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CHAPTER 21

FRAND in India

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Abstract: *Indian jurisprudence on fair, reasonable, and nondiscriminatory (FRAND) licensing practices for standard-essential patents (SEPs) is at a relatively nascent stage. In this chapter, I examine the SEP holder's ability to obtain an injunction against an infringer. I also analyze the principles that Indian courts have adopted when setting a royalty for the use of SEPs, and the approach that the Competition Commission of India (CCI) has developed in scrutinizing an SEP holder's licensing practice under the provisions of Indian competition law.*

Keywords: India, CCI, Delhi High Court, FRAND, injunction, royalty base, exorbitant royalties, nondisclosure agreement, standard-essential patent (SEP)

With the world's second-largest telecommunications network, India is an attractive and important market for some of the largest participants in the telecommunications industry. Not surprisingly, standard-essential patents (SEPs) have been at the center of several legal disputes in India (Gupta, 2015; Ghosh & Sokol, 2016; Sidak, 2015). In parallel, the Competition Commission of India (CCI)—the Indian antitrust authority—has initiated several investigations in which it scrutinized the licensing practices of various SEP holders. Therefore, India plays an important role in the protection of SEPs and the enforcement of the SEP holder's commitments to license its SEPs on fair, reasonable, and nondiscriminatory (FRAND) terms.

Nonetheless, the legal rules that govern the enforcement of SEPs remain undefined. The Delhi High Court and the CCI seem to have developed contradictory positions toward licensing practices for SEPs. The Delhi High Court has confirmed that, even after committing to license its SEPs on FRAND terms, an SEP holder might be able to request and obtain an injunction against an infringer. In fact, the court has granted an injunction against several infringers of FRAND-committed SEPs. Although, as of February 2016, no Indian court had determined a FRAND royalty, the Delhi High Court has determined interim payments for the use of SEPs in several cases. In those decisions, the court recognized that royalties determined in comparable licenses with third parties can aid the court in determining a royalty for the use of SEPs. The court also emphasized that a royalty for SEPs need not be calculated as a percentage of the chipset price. Instead, the court recognized that the price of the downstream product may serve as the royalty base.

In contrast, the CCI seems to have adopted a stricter approach towards licensing practices for SEPs. In its initial orders in the three antitrust complaints concerning an SEP holder's licensing practice, the CCI suggested that using the price of a downstream product as a royalty base might be discriminatory, and thus amount to an abuse of a dominant position, in violation of section 4 of the Competition Act. The CCI also raised concerns about SEP holders' use of non-disclosure agreements (NDAs), suggesting that the use of such agreements could indicate that the SEP holder is charging different royalties to different licensees, in violation of its FRAND commitment. However, as of February 2016, the CCI had not adopted any decision finding that an SEP holder abused its dominant position. It thus remains unclear whether, and under what conditions, an SEP holder could face antitrust liability under Indian competition law.

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A. The SEP Holder's Right to an Injunction

Under Indian patent law, injunctions are equitable remedies available at the court's discretion. Section 108(1) of the Indian Patents Act provides that "a court *may* grant in any suit for [patent] infringement . . . an injunction" (Patents Act, No. 39 of 1970, INDIA CODE (1970) (emphasis added)). In deciding whether to issue an interim injunction—a temporary remedy that a court may grant during the pendency of the litigation (Order 39, Rule 1-2, 1(908), CODE OF CIV. PROC. (India))—a court examines whether (1) the plaintiff has established that there exists a *prima facie* case of patent infringement, (2) that "the balance of convenience is in favor of the plaintiff," and (3) that "the plaintiff will suffer irreparable injury" if the court does not issue an injunction (Gujarat Bottling Co. Ltd. v. Coca Cola Co., (1995) 5 SCC 545 (India)). If the plaintiff can demonstrate that those three conditions obtain, the court will typically grant an interim injunction against the alleged infringer. After the conclusion of the litigation, the court may also issue a permanent injunction against the infringer.

