

INJUNCTIVE RELIEF FOR STANDARD ESSENTIAL PATENT HOLDERS: A COMPARATIVE ANALYSIS

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ABSTRACT

Intellectual property rights grant market power to holders, which is enhanced manifold when industry standards incorporate patented technology. In fact, such standards are susceptible to creating monopolies, which mandates a higher level of regulation. While Standard Setting Organisations (“SSOs”) have built-in regulatory mechanisms obligating owners of Standard Essential Patents (“SEPs”) to license their patents on Fair, Reasonable and Non Discriminatory (“FRAND”) terms, greater regulation is required to ensure that implementers have access to standard patented technology. In particular, regulation may prove hard when even enforcement of an SEP holder’s rights may result in the abuse of SEP’s dominant position. This is illustrated by the current dilemma courts find themselves in, with regard to granting injunctions to SEPs.

Through this paper I seek to first, explore what obligations SEP holders have and whether they are enforceable by potential licensees, secondly review how courts across the world have balanced the SEP holders right to relief versus the implementer’s right to access the patent. Thirdly, I examine how

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Indian courts have reacted to granting injunctions for patent infringement claims by SEPs and make recommendations on how Indian policy should evolve in this regard. Ultimately, this paper argues that India should adopt a more pro-competition approach and grant injunctions sparingly, only in situations when the potential licensee is 'unwilling' or does not have the means to pay FRAND royalties.

I. SEP HOLDERS, SSOs AND FRAND

Standard Setting Organisations are voluntarily formed organisations that allow the standardization of technology by establishing an industry consensus. This will allow consumers of technology to be sure that the technology they have bought will be interoperable, and participate in a common technology platform.¹

SSOs usually require that technology be submitted to them to be incorporated into a standard. If a patent holder's technology is incorporated into a standard, it will provide them a monopolistic position since all those who adopt the particular standard will have to license these Standard Essential Patents. Interestingly, various SSOs do not take steps to verify either the essentiality or the validity of the SEPs, and the designation is usually based on self-declaration.²

¹ Joseph Barber, *SSOs, SEPs and RAND licensing: patent law evolves to accommodate technology*, CHICAGO DAILY LAW BULLETIN, available at http://howardandhoward.com/user_area/uploads/Barber%20CDLB%201-26-15.pdf.

² Joseph Mueller *et al*, *The Unwarranted Attempts To Extend The "Unwilling Licensee" Concept*, MLEX MARKET INSIGHT, available at < http://mlexmarketinsight.com/wp-content/uploads/2016/03/Unwilling_Licensee.pdf>; See: Bye-law 6.2, IEEE-SA STANDARDS

However, they set a basic threshold whereby SEP holders agree to license their patents to all those who seek to be standard compliant. This allows the standard to gain more subscription, since potential licensees designing standard compliant products will be aware that they will receive licenses at reasonable terms. This will also ensure that those whose patents are made standard essential do not abuse their position, and preclude access to this technology.

SSOs across the world are imposing obligations on SEP holders to license their patents on FRAND terms. These are voluntarily adopted terms, and FRAND terms are enforceable as against SEP holders since they have undertaken to license their patents on these terms. This voluntary adoption is usually characterized as a contractual obligation, and potential licensees as third-party beneficiaries can seek to enforce this contractual obligation. However, some commentators argue that contracts of SEP holders with SSOs are very vague in respect of FRAND terms. Instead the details of these FRAND terms are often to be found in the bye-laws and policies of the SSOs.³ Therefore, it is sometimes argued that the contractual theory is not the most appropriate theory for enforcement. Instead alternate theories such as promissory estoppel, based on the SEP holders' promise to license on a FRAND basis have also been put forward to justify the enforcement of

BOARD BYE-LAWS, *available at* <<http://standards.ieee.org/develop/policies/bylaws/sect6-7.html>> (Last seen on August 11, 2016); Section 3.1.2, ETSI GUIDE ON INTELLECTUAL PROPERTY RIGHTS (IPRS), *available at* <<http://www.etsi.org/images/files/IPR/etsi-guide-on-ipr.pdf>> (Last seen on August 11, 2016).

