by the Delhi High that stopped the Chinese smartphone company from selling, importing or advertising its products in India. It was particularly directed to the customs authority not to permit Xiaomi's products in India. Xiaomi and Flipkart were asked to stop selling smartphones in India by the Delhi High Court. Xiaomi contended that Ericsson's patented technology, the chipset, was acquired from Qualcomm Incorporated, which thusly had authorized it from Ericsson. A division bench of the Delhi High Court permitted Xiaomi to sell and import the devices that contained the chipsets offered to Xiaomi by Qualcomm only as an impermanent measure. At the same time, a deposit of INR 100 per device imported was asked to be made to the Registrar General of the Delhi High Court. No royalty rates were decided by the Court that were to be paid by Xiaomi to Ericsson in contrast to the arguments against Intex and Micromax.

On Friday, April 22, 2016, the Court agreed with Xiaomi that Ericsson had concealed relevant information pertaining to two of its 3G patents (IN229632 and IN240471), and vacated the first order as it related to these two patents. It stated, "*The ground of concealment as urged by the applicants needs to be accepted to the extent of the two patents relating to CDMA applications. Accordingly, the interim order dated December 8, 2014 in so far as it relates to two patents IN229632, IN240471 (3G patents) is vacated.*"³³

As injunction is an equitable relief, the entire order should have been vacated. In the event that Xiaomi paid Qualcomm, Qualcomm paid Ericsson, Ericsson cannot claim from Xiaomi again as Qualcomm is already paying Ericsson. The conceivable abuse of NDAs to jumble data, is mirrored. Additionally, in light of the fact that Qualcomm is a chipset supplier, a major hole is poked into a few speculations.

D. KONINKLIJKE PHILIPS ELECTRONICS N. V. V. RAJESH BANSAL, SOLE

³³ Supra Note 28.

PROPRIETOR, MANGLAM TECHNOLOGY AND ANOTHER³⁴

Close to 12 months after it was held by the Delhi High Court, the first post-trial judgement was issued on July 12, 2018 by an Indian Court in a Standard Essential Patent related suit. In this case, a positive finding was conveyed by Ms. Justice Mukta Gupta with respect to the ‘essentiality’ of Philips’ patent, and held that the defendants, local manufacturers, in manufacturing standard-compliant DVD players were infringing the patent.

In 1995, the Plaintiff registered a patent (No. 184753). It related to a “Decoding Device for converting a Modulated Signal to a series of M-Bit Information Words”. Defendants, Indian producers, imported DVD player components and amassed them in India. It was contended by the Plaintiff that the DVD players produced by the Defendants utilize ‘decoders’ that were particularly implied for decoding contents put away on optical storage media as per the methods described in IN-184753, consequently infringing the suit patent. The DVD principles being referred to are the DVD Video Standard and the DVD ROM Standard made by the DVD Forum, and therefore embraced by the ISO and ECMA. Eight issues were raised to be decided by the Court.

The main challenge of defendants was that royalty rates are not in compliance with FRAND terms. As verified in alternatives given by the Plaintiffs to the Defendants vide its letter, the Defendants could take joint licenses and regardless of infringement, the Plaintiff had sought royalty at FRAND rates being USD 3.175. Plaintiff had claimed that Defendants had already agreed to pay license fee of Rs. 45 per DVD player. It was an interim arrangement between parties without prejudice to their rights and contentions, hence any amount noted therein cannot be said to be amount fixed based in evidence led by parties. Further, reasonable royalties for standard essential patents are not only in terms of FRAND but also incremental benefit derived from invention. It was held that Defendants are required to pay royalty to Plaintiff at USD 3.175 from of institution of suits. Finally, the Court reproduced at length the law on punitive damages, as established in *Hindustan Unilever*, and expounded on the importance of not being arbitrary in the award of damages, then immediately proceeded to award an arbitrary Rs. 5 lakhs in punitive damages without taking into account any of the principles reproduced by it.

³⁴ Koninklijke Philips Electronics N. V. v Rajesh Bansal, Sole Proprietor, Manglam Technology and another, 2018 Indlaw DEL 1942. (1942) (India)

The decision by the Delhi High Court's is positively a significant milestone in SEP prosecution in India. Nonetheless, the absence of investigation by the Court on significant regions implies that it is bound to have a famous inheritance, and perhaps subject to challenge in allure on any of the above grounds.

