

**COMMENTS ON THE
DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION
DISCUSSION PAPER ON STANDARD ESSENTIAL PATENTS AND THEIR
AVAILABILITY ON FRAND TERMS**
by
THE CENTRE FOR INTERNET AND SOCIETY, INDIA¹

I. PRELIMINARY

1. This submission presents comments by the Centre for Internet and Society, India (“CIS”) on the *Discussion Paper on Standard Essential Patents and their Availability on FRAND Terms* (dated 01 March, 2016), released by the Department of Industrial Policy and Promotion (“the DIPP”), Ministry of Commerce and Industry, Government of India (“the discussion paper/ discussion paper”).
2. CIS commends the DIPP for its efforts at seeking inputs from various stakeholders on this important and timely issue. CIS is thankful for the opportunity to put forth its views.
3. This submission is divided into three main parts. The *first* part, ‘Preliminary’, introduces the document; the *second* part, ‘About CIS’, is an overview of the organization; and, the *third* part, ‘Submissions on the Issues’, answers the questions raised in the discussion paper. A list of annexures and their URLs is included at the end of the document.

II. ABOUT CIS

4. CIS is a non-profit organisation² that undertakes interdisciplinary research on internet and digital technologies from policy and academic perspectives. The areas of focus include digital accessibility for persons with diverse abilities, access to knowledge, intellectual property rights, openness (including open data, free and open source software, open standards, open access, open educational resources, and open video), internet governance, telecommunication reform, freedom of speech and expression, intermediary liability, digital privacy, and cyber-security.
5. CIS values the fundamental principles of justice, equality, freedom and economic development. This submission is consistent with CIS' commitment to these values, the safeguarding of general public interest and the protection of India's national interest at the international level. Accordingly, the comments in this submission aim to further these principles. In addition, the comments are in line with the aims of the Make in India³ and Digital India⁴ initiatives of the Government of India.

¹This submission has been authored by (alphabetically) Anubha Sinha, Nehaa Chaudhari and Rohini Lakshané, on behalf of the Centre for Internet and Society, India.

²See The Centre for Internet and Society, available at <http://cis-india.org> (last accessed 22 April, 2016) for details of the organization, and, our work.

³Make in India, available at <http://www.makeinindia.com/home> (last accessed 22 April, 2016).

⁴Digital India, available at <http://www.digitalindia.gov.in/> (last accessed 22 April, 2016).

III. SUBMISSION ON THE ISSUES FOR RESOLUTION

6. The following sections provide CIS' views and recommendations on the issues enumerated in section 11 of the discussion paper:

a) Whether the existing provisions in the various IPR-related legislations, especially the Patents Act, 1970 and antitrust legislations, are adequate to address the issues related to SEPs and their availability on FRAND terms? If not, then can these issues be addressed through appropriate amendments to such IPR-related legislations? If so, what changes should be affected?

A.1. The issues related to Standard Essential Patents (“SEPs”) and their licensing on a fair, reasonable and non-discriminatory (“FRAND”) basis lie at the intersection of intellectual property (“IP”) law and competition law⁵. As such, in India, the Patents Act, 1970 (“**the Patents Act**”) and, the Competition Act, 2002 (“**the Competition Act**”) are the relevant legislations to be studied. These have been recently discussed, most recently, by Justice Bakhru in his comprehensive order in *Telefonaktiebolaget LM Ericsson (Publ) v. Competition Commission of India and Another*.⁶

A.2. It is our submission that at the moment, amendments to the Patents Act and the Competition Act may not be preferred. As Justice Bakhru has noted in the aforesaid decision,⁷ there is no conflict between the remedies in the Patents Act and in the Competition Act, and, the pursuit of rights and remedies under one of these legislations does not bar a party from pursuing rights and remedies in the other. Further, under both legislations, there are scenarios for the respective authorities - the Controller General of Patents, Designs and Trademarks (“**the Controller**”) and the Competition Commission of India (“**the CCI**”) for the Patents Act and for the Competition Act respectively - to seek inputs from each other.

A.3. We also note that the CCI is a fairly nascent regulator; one whose jurisdiction is not yet a settled matter of law. While the judgment in the Ericsson-CCI case⁸ is indeed a good beginning, we do not believe that the matter has been conclusively decided. Accordingly, given the complex legal questions involved, over not just the interpretation of the Patents Act and the Competition Act, but also constitutional issues around the jurisdiction of regulators and the power of judicial review of the courts,⁹ we believe that it would be prudent to examine the ruling of the courts on these issues in some detail, before considering amendments.

A.4. In addition, we are of the opinion that our IP law, and, our competition law, fully honor our international commitments, including the requirements under the TRIPS Agreement.¹⁰ As such, we would urge the Government of India to not enter into free trade agreements including, *inter alia*, the Regional Comprehensive Economic

⁵See Nehaa Chaudhari, The Curious Case of the CCI: Competition Law and SEP Regulation in India, presented at the 4th Global Congress on Intellectual Property and the Public Interest, available at <http://cis-india.org/a2k/blogs/the-curious-case-of-the-cci-competition-law-and-sep-regulation-in-india> (last accessed 21 April, 2016) for further details on relevant provisions.

⁶In the High Court of Delhi, W.P.(C) 464/2014 & CM Nos. 911/2014 & 915/2014, judgment delivered on 30 March, 2016. Hereafter referred to as the Ericsson-CCI judgment.

⁷Id.

⁸Id.

⁹Under Articles 226 and 227 of the Constitution of India, and, under Article 32 of the Constitution of India, for the High Courts and the Supreme Court, respectively.

¹⁰Agreement on Trade-Related Aspects of Intellectual Property Rights, available at https://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm (last accessed 22 April, 2016).

Partnership,¹¹ that threaten our use of TRIPS flexibilities, and, impose ‘TRIPS-plus’ obligations.

A.5. We also urge the Government of India to adopt a balanced National IPR Policy, and, a National Competition Policy, both of which has been in abeyance for a considerable amount of time. We believe that these policies are crucial to realize the objectives of the Make in India and Digital India initiatives. At the same time, we submit that these policies be balanced, taking into account the interests of all stakeholders, developed through an extensive consultative process, and, suitably modified based on feedback.

b) What should be the IPR policy of Indian Standard Setting Organizations in developing Standards for Telecommunication sector and other sectors in India where Standard Essential Patents are used?