³ Professor Jorge L. Contreras, *Why FRAND Commitments are Not (usually) Contracts*, (September 14, 2014), PATENTLY-O *available at* <<http://patentlyo.com/patent/2014/09/commitments-usually-contracts.html>>.

FRAND terms. Others still, argue that FRAND terms should be enforced in the framework of anti-trust laws.⁴ Regardless, of the theory of enforcement suggested, it is clear that these voluntarily adopted obligations *are* legally enforceable.

Once SEP holders voluntarily undertake to license their technology on FRAND terms, it has been noticed that often, they do not comply with this obligation. Given that there is no single FRAND rate, it is alleged that SEP holders try to prolong negotiations on the pretext of determining this rate, and hold-up licensing so that the potential licensee agrees to higher rates. This works because potential licensees are forced to use these patents to makes their products standards compliant.⁵ Due to this, potential licensees across the world are trying to enforce FRAND terms.

Sometimes this is done by using the non-compliant conduct of SEP holders to prevent actions for infringement, by requiring courts to arrive at a FRAND rate of royalty or by using competition law to show that SEP holders are abusing market dominance. While some courts have been reluctant to enforce FRAND obligations,⁶ we find that most courts have agreed to their enforcement. The most commonly employed reasoning for enforcing FRAND is that FRAND terms are contractual obligations and potential

⁴ Jorge L. Contreras, *A Market Reliance Theory for FRAND Commitments and other Patent Pledges*, 2 UTAH LAW REVIEW 479, (2015)

⁵ Mark Lemley & Carl Shapiro, *Patent Hold-up and Royalty stacking*, 85 TEXAS LAW REVIEW 1991 (2007).

⁶ *Certain Audio-visual Components and Products Containing the Same*, Initial Determination of 18 July 2013, Investigation No 337-TA-837.

licensees are third-party beneficiaries who can enforce such terms.⁷ Other theories that justify such enforcement include promissory estoppel, equitable estoppel and implied license.⁸ Even India seems to have implicitly accepted that FRAND terms can be enforced.⁹

Sometimes SEP holders, some of whose patents are often neither valid, nor essential,¹⁰ seek to circumvent their FRAND obligations by seeking injunctions against potential licensees, which forms the substance of their right. This is likely to hold-up negotiations and the threat of an injunction that could potentially wipe out its business, would force potential licensees to agree to coercive terms. There are also likely to possess massive anti-competitive effects of granting such injunctions since SEP holders will pursue such relief against competing parties in the market. Courts, globally, have recognised this and trying to balancing the right to access the courts with the right to access the standard while granting such injunctions.¹¹

⁷ See: *Microsoft Corp. v. Motorola, Inc.*, 854 F. Supp. 2d 993, 999 (W.D. Wash. 2012).

⁸ Jeffrey I. D. Lewis, *What is "FRAND" all about? The Licensing of Patents Essential to an Accepted Standard*, (November 6, 2015), CARDOZO LAW available at <<http://www.cardozo.yu.edu/what-“frand”-all-about-licensing-patents-essential-accepted-standard>> (Last seen on August 11, 2016).

⁹ *Ericsson v. Intex*, I.A. No. 6735/2014 in CS (OS) No. 1045/2014.

¹⁰ Studies have indicated that a large number of designated Standard Essential Patents actually fail the test of essentiality. See: Fairfield Resources International, *Review of Patents Declared as Essential to WCDMA* (January 6, 2009) available at <<http://www.frlicense.com/wcdma1.pdf>>; Fairfield Resources International, *Review of Patents Declared as Essential to LTE and SAE (4G Wireless Standards)* (January 6, 2010) available at <<http://www.frlicense.com/LTE%20Final%20Report.pdf>>. Even the European Commission, in Case AT.39985 - *Motorola- Enforcement of GPRS Standard Essential Patents*, Commission Decision of 29.04.2014, 86 notes that FRAND rate setting may be made difficult since various SEPs are not valid or not essential.

¹¹ Even SSOs like IEEE have recognised this and require that SEP holders agree not to seek injunctive relief against potential licensees except under special circumstances.

II. INTERNATIONAL POSITION

This section seeks to outline how courts, globally, are increasingly aware of the negative effects of granting injunctions to SEP holders. Accordingly, they have restricted the circumstances in which SEP holders should be granted injunctions and have also penalized them if they have used this remedy as a means to abuse their market dominance.