The Delhi High Court has confirmed that an SEP holder that has committed to license its SEPs on FRAND terms might be able to meet the criteria to obtain an injunction. In contrast with the United States, the SEP holder's ability to obtain an injunction in India is not merely theoretical: the Delhi High Court has actually granted an injunction against several infringers of SEPs. However, an analysis of the main SEP-infringement cases reveals that the court's decision of whether to grant an injunction is fact-specific.

1. *Ericsson v. Micromax*

In March 2013, Ericsson sued Micromax, the largest Indian manufacturer of mobile handsets, for infringing eight Ericsson patents that were declared essential to practice the 2G and 3G telecommunication standards (Order at 3, Telefonaktiebolaget LM Ericsson v. Mercury Elecs. & Another, Interim Application No. 3825 of 2013 in Civil Suit (Original Side) No. 442 of 2013, High Ct. of Delhi (Mar. 6, 2013) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=46519&yr=2013). Ericsson sought damages and a permanent injunction against Micromax (*Id.*). In considering whether to grant an interim injunction during the pendency of the suit, the Delhi High Court considered the three necessary conditions for an interim injunction. The court observed that Ericsson had successfully asserted the same eight SEPs in previous legal suits, which the court found to be sufficient for Ericsson to establish a *prima facie* case of patent infringement and that the balance of convenience favors Ericsson (*Id.* at 4). The court also found that Ericsson would suffer irreparable harm if the court did not grant an interim injunction (*Id.*)—albeit without providing an explanation of that finding. The court consequently granted Ericsson's request for an interim injunction (*Id.* at 4–5). However, as I explain in greater detail in Part B, the court later lifted the interim injunction, allowing Micromax to continue to import the infringing products during the pendency of the suit, conditional upon Micromax's payment of interim royalties to Ericsson (Judgment, ¶¶ 2–4, at 1–3, Telefonaktiebolaget LM Ericsson v. Mercury Elecs. & Another, Interim Application No. 3825 of 2013 and Interim Application No. 4694 of 2013 in Civil Suit (Original Side) No. 442 of 2013, High Ct. of Delhi (Nov. 12, 2014) (India), http://lobis.nic.in/ddir/dhc/GSS/judgement/17-11-2014/GSS12112014S4422013.pdf).

2. *Ericsson v. Intex*

In *Ericsson v. Intex Technologies*, the Delhi High Court considered whether to issue an injunction against Intex, an Indian handset manufacturer, for infringing Ericsson's SEPs. In April 2014, Ericsson, a holder of a large portfolio of SEPs, sued Intex for infringing eight Ericsson patents essential to the 2G and 3G standards (Judgment, ¶¶ 1–8, at 1-6, Telefonaktiebolaget LM Ericsson v. Intex Techs. (India) Ltd., Interim Application No. 6735 of 2014 in Civil Suit (Original Side) No. 1045 of 2014, High Ct. of Delhi (Mar. 13, 2015) (India), http://lobis.nic.in/ddir/dhc/MAN/judgement/16-03-2015/MAN13032015S10452014.pdf). Ericsson asked the court to award damages and to issue a permanent injunction (*Id.* ¶ 1, at 1). Ericsson contended that it had offered Intex "a license for its entire portfolio of patents (including the suit patents)," consistent with the FRAND commitment that Ericsson made to various SSOs (*Id.* ¶ 8, at 10), but that Intex failed to secure a license for Ericsson's portfolio (*Id.*). Consequently, Ericsson sought a remedy in court.