B.1. The discussion paper identifies four Standard Setting Organizations (“SSOs”) in India, namely, the Telecom Standards Development Society of India (“TSDSI”), the Telecommunication Engineering Center (“TEC”), the Bureau of Indian Standards (“BIS”), the Global ICT Standardization Forum for India (“GISFI”), and, the Development Organization of Standards for Telecommunications in India (“DOSTI”). Comments on each of their policies have been made in the following paragraphs.

B.2. The BIS does not have an intellectual property rights (“IPR”) policy of its own. The BIS Act, 2016¹² does not include one either. As the discussion paper notes, the BIS refers to the IPR policies of the relevant international SSO in the context of technology implemented in India, that is the same or equivalent to the ones developed or maintained by the respective SSOs. We recommend that BIS adopt an IPR policy at the earliest, factoring in India specific requirements differences: a large and exponentially growing mobile device market makes it possible for manufacturers, patent owners and implementers alike to achieve financial gains even with a low margin (“**India specific requirements**”). In addition, our comments on the IPR policy of the TSDSI in paragraph **B.4.** of this submission (below), may also be considered for the content of the BIS’ future policy on IPR.

B.3. According to the discussion paper, the TEC considers the IPR policies of the International Telecommunication Union. We recommend that like the BIS, the TEC also adopt its own IPR policy, factoring in the India specific requirements detailed above. In addition, our comments on the IPR policy of the TSDSI in paragraph **B.4.** of this submission (below), may also be considered for the content of the BIS’ future policy on IPR.

B.4. The TSDSI, a relatively new standards body, has defined an IPR policy¹³. In respect of this policy, the following observations are presented. *First*, this policy notes that IPR owners should be adequately and fairly rewarded. *Second*, it requires members to disclose essential IPRs in a “timely fashion.”¹⁴ *Third*, as per its policy, the TSDSI can request the owner of an essential IPR to undertake, within three months, to

¹¹KEI Staff, 2015 October 15 version: RCEP IP Chapter, available at <http://keionline.org/node/2472> (last accessed 22 April, 2016).

¹²BIS Act, 2016, available at <http://www.bis.org.in/bs/bsindex.asp> (last accessed 21 April, 2016).

¹³TSDSI, Intellectual Property Rights Policy, available at <http://www.tdsi.org/media/Help/2014-12-17/TSDSI-PLD-40-V1.0.0-20141217.pdf> (last accessed 22 April, 2016).

¹⁴Id at Clause 3.1.

license it irrevocably on FRAND terms.¹⁵ At the same time, the policy also states that the (aforesaid) ask may be subject to the condition that licensees agree to reciprocate.¹⁶ Should such an undertaking not be forthcoming, the TSDSI may suspend work on the standard or technical specification in question, or, adopt another course of action.¹⁷ *Fourth*, the policy identifies two scenarios for the non availability of licences prior to publication,¹⁸ based on the existence, or, the lack thereof, of alternative technologies. In the event of a lack of alternative technology, the policy requires a member to disclose in writing its reasons for not licensing its patents. Following this, it is submitted that there is no clarity on the concrete steps that the TSDSI would adopt in case the efforts to convince a member to license their essential IPRs, fail. The policy only states that “the TSDSI shall take further action as deemed fit.”¹⁹ The same is also true where the IPR owner is not a member of the TSDSI.²⁰ *Fifth*, the policy also envisages a scenario of non-availability post publication.²¹ The procedure for dealing with this is akin to the one detailed above, with the TSDSI asking for a written explanation, considering further action, including the possible withdrawal of the standard or technical specification in question. *Sixth*, it is observed that the policy does not require a commitment from its members to refrain from seeking injunctive relief. *Seventh*, it is accordingly recommended that the policy be suitably modified (a) to include India specific requirements discussed above; (b) to require a commitment from its members, that they refrain from seeking injunctive relief; (c) to delete the condition where FRAND negotiations may be subject to a condition of reciprocity; (d) to identify in detail the procedure to be followed in case of patent ‘hold-ups’ and patent ‘hold-outs’; (e) to identify in detail the procedure to be followed in case of refusal to license by TSDSI members, and, non-members, both; and, (f) to include a detailed process on the declassification of a standard or technical specification.

B.5. The IPR policy of GISFI²², is substantially similar to the IPR policy of the TSDSI, discussed in paragraph **B.4.** of this submission (above). *Inter alia*, GISFI’s IPR policy also does not indicate the specific steps to be taken in case an IPR owner refuses to license essential IPRs for which no alternative technology is available. This is true in the cases both, where the refusal is by a member, and, by a non-member.²³ Our recommendations on the IPR policy of the TSDSI in paragraph **B.4.** of this submission (above), may also be considered for the GISFI’s IPR policy.

B.6. According to the discussion paper, the IPR policy of the DOSTI resembles that of the GIFSI. It is submitted that these policies are similar in the context of refusal to license by a member or non-member, and, like the TSDSI and the GISFI, the DOSTI also requires the patent holder to license its IPR irrevocably on FRAND terms. Accordingly, we reiterate our comments on the IPR policy of the TSDSI in paragraph **B.4.** of this submission (above). The aforesaid recommendations may also be considered to be relevant for the DOSTI’s IPR policy.

¹⁵Id at Clause 5.1.

¹⁶Id at Clause 5.2.

¹⁷Id at Clause 5.5.

¹⁸Id at Clauses 7.1. and 7.2.

¹⁹Id at Clause 7.2.1.a (iii).

²⁰Id at Clause 7.2.1.b(iii).

²¹Id at Clause 7.3.

²²GISFI, Intellectual Property Rights Policy, available at http://www.gisfi.org/ipr_policy/gisfi_intellectual_property_righ.htm (last accessed 22 April, 2016).

²³Id at Clauses 6.2.1.a(iii) and 6.2.1.b(iii).