A. *United States*

The United States has been quick to recognise that providing injunctive relief to SEP holders may be incompatible with FRAND terms. US case law recognizes that injunctive relief against infringement is inconsistent with FRAND licensing commitments.¹² However, courts have not outrightly rejected the remedy, but have chosen to apply it in a pro-competitive manner, thereby relying on traditional patent law instead of applying anti-trust principles.

In patent infringement claims, the United States employs the four-fold *eBay* test¹³ for granting injunctions in cases of patent infringement claims. The same test is applied to evaluate requests by SEP holders. However, in *Apple v.*

¹² See: Amadeo Arena *et al*, *Two bodies of law separated by a Common Mission: Unilateral Conduct by Dominant Firms at the IP/Anti-trust intersection in the EU and the US*, 9(3) EUROPEAN COMPETITION JOURNAL 623, 665 (2013).

¹³ In *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006) the court held that “(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.”

Motorola,¹⁴ the court acknowledges that in such cases the patentee may find it difficult to establish irreparable harm,¹⁵ since it has agreed to license on FRAND terms to all those that are willing to purchase the technology. Moreover, public interest would be best served by “*encouraging participation in standard-setting organizations*” and “*ensuring that SEPs are not overvalued.*”¹⁶ This is in line with US SC’s dicta which emphasised that injunctions would not be in public interest “*when the threat of an injunction is employed simply for undue leverage in negotiations.*”¹⁷

The majority further opined that injunctive relief may be provided in the case where the licensor is an unwilling licensor “*who unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect.*”¹⁸ However, that does not preclude the potential licensee from challenging the validity or essentiality of the patent itself. Prost J. in his partly dissenting opinion proposes that only when there is a doubt that monetary compensation cannot be recovered from the infringer, should injunctions be imposed.¹⁹ This would mean that irrespective of the willingness of the potential licensee to pay royalties, injunctive relief would not be granted. This approach is even bolder than that adopted by Posner J., who opined that given FRAND, it would not

¹⁴ *Apple Inc. v. Motorola Inc.*, No. 12-1548 (Fed. Cir. 2014) (“Apple”)

¹⁵ Apple at 72.

¹⁶ Apple at 71.

¹⁷ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396-97 (2006)

¹⁸ Apple at 72.

¹⁹ Apple at 95

be justified to impose injunctions unless the infringer “*refuse[s] to pay a royalty that meets the FRAND requirement.*”²⁰

In *Microsoft v. Motorola* too,²¹ Justice Robarts recognised that in these cases involving irreparable harm of the sort that cannot be adequately monetarily quantified would not accrue since the harm is only in terms of lost royalties that can be quantified on doing a FRAND determination. However, the court also took care to clarify that merely seeking an injunctive relief is not indicative of bad faith on behalf of the SEP holder.²² A similar stance has been taken by the court in *Realtek v. LSI*²³ in respect of preliminary injunctions, wherein it was opined that “*the promise to license on Reasonable and Non-Discriminatory (“RAND”) terms implies a promise not to seek injunctive relief... until the standard essential patent holder first satisfies its RAND obligation.*”²⁴

Moreover, the court clarified that an injunction will not be granted unless the infringer “*outright refuses to accept a RAND license.*”²⁵ The court also held that even if the potential licensee chooses to challenge the validity of the patent, as long as it is willing to negotiate RAND terms.²⁶ The practicality of

²⁰ *Apple v. Motorola*, 869 F Supp 2d 901, 919 (2012). Interestingly, the majority disagrees with this view and likens it to making injunctions unavailable for SEPs.

²¹ *Microsoft Corp v Motorola Inc*, Order Granting Microsoft’s Motion Dismissing Motorola’s Claim for Injunctive Relief, C10-1823JLR.

²² *Microsoft Corp v Motorola Inc*, Order on Parties’ Summary Judgment Motions, C10-1823JLR.

²³ *Realtek Semiconductor Corporation v. LSI Corporation*, Order Granting Plaintiff Realtek Semiconductor Corporation’s motion for Partial Summary Judgment and denying Defendants LSI Corporation and Agere Systems LLC’s Motion to Stay, C-12-03451-RMW (‘Realtek’).