Intex objected to Ericsson's request for an injunction, arguing that it was "not aware about any significant portfolio of [Ericsson's] patents in India" (*Id.* ¶ 22, at 26). Intex emphasized that the Indian Supreme Court had previously held that "no patent which is granted in India enjoys presumptive validity," and that "the validity of a patent must be established before the issue of infringement is considered by the Court" (*Id.* ¶ 40(ii), at 34 (presumably quoting Intex's sealed filing in Intex Techs. (India) Ltd. v. Telefonaktiebolaget LM Ericsson, Case No. 76 of 2013, Competition Comm'n of India (Jan. 16, 2014) (India))). Intex thus alleged that Ericsson needed to prove the validity of its SEPs. Intex also alleged that Ericsson failed to disclose all the relevant information regarding its foreign patents when filing patent applications in India, thus violating section 8 of the Patent Act (*Id.* ¶ 40(v), at 35–36). More specifically, Intex said that Ericsson had not disclosed to the Patent Office that, in similar suits litigated in Italy and France, courts had rejected Ericsson's request for an injunction and had not expressly determined whether Ericsson's patents were essential to the relevant standards (*Id.* ¶¶ 41–42, at 36–38). In addition, Intex said that Ericsson's conduct and negotiation strategies did not comport with its obligations arising from its FRAND commitment and that Intex therefore could not be considered an unwilling licensee (*Id.* ¶¶ 54–55, at 44–45). Intex also challenged the validity of Ericsson's SEPs before India's Intellectual Property Appellate Board (IPAB) and subsequently argued to the Delhi High Court that, until the IPAB had determined the validity of Ericsson's SEPs, Ericsson was "not entitled to the grant of any relief" (*Id.* ¶¶ 25, 27, 40, at 28–29, 34–35).

The Delhi High Court rejected Intex's defenses. The court explained that section 8 of the Patent Act imposed an obligation on a prospective patentee to disclose details about reexamination of corresponding patents in foreign jurisdictions (*Id.* ¶ 103, at 125). However, the court said that patent claims granted in different countries need not be exactly identical (*Id.*). The court explained that, as long as a prospective patentee informs the Indian Patent Office of all the major jurisdictions in which a patent has been granted and submits substantial details regarding those patents, the prospective patentee fulfills the requirement of section 8 (*Id.*). The court found that Ericsson met that requirement (*Id.* ¶ 104, at 257–58).

The court also rejected Intex's arguments about the invalidity of Ericsson's asserted SEPs (*Id.* ¶ 127, at 232–33). The court found that, although the patents' validity could not be examined in detail "at the interim stage in a suit," it found that, *prima facie*, "the suit patents appear[ed] to be valid" (*Id.*). In reaching its conclusion, the court referred to Intex's statements in its complaint to the CCI (which I examine in detail in Part C). In its complaint to the CCI, Intex contended that Ericsson's SEPs "are necessarily to be applied/used by any Indian telecom/mobile phone operator," leaving Intex and other companies with no alternative to implementing Ericsson's SEPs (*Id.* ¶ 130, at 234). The court observed that the premise of Intex's complaint to the CCI was that Ericsson owns SEPs that are *in fact* essential to telecommunication devices (*Id.* ¶ 141, at 241). The court thus found that Intex had admitted that Ericsson's patents were essential and infringed (*Id.* ¶¶ 141–42, at 241), and therefore it concluded that Ericsson had established a *prima facie* case for patent infringement. It added that, "[u]nless the suit patents are declared as invalid in revocation petitions filed by [Intex], the same cannot be allowed to be infringed by [Intex]" (*Id.* ¶ 147, at 244). The court also observed that, although Intex was aware of the existence of Ericsson's SEPs for years, it had "never seriously questioned or disputed the validity of [Ericsson's] patents" (*Id.*). The court noted that Intex started challenging the validity of Ericsson's SEPs only when Ericsson began to assert its patent rights in legal actions. The court thus refused to deny Ericsson's request for an injunction merely on the grounds that Intex challenged the validity of those patents.