B.7. We are also of the opinion that it would be useful for Indian SSOs to consider recommending the use of royalty-free licenses for IPRs. Illustratively, the World Wide Web Consortium (“W3C”)²⁴ and the Open Mobile Alliance (“OMA”)²⁵ encourage royalty-free licensing.

c) Whether there is a need for prescribing guidelines on working and operation of Standard Setting Organizations by Government of India? If so, what all areas of working of SSOs should they cover?

C.1. In our opinion, in a milieu where instances of SEP litigation are becoming increasingly complex, and, there is a tangible threat of the abuse of the FRAND process, it might be useful for the Government of India to make suggestions on the working of Indian SSOs.

C.2. It is suggested that the Government of India develop Model Guidelines that may be adopted by Indian SSOs, taking into account India specific requirements, including the ones detailed in paragraph **B.2.** of this submission (above). We believe that this measure will also enable the fulfilment of the objectives of the Make in India and Digital India initiatives.

C.3. We recommend that various stakeholders, including IP holders, potential licensees and users of IP, civil society organizations, academics, and, government bodies, including the the Indian Patent Office (“IPO”), the Department of Telecommunications, the DIPP, TRAI, and, the CCI be consulted in the creation of these Model Guidelines.

C.4. In our opinion, the Model Guidelines may cover (a) the composition of the SSO; (b) the process of admitting members; (c) the process of the determination of a standard or technical specification; (d) the process of declassification of a standard or technical specification; (e) the IPR Policy; (f) resolution of disputes; (g) applicable law.

d) Whether there is a need for prescribing guidelines on setting or fixing the royalties in respect of Standard Essential Patents and defining FRAND terms by Government of India? If not, which would be appropriate authority to issue the guidelines and what could be the possible FRAND terms?

D.1. In light of the inadequacies in the IPR policies (discussed above) of various SSOs in India, as well the the spate of ongoing patent infringement lawsuits around mobile technologies, we recommend that the Government of India intervene in the setting of royalties and FRAND terms.

D.2. We propose that the Government of India initiate the formation of a patent pool of critical mobile technologies and apply a compulsory license with a five per cent royalty²⁶. Further details of this proposal have been enumerated in answer to question ‘f’ of the discussion paper (below).

²⁴See W3C, Patent Policy, available at <https://www.w3.org/Consortium/Patent-Policy-20040205/> (last accessed 22 April, 2016) for more details on their royalty-free licences.

²⁵See OMA, Use Agreement, available at <http://openmobilealliance.org/about-oma/policies-and-terms-of-use/use-agreement/> (last accessed 22 April, 2016) for more details on their royalty-free licences.

²⁶See Rohini Lakshane, Open Letter to PM Modi, available at <http://cis-india.org/a2k/blogs/open-letter-to-prime-minister-modi> (last accessed 22 April, 2016) for further details of CIS’ proposal.

D.3. Our motivations for this proposal are many-fold. In our opinion, it is near-impossible for potential licensees to avoid inadvertent patent infringement. As a part of our ongoing research on technical standards applicable to mobile phones sold in India, we have found nearly 300 standards so far²⁷. It is submitted that carrying out patent searches for all the standards would be extremely expensive for potential licensees. Further, even if such searches were to be carried out, different patent owners, SSOs and potential licensees disagree on valuation, essentiality, enforceability, validity, and coverage of patents. In addition, some patent owners are non-practising entities (“NPEs”) and may not be members of SSOs. The patents held by them are not likely to be disclosed. More importantly, home-grown manufacturers that have no patents to leverage and may be new entrants in the market would be especially disadvantaged by such a scenario. Budget phone manufacturers, standing to incur losses either as a result of heavy licensing fees, or, potential litigation, may close down. Alternatively, they may pass on their losses to consumers, driving the now-affordable phones out of their financial reach. With the objectives of Make in India and Digital India in sight, it is essential that Indian consumers continue to have access to devices within their purchasing power.

e) On what basis should the royalty rates in SEPs be decided? Should it be based on Smallest Saleable Patent Practising Component (SSPPC), or on the net price of the Downstream Product, or some other criterion?

E.1. It is our submission that royalty rates for SEPs should be based on the smallest saleable patent practising component (“SSPPC”). Most modern telecommunication and IT devices are complex with numerous technologies working in tandem. Different studies indicate that the number of patents in the US applicable to smartphones is between 200,000 and 250,000.²⁸ A comprehensive patent landscape of mobile device technologies conducted by CIS reveals that nearly 4,000 patents are applicable to mobile phones sold in India.²⁹ It is thus extremely difficult to quantify the exact extent of interaction and interdependence between technologies in any device, in such a way that the exact contribution of the patented technology to the entire device can be determined.

E.2. The net cost of the device is almost always several times that of the chipset that implements the patented technology. Armstrong et al³⁰ have found that the cost of a 4G baseband chip costs up to \$20 including royalties in a hypothetical \$400 phone

²⁷Rohini Lakshané, CIS, List of Technical Standards and IP Types (Working document), available at <https://drive.google.com/file/d/0B8SgjShAjhbtaml5eW50bS01d2s/view?usp=sharing> (last accessed 22 April, 2016).

²⁸Mark Lemley and Carl Shapiro, Patent Holdup and Royalty Stacking, 85 *Tex. L. Rev.* at 2015; See also, for e.g., RPX Corporation, Amendment No. 3 to Form S-1, 11 Apr. 2011, at 59, available at <http://www.sec.gov/Archives/edgar/data/1509432/000119312511101007/ds1a.htm> (last accessed 22 April, 2016), quoting - “Based on our research, we believe there are more than 250,000 active patents relevant to today’s smartphones...”; See further Steve Lohr, Apple- Samsung Case Shows Smartphone as Legal Magnet, *New York Times*, 25 Aug. 2012, available at <http://www.nytimes.com/2012/08/26/technology/apple-samsung-case-shows-smartphone-as-lawsuit-magnet.html> (last accessed 22 April, 2016).

²⁹Jorge L. Contreras and Rohini Lakshané, Patents and Mobile Devices in India: An Empirical Survey, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2756486 (last accessed 22 April, 2016).