²⁴ *Realtek* at 14.

²⁵ *Realtek* at 10.

²⁶ *Realtek* at 14.

this standard is in question since it is unlikely that any potential licensee will out-rightly refuse a RAND offer.

Despite the increasingly progressive view taken by US courts, the International Trade Commission (“ITC”) in the United States has taken a different view on the matter.²⁷ In the cases of *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof*,²⁸ and *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices and Tablet Computers*,²⁹ the ITC held that an exclusionary order would not be contrary to public interest. While this may be because they have more limited discretion in granting injunctions,³⁰ the standard they applied resulted in a Presidential order which stopped the enforcement of the latter order. It has been argued that it is important for the ITC to adopt a more pro-competition stance with regard to SEP holders to protect consumer interest and ensure that the agreements with SSOs are not frustrated.

Apart from this, the US Federal Trade Commission (“FTC”) has also brought actions for anti-competitive behavior against SEP holders and has compelled SEP holders to comply. For instance, Bosch, in its agreement with the FTC has agreed to not claim injunctive relief against potential licensees who seek to comply with Society of Automotive Engineers (“SAE”) standards

²⁷ Stefano Barazza, *Licensing standard essential patents, part two: the availability of injunctive relief*, 9(7) JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 552, 555 (2014).

²⁸ Investigation No. 337-TA-752.

²⁹ Investigation No 337-TA-794.

³⁰ AIPPI Special Committee on Patents and Standards, *Availability of injunctive relief for FRAND-committed standard essential patents, including FRAND-defence in patent infringement proceedings*, March 2014.

as long as it is willing to license the patents in accordance with FRAND terms.³¹ Similarly, Motorola and Google in their settlement agreement with FTC, have agreed to desist from seeking injunctive relief for alleged infringement unless the potential licensee refuses to deal on FRAND terms.³² They have specifically clarified that “*challenging the validity, value, infringement or essentiality*” of the patents would not constitute a refusal to deal on FRAND terms.³³

B. European Union

The European Union too has recognised that granting injunctive relief would be inconsistent with FRAND terms.³⁴ They have specifically employed the competition law framework to penalise SEP holders for the abuse of their dominant position, by requesting for an injunction against the use of their SEPs from potential licensees.

In this respect, the European court has recognised that even though injunctions are usually the vehicle for enforcing intellectual property rights, SEP holders who have made a “*voluntary commitment to license on FRAND terms*”³⁵ will have to be treated differently. The court believes that the rights of the patent holder to enforce his intellectual property right, access the tribunals and

³¹ *In the Matter of Robert Bosch GmbH*, Docket No. C-4377, 14.

³² *In the Matter of Motorola Mobility Inc. and Google Inc.*, Docket No. C-4410, 8.

³³ *Id.* at 9 and 11.

³⁴ Nicolas Petit, *Injunctions for Frand-Pledged Standard Essential Patents: The Quest for an Appropriate Test of Abuse Under Article 102 TFEU* (December 23, 2013) available at <<http://awards.concurrences.com/IMG/pdf/ssrn-id2371192.pdf>> (Last seen on August 11, 2016)

³⁵ Case AT.39985 - *Motorola- Enforcement of GPRS Standard Essential Patents*, Commission Decision of 29.04.2014, 86.

freedom of trade need 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.³⁶ A proportionality analysis needs to be made to determine what kind of limitations can be enforced. Public interest would lie in protecting competition that is necessary for the functioning of the internal markets.

In this respect, the Advocate General Wathelet has laid down clear standards in *Huawei v. ZTE*.³⁷ He opines that if a holder of an SEP who has agreed to license on FRAND terms seeks to ask for an injunction against a potential licensee, it might constitute an abuse of its dominant position. This would occur if the infringer had shown himself objectively ready, willing and able to conclude a FRAND license but the SEP holder has not honoured its FRAND commitment. While defining an “unwilling licensee,” the court opined that only if the infringer’s conduct must be “*purely tactical and/or dilatory and/or not serious*”³⁸ or bringing an injunction would not be considered abuse of the SEP holder’s dominant position.