INTERNATIONAL POSITION

A. UNITED STATES OF AMERICA

The US was one of the first countries to realise the ill effects of granting injunction relief to the patent holders. The Sherman Antitrust Act of 1890 is the anti-trust Law in the US. At first, the Federal District Courts were under the mandatory imposition from the Federal Circuit Courts to grant injunctions to the Patent holders. Whereas the US. Supreme Court in the Case of *eBay Inc. v. Merc Exchange*,³⁵ provided a 4-point test to determine where an injunctive relief can be granted. The plaintiff has to prove that, all the four points as provided in the above case are met in order receive injunctive relief on equitable grounds. The 4-Factor test is as follows.

- “1. that it has suffered an irreparable injury;*
- 2. that remedies available at law, such as monetary damages, are inadequate to compensate for that injury;*
- 3. that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and*
- 4. that the public interest would not be disserved by a permanent injunction.”³⁶*

Even after employing the four-fold test, the Court in the case of *Apple v. Motorola*,³⁷ found that it is difficult for the plaintiffs to establish irreparable harm. It is pertinent to note here that making laws that make it easy for the patent holders seek injunctions would establish a monopoly, but at the same time it is important to strike a balance and not make it impossible for them to seek injunctions as it would only end up depriving them of their rights on their own intellectual property. Moreover, the United States' Supreme Court, in the case of *eBay Inc. et al. v. Mercexchange, L.L.C.*³⁸ held that injunctions may not always be

³⁵ *Ebay Inc. et al. Versus Merc exchange, L.L.C*, 2006 SCC OnLine US SC 42 (2006) (India). [Hereinafter *Ebay*]

³⁶ *Ebay*, Supra Note 33.

³⁷ *Apple Inc. v. Motorola, Inc*, Fed. Cir. Apr. 25, (2014). [Hereinafter *Apple*]

³⁸ *Ebay*, Supra Note 33.

in Public Interest.³⁹ The US courts have taken an increasingly progressive approach towards tackling this. They have held that injunctions will not be granted unless the infringer outright refuses to accept a FRAND licence. The US federal trade commissions have also taken actions against the anti-competitive actions of the SEP holders and in some cases have made them comply with the FRAND terms as in the case of *Motorola Mobility Inc. and Google Inc*⁴⁰ in their agreements with the FTC have agreed not to seek from injunctions unless the licensees do not follow FRAND Terms.

Although, in the US, if a licensee, aggressively tries to stall any negotiation effect, they risk getting an injunction. In the case of *Apple v. Motorola*,⁴¹ the Federal Circuit held that, “an injunction may be justified where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect.” Further, in the case of, *Microsoft Corp. v. Motorola, Inc.*⁴² the defendants obtained an injunction in Germany and was enforcing it in the US. The court in this case held that, they couldn’t enforce the injunction obtained in another country, and awarded the plaintiffs \$14.52 million in damages after finding that defendant had breached its FRAND obligations.

In 2015, the US Court of Appeals for the Federal Circuit decided *Commonwealth Science and Industry Research Organisation (CSIRO) v. Cisco Systems*,⁴³ held that to determine whether the royalty paid is excessive, the cumulative royalty amount paid by the implementer must be proven, and the implementer may not rely on mere allegations of royalty stacking, or the qualitative assertions of the value of inventions. This decision of the court was consistent with the court’s decision in the case of *Ericsson v. D-Link*,⁴⁴ where the court held that the cases of Patent hold up must be proved with substantial evidence, or by using scientific facts, instead of being based on general probability.

³⁹ *Ebay*, Supra Note 33.

⁴⁰ *In the Matter of Motorola Mobility Inc. and Google Inc*, Docket No. C-4410, 8.

⁴¹ *Apple*, Supra Note 35

⁴² *Microsoft Corp. v. Motorola, Inc.*, CASE NO. C10-1823JLR (W.D. Wash. Aug. 5, 2013).

⁴³ *Commonwealth Science and Industry Research Organisation (CSIRO) v. Cisco Systems*, No. 15-1066 (Fed. Cir. 2015)

⁴⁴ *Ericsson, Inc. v. D-Link Systems, Inc.*, Nos. 13-1625, -1631, -1632, -1633 (Fed. Cir. Dec. 4, 2014)

B. EUROPEAN UNION

The European Union has a similar stance as the United States on granting injunction relief to patent holders, who seek for it even when the licensees agree to the FRAND terms. The European Courts have opined that the licensees who agree on FRAND Terms are to be given the upper hand while the patent holders seek injunctions.⁴⁵ The Jurisprudence under for seeking injections in the EU has been established by the *Huawei v. ZTE*⁴⁶ case which was decided by the Court of Justice of the European Union. In this case, the CJEU has established some obligations that apply to both the parties in the case of litigations with respect to SEP. The Courts seek to provide injunction relief to the aggrieved party without being in violation of the Article 120⁴⁷ of the Treaty on the Functioning of the European Union.