³⁰Ann Armstrong, Joseph J. Mueller and Timothy D. Syrett, The Smartphone- Royalty Stack: Surveying Royalty Demands for the Components Within Modern Smartphones, available at https://www.wilmerhale.com/uploadedFiles/Shared_Content/Editorial/Publications/Documents/The-Smartphone-Royalty-Stack-Armstrong-Mueller-Syrett.pdf (last accessed 22 April, 2016).

sold in the US. One of the litigating parties in the ongoing patent infringement lawsuits in India has stated that one of the reasons for preferring to leverage its patents as downstream as possible in the value chain is that it will earn the company more royalties³¹. In instances where patent exhaustion occurs much earlier in the value chain, such as in the case of the company's cross-licenses with Qualcomm (another company that owns patents to chip technologies), the company does not try to obtain royalties from the selling prices of devices for the cross-licensed technologies. It is submitted that such market practices could be detrimental to the government's objectives such as providing a mobile handset to every Indian by 2020 as a part of the Digital India programme³². It is also worth noting in this context that the mobile device is the first and only medium of access to the Internet and telecom services for a large number of Indians, and, consequently, the only gateway to access to knowledge, information and critical services, including banking.³³

E.3. The discussion paper notes that J. Gregory Sidak, having studied the proceedings before the Delhi High Court, approved of the manner in which the court determined royalties.³⁴ In his paper, Sidak(2015)³⁵ notes that in determining royalties, the court relied, *inter alia*, on the decision of *CSIRO v. Cisco* (“the **CSIRO case**”), a 2015 decision of the US Court of Appeals for the Federal Circuit. 2015.³⁶ We humbly disagree with the opinion of the Delhi High Court on the manner of determining royalties, and, with Sidak's approval of the same.

E.4. It is our submission that the *CSIRO case*³⁷ relied on a previous judgment, which we disagree with. The decision, a 2014 district court judgment, analogises the determination of royalties on SEPs to the determination of royalties on a copyrighted book. The court notes, “[b]asing a royalty solely on chip price is like valuing a copyrighted book based only on the costs of the binding, paper, and ink needed to actually produce the physical product. While such a calculation captures the cost of the physical product, it provides no indication of its actual value.” In our opinion, this analogy is flawed. While a book is a distinct product as a whole, a mobile phone is a sum-total of its parts. If at all, a mobile phone could be compared with a book with several authors, as multiple technologies belonging to several patent holders are implemented in it. This judgement bases valuation for one set of

³¹Florian Mueller, Ericsson Explained Publicly why it Collects Patent Royalties from Device (Not Chipset) Makers, available at <http://www.fosspatents.com/2014/01/ericsson-explained-publicly-why-its.html> (last accessed 22 April, 2016).

³²Romit Guha and Anandita Singh Masinkotia, PM Modi's Digital India Project: Government to Ensure that Every Indian has a Smartphone by 2019, available at http://articles.economictimes.indiatimes.com/2014-08-25/news/53205445_1_digital-india-india-today-financial-services (last accessed 22 April, 2016).

³³Nehaa Chaudhari, Standard Essential Patents on Low-Cost Mobile Phones in India: A Case to Strengthen Competition Regulation?, available at <http://www.manupatra.co.in/newsline/articles/Upload/08483340-C1B9-4BA4-B6A9-D6B6494391B8.pdf> (last accessed 22 April, 2016).

³⁴See part 10.2.2. of the Discussion Paper, at page 25.

³⁵J.Gregory Sidak, FRAND in India: The Delhi High Court's Emerging Jurisprudence on Royalties for Standard-Essential Patents, available at <http://jiplp.oxfordjournals.org/content/early/2015/06/11/jiplp.jp096.full> (last accessed 22 April, 2016).

³⁶Appeal from the United States District Court for the Eastern District of Texas in No. 6:11-cv-00343-LED, decided on 03 December, 2015, available at <http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/15-1066.Opinion.12-1-2015.1.PDF> (last accessed 22 April, 2016).

³⁷Id.

technologies on the whole device, thus awarding compensation to the licensor even for those technologies implemented in the device that are not related to the licensed technologies. In our opinion, charging royalty on the net selling price of a device for one technology or one set of technologies is thus more like a referral scheme and less like actual compensation for the value added. Accordingly, royalties must be charged on the SSPPC principle.

f) Whether total payment of royalty in case of various SEPs used in one product should be capped? If so, then should this limit be fixed by Government of India or some other statutory body or left to be decided among the parties?

F.1. CIS has proposed a compulsory licensing fee of five per cent on a patent pool of critical mobile technologies. The rationale for this figure is the royalty cap imposed by India in the early 1990s.

F.2. As part of regulating foreign technology agreements, the (former) Department of Industrial Development (later merged with the DIPP) capped royalty rates in the early 1990s. Payment of royalties was capped at either a lump sum payment of \$2 million, or, 5 percent on the royalty rates charged for domestic sale, and, 8 percent for export of goods pertaining to “high priority industries”.³⁸ Royalties higher than 5 percent or 8 percent, as the case may be, required securing approval from the government.

F.3. While the early 1990s (specifically, 1991) was too early for the mobile device manufacturing industry to be listed among high priority industries, the public announcement by the government covered computer software, consumer electronics, and electrical and electronic appliances for home use. The cap on royalty rates was lifted by the DIPP in 2009.³⁹

F.4. It is submitted in the case of mobile device technology, we are witnessing a situation similar to that of the 1990s. In this sphere, most of the patent holders are multinational corporations which results in large royalty amounts leaving India. At the same time, in our opinion, litigation over patent infringement in India has limited the manufacture and sale of mobile devices of homegrown brands.

F.5. We believe that the aforementioned developments are detrimental to the Make in India and Digital India initiatives of the Government of India, and, the government’s aim of encouraging local manufacturing, facilitating indigenous innovation, as well as strengthening India’s intellectual property regime. It is our submission, therefore, that the payment of royalties on SEPs be capped.