The court also determined that the balance of convenience favored Ericsson and that, if Intex did not pay royalties for its use of Ericsson's SEPs, Ericsson would suffer irreparable loss and injury (that is, a loss for which monetary damages could not compensate) (*Id.* ¶ 159, at 250). However, the court did not explain its legal or economic reasoning for its determination of the balance of convenience or for its finding of irreparable harm. The Delhi High Court ultimately granted a temporary injunction that prohibited Intex from manufacturing, selling, or importing mobile devices that practiced the patents in suit during the pendency of the suit (*Id.* ¶ 162, at 255–57). It also directed the customs authority to restrict importation of Intex's mobile devices that infringed Ericsson's SEPs (*Id.*). However, as explained in detail in Part B, the court lifted the injunction after Intex made interim royalty payments (*Id.*).

3. *Ericsson v. Xiaomi*

The Delhi High Court again examined the availability of an injunction in a patent-infringement case that Ericsson initiated against Xiaomi Technology, a Chinese handset manufacturer. In 2014, Ericsson sued Xiaomi Technology for infringing eight of Ericsson's patents essential to the 2G and 3G standards (Judgment, ¶¶ 1–2, at 2, Telefonaktiebolaget LM Ericsson v. Xiaomi Technology and Others, Interim Application No. 24585 of 2014 in Civil Suit (Original Side) No. 3775 of 2014, High Ct. of Delhi (Dec. 8, 2014) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=250092&yr=2014). Ericsson had asked Xiaomi to obtain a license for its SEPs (*Id.* ¶ 3). However, Xiaomi allegedly began selling the infringing products in India in July 2014 without having obtained a license from Ericsson (*Id.*). Ericsson also alleged that Xiaomi had expanded its operations in India by creating an Indian subsidiary to market the infringing products (*Id.*).

On December 8, 2014, the court determined that Ericsson had met the necessary requirements to obtain a temporary injunction. The court said that Ericsson successfully made a *prima facie* case of patent infringement, showed the balance of convenience to be in Ericsson's favor, and, proved that Ericsson would suffer irreparable loss and injury without an injunction (*Id.* ¶ 6). However, the court did not explain how Ericsson met the three requirements for obtaining a temporary injunction. The court enjoined Xiaomi from importing or selling any device that infringed Ericsson's SEPs (*Id.* ¶ 8). In addition, the court directed the customs authority not to allow Xiaomi to import its infringing devices into India (*Id.* ¶ 8(ii)).

Xiaomi appealed the Delhi High Court's decision (Judgment, ¶ 6, at 3, Xiaomi Tech. & Another v. Telefonaktiebolaget LM Ericsson & Another, F.A.O. (O.S.) No. 522 of 2014, High Ct. of Delhi (2014) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=265674&yr=2014). Xiaomi said that a portion of its products that were subject to the interim injunction used Qualcomm's chipsets (*Id.*). Because Qualcomm had previously obtained a license to Ericsson's patents in suit, Xiaomi alleged that it did not need to obtain a license from Ericsson to sell its products that used Qualcomm chipsets (*Id.*). The Delhi High accepted Xiaomi's reasoning and, as a temporary measure, allowed Xiaomi to import into India and sell devices that contained Qualcomm chipsets (*Id.* ¶ 13). However, the court required Xiaomi to deposit 100 Indian Rupees (INR) per imported device (*Id.* ¶ 13(2)).[1]

4. *Vringo v. ZTE*

The Delhi High Court adopted a different approach in a patent-infringement dispute between Vringo—a U.S. company that develops and manages patents related to telecommunications infrastructure, Internet search, and mobile technologies ("Innovate | License | Protect," *Vringo*, http://www.vringoip.com/cgi-bin/index.pl)—and ZTE, a Chinese telecommunications equipment manufacturer ("About ZTE," *ZTE*, http://wwwen.zte.com.cn/en/about). In 2014, Vringo sued ZTE, ZTE Telecom India, and Indiamart—a distributor of ZTE's products in India—for infringing Vringo's SEP. In March 2014, the court granted Vringo an interim injunction (Order, ¶ 11, at 8, Vringo Infrastructure Inc. v. IndiaMART Intermesh Ltd., Interim Application 2112 of 2014 in Civil Suit (Original Side) in No. 314 of 2014, High Ct. of Delhi (Aug. 5, 2015), http://lobis.nic.in/ddir/dhc/VKS/judgement/07-08-2014/VKS05082014S3142014.pdf). However, only a few months later, in August 2014, the court refused to confirm and extend the interim injunction that it had previously granted.