Before the SEP holder can bring a claim in courts, he would have to demonstrate that prior to seeking the injunction, he had alerted the potential licensee of the infringement and had presented him with FRAND terms. If the infringer didn’t respond promptly, with a counter-offer, it could be

³⁶ See also: European Commission, *Antitrust decisions on standard essential patents (SEPs) - Motorola Mobility and Samsung Electronics - Frequently asked questions*, MEMO/14/322.

³⁷ Case C170/13, *Huawei Technologies Co. Ltd v. ZTE Corp., ZTE Deutschland GmbH*, Opinion of Advocate General Wathelet of November 2014. (“Huawei?”)

³⁸ Huawei at ¶103

considered dilatory. However, it would be legitimate for the potential licensee to request that courts fix a FRAND rate if the negotiations prove unsuccessful, and to reserve the right to challenge the validity as well as the essentiality of the patent itself.³⁹

This clarification came in after a request from a German Court to clarify the position of the EU on who could be classified as “unwilling licensees”. The test laid down in the Orange Book standard⁴⁰ applied by German Courts requires that the potential licensee should have made an unconditional offer to conclude a license on FRAND terms and should agree to pay royalties on FRAND terms from the date of infringement.⁴¹ The European standard is much wider than the standard propounded in Orange and very similar to the standard that the US is moving towards.

In explaining why the potential licensee’s challenge to the validity of the patent does not constitute unwillingness, Justice Birrs of the United Kingdom clarifies that allowing a potential licensee to challenge the validity of the patent while agreeing to FRAND terms may seem inconsistent, but it would not be fair to describe a “*contingent position*”⁴² as unwillingness. Moreover, even allowing for such a challenge is not likely to adversely affect the SEP holder in all cases. If SEPs are found valid, the potential licensee would not be

³⁹ Huawei at ¶103; See: European Commission, *Antitrust decisions on standard essential patents (SEPs) - Motorola Mobility and Samsung Electronics - Frequently asked questions*, MEMO/14/322.

⁴⁰ *Orange Book Standard*, Doc. no. KZR 39/06 (German Federal Supreme Court). This case has been decided in context of defenses on patent infringement.

⁴¹ *Supra* note 34 at 14-15.

⁴² *Vringo Infrastructure v. ZTE*, [2013] EWHC 1591 (Pat) at ¶44.

in a position to argue “*Oh! But these are weak patents likely to be invalid or not infringed and the royalty should correspondingly be less.*”⁴³ While the issue was not in contention in this case, the same reasoning will apply to allow potential licensees to reserve the right to challenge the essentiality of the patent.

While the EU’s framework looks at the characterization of such injunctions as anti-competitive, different member states can also allow potential licensees to use the anti-competitive effects of such injunctions as defenses. Analysis of these different practices in different member states is outside the scope of this paper.

III. INDIAN POSITION

Globally, courts are moving towards considering the competition aspects of granting injunctions to SEP holders. However, the Indian IP regime is “*guilty of overprotecting of IP on this count.*”⁴⁴ Delhi HC has granted injunctive relief in various cases such as in *Micromax v. Ericsson*⁴⁵ and *Vringo v. Xu Dejun*.⁴⁶ and *Ericsson v. Xiaomi*.⁴⁷ Interestingly, while granting such relief, the Delhi HC has not discussed the potential anti-competitive effects of complainants being

⁴³ *Vringo Infrastructure v. ZTE*, [2013] EWHC 1591 (Pat) at ¶44.

⁴⁴ Shamnad Basheer, *FRAND-ly Injunctions from India: Has Ex Parte Becom the “Standard”?*, (December 9, 2014), SPICYIP available at <<http://spicyip.com/2014/12/frand-ly-injunctions-from-india-has-ex-parte-becom-the-standard.html>> (Last seen on August 11, 2016).

⁴⁵ FAO(OS) 143/2013 available at <http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=53213&yr=2013> (Last seen on August 11, 2016).

⁴⁶ CS(OS) 2168/2013 available at <http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=221627&yr=2013> (Last seen on August 11, 2016). This was later vacated.

⁴⁷ CS (OS) 3775/2014 available at <http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=250092&yr=2014> (Last seen on August 11, 2016).