F.6. We submit that such a measure is particularly important, given the nature of SEP litigation in India. While SEP litigation in India is indeed comparable to international SEP litigation on broader issues raised, specifically competition law concerns, but differs crucially where the parties are concerned. International SEP litigation is largely between multinational corporations with substantial patent portfolios, capable of engaging in long drawn out litigations, or engaging in other strategies including setting off against each other’s patent portfolios. Dynamics in the Indian market differ

³⁸Kumkum Sen, News on Royalty Payments Brings Cheer in New Year, available at http://www.business-standard.com/article/economy-policy/news-on-royalty-payment-brings-cheer-in-new-year-110010400044_1.html (last accessed 21 April, 2016).

³⁹See Sanjana Govil, Putting a Lid on Royalty Outflows- How the RBI Can Help Reduce India’s IP Costs, available at <http://cis-india.org/a2k/blogs/lid-on-royalty-outflows> (last accessed 21 April, 2016), for a discussion on the introduction of royalty caps in the early 1990s, and its success in reducing the flow of money out of India.

– with a larger SEP holder litigating against smaller manufacturers, many of whom are indigenous, home-grown.⁴⁰

F.7. In June, 2013, we had recommended to the erstwhile Hon’ble Minister for Human Resource Development⁴¹ that a patent pool of essential technologies be established, with the compulsory licensing mechanism. Subsequently, in February, 2015, we reiterated this request to the Hon’ble Prime Minister.⁴² We propose that the Government of India initiate the formation of a patent pool of critical mobile technologies and mandate a five percent compulsory license.⁴³ As we have stated in our request to the Hon’ble Prime Minister, we believe that such a pool would “possibly avert patent disputes by ensuring that the owners’ rights are not infringed on, that budget manufacturers are not put out of business owing to patent feuds, and that consumers continue to get access to inexpensive mobile devices. Several countries including the United States issue compulsory licenses on patents in the pharmaceutical, medical, defence, software, and engineering domains for reasons of public policy, or to thwart or correct anti-competitive practices.”⁴⁴

F.8. We believe that such a measure is not in breach of our international obligations under the TRIPS Agreement.

g) Whether the practice of Non-Disclosure Agreements (NDA) leads to misuse of dominant position and is against the FRAND terms?

G.1. The issue of Non Disclosure Agreements (“NDAs”) in SEP/FRAND litigation is a contentious one. Patent holders argue that they are essential to the license negotiation process to protect confidential information, whereas potential licensees submit that NDAs result in the imposition of onerous conditions.⁴⁵

G.2. In India’s SEP litigation, the use of NDAs has been raised as an issue in at least two cases - separately by Intex⁴⁶ and by iBall⁴⁷, in their cases against Ericsson. Intex and iBall have both claimed that the NDAs that Ericsson asked them to sign were onerous, and favoured Ericsson.

G.3. According to Intex, the NDA in question would result in high legal costs for Intex, and, would render it unable to disclose crucial information to its vendors (who had agreed to supply to Intex on the condition that Intex was not infringing on any patents).⁴⁸

G.4. According to iBall, the parties had agreed to enter a global patent license agreement (“GPLA”) but Ericsson insisted on an NDA. Upon receiving the terms of

⁴⁰Supra note 33.

⁴¹Nehaa Chaudhari, Letter for Establishment of Patent Pool for Low-cost Access Devices through Compulsory Licenses, available at <http://cis-india.org/a2k/blogs/letter-for-establishment-of-patent-pool-for-low-cost-access-devices> (last accessed 21 April, 2016).

⁴²Supra note 26.

⁴³Rohini Lakshané, FAQ: CIS’ proposal to form a patent pool of critical mobile technology, September 2015, available at <http://cis-india.org/a2k/blogs/faq-cis-proposal-for-compulsory-licensing-of-critical-mobile-technologies> (last accessed 22 April, 2016).

⁴⁴Id.

⁴⁵See the Ericsson-CCI case, supra note 6, for Intex’s submissions as discussed by Justice Bakhru.

⁴⁶Id.

⁴⁷Rohini Lakshané, Compilation of Mobile Phone Patent Litigation Cases in India, available at <http://cis-india.org/a2k/blogs/compilation-of-mobile-phone-patent-litigation-cases-in-india> (last accessed 21 April, 2016).

⁴⁸See the Ericsson-CCI case, supra note 6, at paragraph 19.2.

the NDA, iBall claimed before the CCI that Ericsson's refusal to identify the allegedly infringed SEPs; the threat of patent infringement proceedings; the attempt to coax iBall to enter into a "one-sided and onerous NDA"; the tying and bundling patents irrelevant to iBall's products by way of a GPLA; demanding unreasonably high royalties by way of a certain percentage value of handset as opposed to the cost of actual patented technology used all constituted abuse of Ericsson's dominant position under Section 4 of the Competition Act.⁴⁹

G.5. In India, the law on misuse (abuse) of dominant position by an 'enterprise' is found primarily in Section 4 of the Competition Act (read with Section 2(h) of the Competition Act, which defines 'enterprise'). In its recent decision in the Ericsson-CCI case⁵⁰, the Delhi High Court has found Ericsson to be an 'enterprise' for the purposes of the Competition Act, and hence subject to an inquiry under Section 4 of the same legislation. In the same decision, the court has also recognised the jurisdiction of the CCI to examine Ericsson's conduct for abuse of behaviour, based on complaints by Micromax and Intex. The use of NDAs is one of the grounds on which the parties have complained to the CCI.

G.6. Pending a final determination by the CCI (and subsequent appeals), it would be premature to make an absolute claim on whether the use of NDAs results in an abuse of dominant position in *all* instances. However, the following submissions are made: *First*, the determination of misuse/abuse of dominant position is influenced by a number of factors⁵¹, i.e., such a determination should be made on a case to case basis. *Second*, the market regulator, the CCI, is best situated to determine (a) abuse of dominance, and (b) whether the use of NDAs by an enterprise constitutes an abuse of its dominance. *Third*, the question of whether the use of NDAs constitutes misuse of dominance needs to be addressed in two parts - (a) whether the use of the NDA *itself* is abusive, irrespective of its terms and, (b) whether the use of certain specific terms renders the NDA abusive. *Fourth*, NDAs could potentially lead to the patent owner abusing its dominant position in the market, as well as result in an invalidation of FRAND commitments and terms. NDAs make it impossible to determine if a patent holder is engaging in discriminatory licensing practices. *Fifth*, NDAs are especially harmful in the case of NPEs-- companies that hold patents and monetise them but don't build or manufacture the components or devices that implement the technology associated with the patents.

h) What should be the appropriate mode and remedy for settlement of disputes in matters related to SEPs, especially while deciding FRAND terms? Whether Injunctions are a suitable remedy in cases pertaining to SEPs and their availability on FRAND terms?