The Court interpreted Article 102 of the TFEU as any proprietor holding the licensing rights to a SEP must not abuse his dominant position, and must provide licenses to the others on Fair, Reasonable, and Non-Discriminatory Terms. In case, either of the parties violate the FRAND Terms, or do any actions that are not in good faith, or violates the regional commercial practices, then injunctive relief will be granted.⁴⁸ The Courts also stated that, before coming to the Courts, the SEP holder must first alert the potential licensee of the infringement and must present him with the FRAND Terms. However, in case the negotiations between the Potential licensee and the patent holder fails, the licensee may approach the court, to fix a FRAND rate.⁴⁹ The Court's approach was that “*the irrevocable offer to grant licenses on FRAND terms cannot “negate the substance of [those] rights”, but that “it does, none the less, justify the imposition on that proprietor of*

⁴⁵ Fairfield Resources International, Review of Patents Declared as Essential to LTE and SAE (4G Wireless Standards) (January 6, 2010), <http://www.frlicense.com/LTE%20Final%20Report.pdf>.

⁴⁶ Huawei Technologies Co. Ltd. v. ZTE Corp., ZTE Deutschland GmbH, Case C-170/13. [Hereinafter *Huawei*]

⁴⁷ Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.

Such abuse may, in particular, consist in:

- (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- (b) limiting production, markets or technical development to the prejudice of consumers;
- (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

⁴⁸ *Huawei*, Supra Note 44

⁴⁹ *Huawei* at [103], Supra Note 44

an obligation to comply with specific requirements when bringing actions against alleged infringers for a prohibitory injunction or for the recall of products” the judgement then focused on ‘those specific requirements’ and gave certain guidelines on what steps the owner of the FRAND encumbered patent should take before seeking injunctive relief. It is also pertinent to note here that, even though the EU looks adversely upon using anti-competitive measures such as injunctions, there are members in the European Union such as Germany, whose pro-patent owner Laws not only influence the SEP status in Germany, but also the SEP landscape all over the world.⁵⁰

CONCLUSION

India, a developing country, is advancing by introducing schemes to make significant changes. It is pertinent to include producers, manufacturers and customers in this race correspondingly. It is significant that standard technology and licenses should be guaranteed to producers, manufacturers, and customers that are normally possessed by worldwide companies.

Since the licensee cannot decide to implement another innovation, SEP licensing is inclined towards the licensors. By permitting SEP holders to limit access to technology and innovation, potential licensees are compelled to accept unfair, discriminatory, and unreasonable terms dictated by the SEP holders. To ensure that India attains a place in technological revolution and benefits from it, fair admittance to SEP related technology should be guaranteed. This can be achieved by active participation in standard licensing and other related programs. Better exchanges with SEP holders should be boosted. Considering liberal orders, slants the cycle towards the SEP holder further and furthermore subverts the commitments that the SEP holder embraces. It is pertinent to note that once the SEP holders start granting licenses on FRAND Terms, injunctions will be allowed when the potential licensees won’t be willing to give consent and agree with the FRAND Terms. Totally eliminating the power of SEP holders to seek injunctions is not a viable solution. Without a little fear, the licensees are not expected to agree with anything the SEP holders have to offer. It has been seen in many cases where injunctions have been granted considering that negotiation can take place. If power is granted, it should be approached fairly. No undue

⁵⁰ Erik R. Puknys & Michelle (Yongyuan) Rice, *German FRAND Decision May Shape Global SEP Landscape*, FINNEGAN (Aug 25, 2020), <https://www.finnegan.com/en/insights/articles/german-frand-decision-may-shape-global-sep-landscape.html>.

advantage shall be taken of such injunctions. While injunctions are granted, Courts have not considered the bargaining power from both the sides. A problem occurs thereby since even one minor abusive strategy of the SEP holder might hinder the negotiations. Therefore, the explanation on the interplay between the Competition Law and Patent Law is of massive significance to bring consistency in SEP litigation.

Patent issues are perplexing, and injunctions ought not be standard. In the ordinary course of piling up of compensation for patents that are not hampered by the FRAND terms, it is suggested that the patent holders shall prove such an infringement on a claim by claim basis on every patent and over the span of such a declaration withstand difficulties. When this limit is met, for example the patent is end up being legitimate and infringed, only at that time the request shall be directed for harms. This shall indeed be done on a patent-by-patent premise.