SEP holders who have agreed to license their patents on FRAND terms. Indeed, ex parte injunctions have also been granted liberally by the courts.⁴⁸

However, the court's opinion in *Vringo v. Indiamart*,⁴⁹ provides a framework that can be applied in the future. Here the High court vacates a temporary injunction since Vringo is unable to prove a prima facie case and show balance of convenience in their favour. With respect to a *prima facie* case, the court emphasised that patent validity is not to be presumed. With respect to the balance of convenience, the court held that the plaintiff's conduct would be the key. If a plaintiff were to come to court with unclean hands or were to unduly delay filing the suit for infringement, the balance of convenience would not be in his favour. Further, no irreparable loss will be suffered by the SEP holder as long as an estimate of infringing products is made available and the infringer provides security for payment of royalties, should the infringement be found valid. Interestingly, the court never discussed that Vringo was an SEP holder who had agreed to license its patents on FRAND terms.

In *Ericsson v. Intex*,⁵⁰ the court determined if Ericsson was entitled to injunctive relief. While granting the relief, the court relied on the conduct of the potential licensees to indicate that the equitable remedy should be granted especially since the defendant avoided negotiation and approached the IPAB

⁴⁸ Prashant Reddy, *Interim Justice: A troubling trend*, (March 30, 2013), BUSINESS STANDARD available at <http://www.business-standard.com/article/opinion/interim-justice-troubling-trend-113033000223_1.html> (Last seen on August 11, 2016).

⁴⁹ I.A. No.2112/2014 in C.S. (OS) No.314 of 2014 available at <<http://lobis.nic.in/ddir/dhc/VKS/judgement/07-08-2014/VKS05082014S3142014.pdf>> (Last seen on August 11, 2016).

⁵⁰ I.A. No. 6735/2014 in CS (OS) No. 1045/2014 available at <<http://lobis.nic.in/ddir/dhc/MAN/judgement/16-03-2015/MAN13032015S10452014.pdf>> (Last seen on August 11, 2016) (“Intex”)

and CCI to extend litigation. In addition, they denied the validity and essentiality of the patents in the instant proceedings, while impliedly accepting their validity and essentiality in their complaint to the CCI. While Intex's conduct could be considered to be that of an "unwilling licensee", and Ericsson could have potentially obtained injunctive relief across the globe, it is noteworthy that the Delhi HC believes that once the patent's validity is established, the court should grant injunctions against infringement if the SEP holder has come to court without undue delay.⁵¹

This indicates that the court would not apply a different matrix of analysis for SEP holders. Moreover, the court held that the balance of convenience and irreparable loss would accrue because "*it would have an impact on other 100 licensors who are well known companies in the world who are paying the royalty.*"⁵² This analysis is presumably based on the assumption that not paying FRAND royalties enables Intex to be more competitive in the Indian market, which will adversely affect the other licensors. However, this seems to be extremely remote. The court, moreover, opined that challenging the validity of a patent would be inconsistent with the actions of a willing FRAND licensee.⁵³ This indicates that the court has not examined the issues specific to SEP holders in this ruling. Additionally, if Intex wants to avoid the injunction, it would have to pay interim royalties⁵⁴ and interim damages.⁵⁵ This judicial

⁵¹ Intex at ¶ 150.

⁵² Intex at ¶ 159.

⁵³ Intex at ¶ 149.

⁵⁴ This was also done in *Ericsson v. Gionee*, available at <http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=211053&yr=2013> (Last seen on August 11, 2016).

⁵⁵ Intex at ¶ 161.

position has come under criticism⁵⁶ since the court seems to have devised completely novel remedies, out of traditional reliefs that were never meant to be equitable reliefs.

Given the pro-property stance taken by Indian courts, potential licensees have also approached the CCI to adjudicate upon the potential of 'abuse of market dominance'. In Case No. 76/2013, the CCI held that Ericsson's conduct *prima facie* constitutes abuse of market dominance primarily because it imposes discriminatory rates of royalty.⁵⁷ However, the Delhi HC admonished the CCI for making detailed observations at the stage of Section 26(1) of the Competition Act, 2002 which is supposed to be a merely administrative order. While the court allowed investigation to go on, no final report was made in this regard.