H.1. The licensing of SEPs on FRAND terms requires the parties to negotiate "reasonable" royalty rates in good faith, and apply the terms uniformly to all willing licensees. It is our submission that if the parties cannot agree to FRAND terms, they may enter into binding arbitration. Further, if all efforts fail, there exist remedies under the Patents Act and the Competition Act, 2002 to address the issues.

⁴⁹Supra note 47.

⁵⁰See the Ericsson-CCI judgment, supra note 6, at paragraphs 88-105.

⁵¹Section 19(4) of the Competition Act. See also *Competition Commission of India v. Steel Authority of India and Another*, (2010) 10 SCC 744.

H.2. Section 115 of the Patents Act empowers the court to appoint an independent scientific adviser “to assist the court or to inquire and report upon any such question of fact or of opinion (not involving a question of interpretation of law) as it may formulate for the purpose.”⁵² Such an independent adviser may inform the court on the technical nuances of the matter.

H.3. Further, under the Patents Act, pending the decision of infringement proceedings the Court may provide interim relief, if the plaintiff proves *first*, a prima facie case of infringement; *second*, that the balance of convenience tilts in plaintiff’s favour; and, *third*, that if an injunction is not granted the plaintiff shall suffer irreparable damage.

H.4. However, it is our suggestion that courts adopt a more cautious stance towards granting injunctions in the field of SEP litigation. *First*, in our opinion, injunctions may prove to be a deterrent to arrive at a FRAND commitment, in particular, egregiously harming the willing licensee. *Second*, especially in the Indian scenario, where litigating parties operate in vastly different price segments (thereby targeting consumers with different purchasing power), it is difficult to establish that “irreparable damage” has been caused to the patent owner on account of infringement. *Third*, we note the approach of the European Court of Justice, which prohibited the patent holder from enforcing an injunction provided a willing licensee makes an offer for the price it wishes to pay to use a patent under the condition that it deposited an amount in the bank as a security for the patent holder.⁵³ *Fourth*, we also note the approach of the Federal Trade Commission in the USA, which only authorizes patent holders to seek injunctive relief against potential licensees who have either stated that they will not license a patent on any terms, or refuse to enter into a license agreement on terms that have been set in the final ruling of a court or arbitrator.⁵⁴ Further, as Contreras (2015)⁵⁵ observes, that the precise boundaries of what constitutes as an unwilling licensee remains to be seen. We observe a similar ambiguity in Indian jurisprudence, and accordingly submit that courts should carefully examine the conduct of the licensee to injunct them from the alleged infringement.

i) What steps can be taken to make the practice of Cross-Licensing transparent so that royalty rates are fair & reasonable?

I.1. The Patents Act requires patentees and licensees to submit a statement on commercial working of the invention to the Controller every year.⁵⁶ Form 27 under section 146(2) of the Act lists the details necessary to be disclosed for compliance of the requirement of “working”. A jurisprudential analysis reveals the rationale and objective behind this mandatory requirement. Undeniably, the scheme of the Indian patent regime makes it amply clear that “working” is a very important requirement, and the public as well as competitors have a right to access this information in a

⁵² Section 115 of the Patents Act, 1970.

⁵³ *Huawei Technologies Co. Ltd v. ZTE Corp. and ZTE Deutschland*, Judgment of the Court (Fifth Chamber) of 16 July 2015 in GmbH C-170/13.

⁵⁴ Third Party United States Fed. Trade Commission’s Statement on the Public Interest, *In re Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof*, U.S. Int’l Trade Comm’n, Inv. No. 337-TA-745 (Jun. 6, 2012).

⁵⁵ Jorge L. Contreras, A Brief History of FRAND: Analyzing Current Debates in Standard Setting and Antitrust Through a Historical Lens, 80 *Antitrust Law Journal* 39 (2015), available at <http://ssrn.com/abstract=2374983> or <http://dx.doi.org/10.2139/ssrn.2374983> (last accessed 22 April, 2016).

⁵⁶ Section 146(2) of the Patents Act, 1970..

timely manner, without undue hurdles.⁵⁷ Indeed, as the decision in *Natco Pharma v. Bayer Corporation*⁵⁸ reveals, the disclosures in Form 27 were crucial to determining the imposition of a compulsory license on the patentee. Thus, broadly, Form 27 disclosures can critically enable willing licensees to access patent “working” information in a timely manner.

I.2. However, there has been little compliance of this requirement by the patentees, despite the IPO reiterating the importance of compliance through the issuance of multiple public notices⁵⁹ (suo motu and in response to a public interest litigation filed in 2011⁶⁰), and, reminding the patentees that non-compliance is punishable with a heavy fine.⁶¹ Findings of research submitted by one of the parties⁶² in the writ of the 2011 public interest litigation *Shamnad Basheer v. Union of India and others*⁶³ reveal as follows. *First*, a large number of Form 27s are unavailable for download from the website of the IPO. This possibly indicates that the forms have either not been filed by the patentees with the IPO, or have not been uploaded (yet) by the IPO. *Second*, a large number of filings in the telecom sector remain incomplete.

I.3. In 2015, CIS queried the IPO website for Form 27s of nearly 4,400 patents. CIS’ preliminary research (ongoing and unpublished) echoes findings⁶⁴ similar to the ones disclosed in the case discussed in paragraph **I.2.** of this submission (above).