In declining to extend the interim injunction, the court found that Vringo failed to establish a *prima facie* case that the defendants had infringed Vringo's patent (*Id.* ¶ 42, at 37–38). The court acknowledged that Vringo presented an opinion of a technical expert to support its allegation that the defendants had infringed Vringo's SEP. However, the court observed that the expert did not have a degree in science or telecommunications, but only a degree in business administration (*Id.* ¶ 25, at 21–22). The court also found that, although the expert had worked for several decades in the telecommunications field, he did not hold a technical role (*Id.*). Instead, he worked as a management consultant. The court concluded that Vringo's expert did not meet the criteria for a scientific adviser set in section 45 of the Indian Evidence Act (*Id.*) and section 115 of the Patents Act (*Id.* ¶¶ 26–27, at 22–23). It consequently refused to consider the expert witness's opinion on whether evidence supported the conclusion that the defendant infringed Vringo's SEPs and concluded that

1. Presumably, the purpose of the deposit of 100 INR per imported device with Qualcomm chipsets was to protect Ericsson from injury if the court later found that the Xiaomi devices with Qualcomm chipsets infringed Ericsson's SEPs in suit. Similarly, in section 337 patent infringement cases, the U.S. International Trade Commission allows an importer to continue to import the infringing articles during the pendency of the presidential review of the granted exclusion order, provided that the importer posts a bond that is "sufficient to protect the [patent holder] from any injury" (19 U.S.C. § 1337(e)(1); Certain Mobile Tels. & Wireless Commc'ns Devices Featuring Digital Cameras, & Components Thereof, ALJ's Recommended Determination on Remedy & Bonding, ITC Inv. No. 337-TA-663, at 2 n.2 (Dec. 23, 2009)).

Vringo had failed to demonstrate a *prima facie* case of patent infringement (*Id.* ¶ 27, at 23–24).

The Delhi High Court also found that the balance of convenience favored the defendants. The court reasoned that neither Vringo nor Nokia Telecommunication—the original holder of the SEP in suit—had filed a patent-infringement suit against the defendants for several years, during which they presumably knew about the defendants' infringement of the SEP in suit (*Id.* ¶ 29, at 25). The court observed that Nokia obtained the SEP in suit in 2006, but did not pursue a legal action, even though it presumably was aware of the infringement (*Id.*). In addition, the court said that, "[i]f there is no complaint made by the licensee to the original patentee and similarly, no action was brought by the original patentee," whether the defendants actually infringed the patent in suit becomes a triable issue (*Id.*). The court therefore found that the balance of convenience favored the defendants.

In addition, the Delhi High Court found that vacating the interim injunction would not cause Vringo to suffer irreparable loss (*Id.* ¶ 36, at 32). The court noted that Vringo had filed a separate suit alleging that two of the defendants in this patent-infringement case had violated Vringo's trademark and copyright related to a separate Vringo patent (*Id.* ¶ 41, at 35-36). In that trademark and copyright suit, instead of issuing an injunction, the court ordered the defendants to deposit 50 million INR to the court, required the defendants to report on a quarterly basis their revenues earned from sales of allegedly infringing products in India, and required the defendants to pledge that they would pay a court-determined royalty on those revenues (*Id.* ¶ 41(vii), at 36). On the basis of that previous decision, the court determined that vacating the interim injunction would not cause Vringo to suffer irreparable harm, because other available remedies could sufficiently protect Vringo's interests. The court thus refused to grant an injunction against the infringers of Vringo's SEP.