In Case No. 50/ 2013, the CCI held that the conduct of the defendant deserved investigation. Interestingly, it was argued that the litigative behaviour of the filing applications for permanent injunctions would constitute abuse of dominant position.⁵⁸ Ericsson has filed a writ petition claiming that the CCI does not have jurisdiction to investigate into failed negotiations under Section 26 of the Act,⁵⁹ however no adjudication has been made by the Delhi HC in this regard.

⁵⁶ Prashant Reddy, *'Interim damages' in FRAND patent litigation: When did that become a thing?*, (April 3, 2015), SPICYIP available at <<http://spicyip.com/2015/04/guest-post-interim-damages-in-frand-patent-litigation-when-did-that-become-a-thing.html>> (Last seen on August 11, 2016).

⁵⁷ *In Re Intex Technologies and Telefonaktiebolaget LM Ericsson*, Case No. 76/2013.

⁵⁸ *In Re Micromax Informatics and Telefonaktiebolaget LM Ericsson*, Case No. 50/2013, 4.

⁵⁹ Anubha Sinha, *FRANDly Wars at Delhi HC: Ericsson cries foul play against Intex; CCI barred from adjudicating the dispute*, (February 27, 2014), SPICYIP available at <<http://spicyip.com/2014/02/frandly->

IV. RECOMMENDATIONS

As a developing country, which is increasingly pushing for ‘Make in India’ it is important for us to ensure that manufacturers and consumers in India have equitable access to standard technology, patents to which are usually owned by multi-national corporations. As discussed earlier, SEP licensing negotiations are inherently tilted towards licensors since the licensee cannot choose to implement another technology. Indeed, allowing SEP holders to restrict such access, will force potential licensees who wish to manufacture standard compliant products to accept discriminatory terms. If equitable access to SEP technology is not ensured, India will be prevented from truly becoming a part of and reaping the benefits of the technological revolution.

One way to ensure this would be to increase Indian participation in standard setting programs. Another would be to incentivize better negotiations with SEP holders. Allowing for liberal injunctions, skews the process towards the SEP holder further and also undermines the obligations that the SEP holder undertakes. Other manufacturing dependent economies like China, have acknowledged that once SEP holders have contracted to grant licenses on FRAND terms, injunctions can be granted only when potential licensees refuse to agree to FRAND terms. The Institute of Electrical and Electronics Engineers (“IEEE”) too has acknowledged that SEP holders should not be

wars-at-delhi-hc-ericsson-cries-foul-play-against-intex-cci-barred-from-adjudicating-the-dispute.html> (Last seen on August 11, 2016).

granted injunctions against potential licensees, except in limited circumstances⁶⁰.

Completely removing the ability of SEP holders to ask for injunctions is not a protean solution either. Without the threat of injunctions, there is no incentive for the potential licensee to negotiate reasonably and they may hold out on the SEP holder. SEP holders claim that litigation is a last resort remedy, and only resorted to enable proper negotiations.⁶¹ The jurisprudence of the US and the EU has adopted a more balanced stance, and allows granting of injunctions in those cases where the pre-litigation conduct indicates that the licensee is an ‘unwilling licensee’, or would be unable to pay FRAND royalties. This helps in balancing the concerns of both the SEP holder, and the potential licensee.

Indian courts, however, have liberally granted injunctions, often *ex-parte* undermining the ability of parties to negotiate. Many of these injunctions have been granted without due consideration of legal and practical issues, grant of many others has involved an inadequate analysis of the law. It is desirable for courts to move towards a more balanced standard of granting injunctions only in those cases where it is clear that the potential licensee was unwilling.

This standard can easily be incorporated in the Indian framework for granting injunctions for patents. At present, a grant of injunction in respect of

⁶⁰ Gregory Sidak, *The Meaning of FRAND, Part II: Injunctions*, Journal of Competition Law & Economics, 11(1), 201, 222 (2015).

⁶¹ The Centre for Internet & Society, *The two-faced FRAND: Licensing and injunctive relief in ICTs*, available at <<http://cis-india.org/a2k/blogs/two-faced-frand-licensing-and-injunctive-relief-in-icts>>

a patent can take place if there is a prima facie case (for temporary injunctions), possibility of irreparable injury in the event that injunction is not granted, and if the balance of convenience is in the plaintiff's position. Additionally, Indian courts may also consider 'public interest' as a factor for granting injunctions.⁶² Moreover, injunctions are equitable remedies, and doctrines of equity would also apply.