I.4. In view of the submissions above, CIS makes the following recommendations to make the practice of cross-licensing transparent so that royalty rates are fair & reasonable: *first*, that there be a strict enforcement of the submission of Form 27s on a regular and timely basis by the patentees; and, *second*, that guidelines may be drawn up on whether it was discriminatory to charge no royalties (whether on the SSPPU or on the whole device) for a patent holder in a cross-licensing arrangement with another, when it charges royalty on the selling price of the device from a non-cross-licensor.

j) What steps can be taken to make the practice of Patent Pooling transparent so that royalty rates are fair & reasonable?

⁵⁷Sai Vinod, Patent Office Finally Takes Form 27s Seriously, available at <http://spicyip.com/2013/02/patent-office-finally-takes-form-27s.html> (last accessed 22 April, 2016).

⁵⁸ Order No. 45/2013 (Intellectual Property Appellate Board, Chennai), available at <http://www.ipab.tn.nic.in/045-2013.htm> (last accessed 22 April, 2016).

⁵⁹ Intellectual Property India, Public Notice, available at http://www.ipindia.nic.in/iponew/publicNotice_Form27_12Feb2013.pdf (last accessed 22 April, 2016) and Intellectual Property India, Public Notice, available at http://ipindia.nic.in/iponew/publicNotice_24December2009.pdf (last accessed 22 April, 2016).

⁶⁰Supra note 57.

⁶¹Id.

⁶²See research findings available at <http://spicyip.com/wp-content/uploads/2015/05/FORM-27-WP-1R-copy.pdf> (last accessed 22 April, 2016).

⁶³In the High Court of Delhi, W.P.(C) 5590/2015. This litigation is currently ongoing. See, illustratively, Mathews P. George, *Patent Working in India: Delhi HC issues notice in Shamnad Basheer v. Union of India & Ors. – I*, available at <http://spicyip.com/2015/09/patent-working-in-india-delhi-hc-issues-notice-in-shamnad-basheer-v-union-of-india-ors-i.html> (last accessed 22 April, 2016).

⁶⁴ In response to an RTI request made to the IPO in Mumbai for forms unavailable on the website, CIS received a reply stating, “As thousand [sic] of Form -27 are filed in this office, it is very difficult to segregate Form-27 for the patent numbers enlisted in your RTI application as it needs diversion of huge official staff/ manpower and it will affect day to day [sic] work of this office.” This research is ongoing and unpublished. Please contact us for a copy of the RTI application and the response received.

J.1. Patent pools can be understood as an agreement between two or more patent owners to license one or more of their patents to one another or to third parties.⁶⁵ Thus, the creation of a patent pool makes use of the legal instrument of licensing, similar to the practice of cross-licensing. Insofar, we reiterate our recommendations made in paragraph **I.3.** of this submission (above), which apply to the answer to the instant question.

J.2. In furtherance of the recommendation above, we also propose the alteration of the Form 27 template⁶⁶ to include more disclosures. Presently, patentees are required to declare number of licensees and sub-licensees. We specifically propose that the format of Form 27 filings be modified to include patent pool licenses, with an explicit declaration of the names of the licensees and not just the number.

J.3. It is also our submission that patent pools be required to offer FRAND licenses on the same terms to both members and non-members of the pool.

k) How should it be determined whether a patent declared as SEP is actually an Essential Patent, particularly when bouquets of patents are used in one device?

K.1. We submit that several studies on the essentiality of SEPs indicate that only a small percentage of SEPs are actually essential. A study conducted by *Goodman and Myers* (2004) showed that only 21% of SEPs pertaining to the 3G standard in the US were deemed to be actually essential.⁶⁷ Another study conducted by the same authors in 2009 for WCDMA patents showed that 28% SEPs were essential.⁶⁸

K.2. In our opinion, *first*, the methodology adopted by *Goodman and Myers*⁶⁹ could be replicated to determine the “essential” nature of an SEP. *Second*, while adopting their methodology, it would be useful to address some of the issues over which these studies were critiqued.⁷⁰ Accordingly, we suggest that (a) laboratory tests may be conducted by an outside expert or by a commercial testing laboratory, and not at an in-house facility owned by either parties, so as to eliminate in the lab results; and, (b) expert opinions may be considered in order to determine essentiality.

l) Whether there is a need of setting up of an independent expert body to determine FRAND terms for SEPs and devising methodology for such purpose?

L.1. In our opinion, there is no need for an independent expert body to determine FRAND terms for SEPs and devising the methodology for such a purpose. The existing legal and regulatory framework is reasonably equipped to determine FRAND terms. A more detailed submission on the existing framework and suggested changes has been made in our answer to question ‘a’ of the discussion paper (above).

⁶⁵WIPO Secretariat, Patent Pools and Antitrust - A Comparative Analysis, available at https://docs.google.com/viewer?url=http%3A%2F%2Fwww.wipo.int%2Fexport%2Fsites%2Fwww%2Fip-competitio n%2Fen%2Fstudies%2Fpatent_pools_report.pdf (last accessed 22 April, 2016).

⁶⁶Form 27, The Patents Act, available at <http://ipindia.nic.in/ipr/patent/manual/HTML%20AND%20PDF/Manual%20of%20Patent%20Office%20Practice%20 and%20Procedure%20-%20html/Forms/Form-27.pdf> (last accessed 22 April, 2016).

⁶⁷David J. Goodman and Robert A. Myers, 3G Cellular Standards and Patents, available at <http://patentlyo.com/media/docs/2009/03/wirelesscom2005.pdf> (last accessed 22 April, 2016).

⁶⁸Darien CT, Review of Patents Declared as Essential to WCDMA through December, 2008, available at <http://www.frlicense.com/wcdma1.pdf> (last accessed 22 April, 2016).

⁶⁹Supra note 67.

⁷⁰Donald L. Martin and Carl De Meyer, Patent Counting, a Misleading Index of Patent Value: A Critique of Goodman & Myers and its Uses, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=949439 (last accessed 22 April, 2016).

L.2. However, we observe that Indian courts, tribunals and the CCI are yet to endorse a methodology for making FRAND determinations. The judgments of the Delhi High Court do not provide a conclusive rationale or methodology for the imposition of royalty rates in the respective matters.⁷¹

L.3. We submit that in the absence of definitive Indian jurisprudence for determination of FRAND terms, American jurisprudence provides certain guidance. Contreras⁷²(2015) informs us about the various case law American courts and regulators have developed and adhered to whilst making such determinations. The dominant analytical framework for determining “reasonable royalty” patent damages in the United States today was set out in 1970 by the District Court for the Southern District of New York in *Georgia-Pacific Corp. v. U.S. Plywood Corp*⁷³. While this may be used as a guiding framework, the question of methodology remains far from settled.

m) If certain Standards can be met without infringing any particular SEP, for instance by use of some alternative technology or because the patent is no longer in force, what should be the process to declassify such a SEP?

M.1. In our opinion, if a standard can be met without infringing a patent declared to be “essential” to it, then the patent is not actually “essential”. In this instance, the methods suggested in response to question ‘k’ of the discussion paper (above) could be used to declassify the SEP.

M.2. We further submit that if a patent is no longer in force, that is, if it has expired, then it ceases to be patent, and therefore an SEP. The process to declassify such an SEP could be simply to declare it an expired patent.

M.3. In addition, if it is possible to implement a certain standard by using an alternative technology, then the SEP for such a standard is not actually an SEP. However, the scale of operations and that of mass manufacturing and compatibility requirements in devices and infrastructure mean that it is unlikely to have different methods of implementing the same standard.

M.4. In general, it is our submission that an Indian SSO could maintain a publicly accessible database of SEPs found to be invalid or non-essential in India.

7. We reiterate our gratitude to the DIPP for the opportunity to make these submissions. In addition to our comments above, we have shared some of our research on this issue, in the ‘Annexures’, below.
8. It would be our pleasure and privilege to discuss these comments with the DIPP; and, supplement these with further submissions if necessary. We also offer our assistance on other matters aimed at developing a suitable policy framework for SEPs and FRAND in India, and, working towards the sustained innovation, manufacture and availability of mobile technologies in India.

⁷¹Rohini Lakshane, *Joining the Dots in India's Big-Ticket Mobile Phone Patent Litigation*, available at <http://cis-india.org/a2k/blogs/joining-the-dots-in-indias-big-ticket-mobile-phone-patent-litigation> (last accessed 22 April, 2016). See also supra note 47 for more details.

⁷²Supra note 55.

⁷³318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), modified and aff'd, 446 F. 2d 295 (2d Cir. 1971), cert. denied, 404 U.S. 870 (1971).

Anubha Sinha - anubha@cis-india.org | Nehaa Chaudhari - nehaa@cis-india.org
Rohini Lakshané - rohini@cis-india.org

ANNEXURES

- Anubha Sinha, Fuelling the Affordable Smartphone Revolution in India, available at <http://cis-india.org/a2k/blogs/digital-asia-hub-the-good-life-in-asias-21-st-century-anubha-sinha-fueling-the-affordable-smartphone-revolution-in-india> (last accessed 22 April, 2016).
- Nehaa Chaudhari, Standard Essential Patents on Low-Cost Mobile Phones in India: A Case to Strengthen Competition Regulation?, available at <http://www.manupatra.co.in/newslines/articles/Upload/08483340-C1B9-4BA4-B6A9-D6B6494391B8.pdf> (last accessed 22 April, 2016).
- Nehaa Chaudhari, Pervasive Technologies: Patent Pools, available at <http://cis-india.org/a2k/blogs/patent-pools> (last accessed 22 April, 2016).
- Nehaa Chaudhari, The Curious Case of the CCI: Competition Law and SEP Regulation in India, presented at the 4th Global Congress on Intellectual Property and the Public Interest, available at <http://cis-india.org/a2k/blogs/the-curious-case-of-the-cci-competition-law-and-sep-regulation-in-india> (last accessed 22 April, 2016).
- Nehaa Chaudhari, Letter for Establishment of Patent Pool for Low Cost Access Devices through Compulsory Licences, available at <http://cis-india.org/a2k/blogs/letter-for-establishment-of-patent-pool-for-low-cost-access-devices> (last accessed 22 April, 2016).
- Prof Jorge L. Contreras and Rohini Lakshané, Patents and Mobile Devices in India: An Empirical Survey, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2756486 (last accessed 22 April, 2016).
- Rohini Lakshané, CIS, List of technical standards and IP types (Working document), available at <https://drive.google.com/file/d/0B8SgiShAjbhtaml5eW50bS01d2s/view?usp=sharing> (last accessed 22 April, 2016).
- Rohini Lakshané, Open Letter to Prime Minister Modi, February 2015, available at <http://cis-india.org/a2k/blogs/open-letter-to-prime-minister-modi> (last accessed 22 April, 2016).
- Rohini Lakshané, FAQ: CIS' proposal to form a patent pool of critical mobile technology, September 2015, available at <http://cis-india.org/a2k/blogs/faq-cis-proposal-for-compulsory-licensing-of-critical-mobile-technologies> (last accessed 22 April, 2016).
- Rohini Lakshané, Joining the dots in India's big-ticket mobile phone patent litigation, May 2015, last updated October 2015, available at

<http://cis-india.org/a2k/blogs/joining-the-dots-in-indias-big-ticket-mobile-phone-patent-litigation> (last accessed 22 April, 2016).

- Rohini Lakshané, Compilation of Mobile Phone Patent Litigation Cases in India, March 2015, last updated April 2016, available at <http://cis-india.org/a2k/blogs/compilation-of-mobile-phone-patent-litigation-cases-in-india>, (last accessed April 22, 2016).
- Rohini Lakshané, Patent landscaping in the Indian Mobile Device Marketplace, presented at the 4th Global Congress on Intellectual Property and Public Interest, December 2015, available at <https://drive.google.com/open?id=0B8SgjShAjhbtME45N245SmowOGs> (last accessed 22 April, 2016).
- Vikrant Narayan Vasudeva, Patent Valuation and Licence Fee Determination in the Context of Patent Pools, available at <http://cis-india.org/a2k/blogs/patent-valuation-and-license-fee-determination-in-context-of-patent-pools> (last accessed 22 April, 2016).