Since grant of injunctions is an equitable remedy, the conduct of parties is necessarily relevant. Thus, the conduct of both the SEP holders and the potential licensees must be considered before granting an injunction. Courts have considered this in their judgments, however, they have not paid due attention to the difference in the bargaining power of the two parties. This is problematic, since even minor oppressive tactics of the SEP holders can have hugely detrimental effects on the negotiations, for the use of the SEP. Similarly, greater leeway must be granted to potential licensees, since they have a lower bargaining power. Some courts have started trying to incorporate the standard of unwilling licensee in the determination of equitable conduct of parties.

This is indeed a welcome move, but care must be taken to only target that conduct which is *mala fide*, with an attempt to circumvent paying royalties. Thus, actions such as challenging the validity or essentiality of the patent unless motivated by *mala fide* should not be considered as inequitable conduct of an

⁶² Ananth Padmanabhan, INTELLECTUAL PROPERTY RIGHTS: INFRINGEMENT AND REMEDIES, 575 (2012).

unwilling licensee, especially because neither validity nor essentiality is conclusively verified by SSOs.

In addition, while determining whether it is in the ‘public interest’ to grant an injunction, courts may also consider the anti-competitive effects of granting injunctions to SEP holders. Given India’s unique position, as a technology importing country, with a promising manufacturing sector, public interest would not be served if an SEP holder seeks to gain leverage in negotiations by enforcing injunctions indiscriminately. Thus, the standard that should be adopted by courts ought to be more licensee friendly.

If SEP holders routinely seek injunctions, it could lead to an abuse of their dominance. The CCI seems to have been proactive in trying to curb the anti-competitive effects of such practices. However, there is great debate over whether the CCI should be allowed to extend its jurisdictions over such cases, especially given the Delhi High Court’s unwillingness to allow their intervention. However, these issues are not merely contractual in nature, and the CCI should be allowed to examine the effects of SEP holders’ actions, particularly because it has unique expertise to determine these anti-competitive effects.⁶³ Given that SEP holders have undertaken to provide access to their patents on FRAND terms, and their actions could potentially have hugely

⁶³ The Centre for Internet & Society, *The two-faced FRAND: Licensing and injunctive relief in ICTs*, available at <http://cis-india.org/a2k/blogs/two-faced-frand-licensing-and-injunctive-relief-in-icts>; The Centre for Internet & Society, *Transcript of the Conference on Standards Settings Organizations (SSO) and FRAND*, NLSIU available at <http://cis-india.org/a2k/blogs/conference-on-standards-settings-organizations-ss-and-frand-nlsiu>.

adverse economic effects, they should be penalised for indulging in anti-competitive behavior, if pursued as a strategy to leverage their SEPs.

V. CONCLUSION

To conclude, there is global awareness that SEP holders may abuse their dominant position by holding up negotiations with potential licensees. They may choose to do so by ostensibly exercising their IP rights by seeking injunctions on patent infringement. This is in violation of their commitment to license on a FRAND basis and may also have an anti-competitive effect on the market. Given the public interest in preventing abuse of dominance by SEP holders, courts across the world have chosen to enforce FRAND obligations of SEP holders and grant injunctions very sparingly. Usually, only when the potential licensee has been an unwilling licensee who has tried to hold-up FRAND negotiations do courts grant injunctions. SEP holders may also be penalised under Competition Laws if they seek injunctions to gain unfair trade advantage.

Indian courts however, have not shown such caution in granting injunctions to SEP holders. This is surprising, particularly because India is a technology importing country. Indeed, Indian courts should not grant such injunctions unless a clear determination of the unwillingness of the licensee has been established. This is likely to help Indian manufacturers produce standard compliant products, which is a necessity for a developing country like India that seeks to be a global manufacturing and technology hub. Moreover, the bars to the exercise of the Competition Commission's jurisdiction are

unnecessary and impede the process of creating a competitive environment for the licensing of patents.