5. *Ericsson v. iBall*

The Delhi High Court again examined the availability of an injunction for SEPs in *Ericsson v. iBall*. In August 2015, Ericsson brought a patent-infringement suit against iBall, alleging that it had infringed several of Ericsson's SEPs (Order, ¶¶ 1–2, at 1–2, Telefonaktiebolaget LM Ericsson v. M/S Best IT World Private Ltd. (iBall), Interim Application 17351 of 2015 in Civil Suit (Original Side) in No. 2501 of 2015, High Ct. of Delhi (Sept. 2, 2015), http://lobis.nic.in/ddir/dhc/MAN/judgement/03-09-2015/MAN02092015S25012015.pdf). Ericsson asked the court to issue an injunction and award damages (*Id.* ¶ 1, at 1). Ericsson claimed that, because iBall was not willing to negotiate the license terms in good faith, Ericsson was left with no choice but to file suit (*Id.* ¶ 10, at 4–5). iBall admitted that, between 2011 and 2015, Ericsson and iBall negotiated the royalties for the use of Ericsson's SEPs. However, iBall said that Ericsson's suit was premature (*Id.* ¶ 11, at 5–6). It argued that Ericsson failed to identify the relevant SEPs that iBall was allegedly infringing, and that Ericsson was unable to demonstrate the essentiality of its patents to the relevant standard (*Id.*). iBall also criticized Ericsson's insistence that iBall sign a nondisclosure agreement (NDA), reasoning that such a request contradicted Ericsson's FRAND commitment (*Id.*). iBall also said that it only imported the accused products into India, and that only the "Chinese manufacturers . . . can verify the claims of patent infringement, if any" (*Id.*). It added that, if anything, iBall was merely an "innocent infringer" (*Id.* ¶ 15, at 9).

However, in an order issued on September 2, 2015, the Delhi High Court rejected iBall's defenses. The court observed that Ericsson had previously asserted the same SEPs against third parties and that information about those legal suits was publicly available (*Id.* ¶ 18, at 11). The court also observed that it was clear that any device reading on the relevant standards would necessarily infringe Ericsson's SEPs. The court found that iBall was raising its objections only "to gain the time by avoiding execution of FRAND agreement and at the same time infringe[] the patents . . . without paying any royalty" (*Id.*). In addition, the court observed that, because iBall refused to sign an NDA, a negotiation between the parties could not commence (*Id.* ¶ 19, at 11). It consequently concluded that Ericsson's suit was not premature (*Id.* ¶ 20, at 12).

The court also found that it was appropriate to issue an interim injunction against iBall, on the basis of a finding of irreparable loss and injury. The court said that, if it did not grant an interim injunction, Ericsson "would suffer irreparable loss and injury because . . . the defendant would keep on marketing the mobile devices without the FRAND agreement and without paying any royalty" (*Id.* ¶ 26, at 14). Furthermore, the court determined that Ericsson would suffer irreparable loss and injury because "[p]atent rights can be asserted only once they are granted," and because "[i]t takes several years (almost 8–10 years) before a patent is even granted" (*Id.* ¶ 24, at 13–14). It emphasized that, "[u]nder these circumstances, it is imperative that patent rights should be determined in one way or the other on [an] urgent basis" (*Id.*). The court consequently granted an interim injunction that forbade iBall from importing the infringing products into India (*Id.* ¶ 28, at 14–15). However, in November 2015, only a few months after the court issued the interim injunction, the parties settled the legal dispute and executed a license agreement that set the terms for iBall's use of Ericsson's SEPs (Kurup, 2015).

6. Summary

The Delhi High Court has recognized that, even after committing to license its SEPs on FRAND terms, an SEP holder might be able to obtain an injunction against an infringer. To obtain an injunction, the SEP holder needs to establish that (1) there is a *prima facie* case that the defendant has infringed the SEP in suit, (2) the balance of convenience favors the SEP holder, and (3) the SEP holder would suffer irreparable injury if the court does not issue an injunction. The Delhi High Court has also confirmed that, when the SEP holder meets the requirements necessary to obtain an injunction, the infringer cannot avoid the injunction by simply challenging the validity of the SEPs in suit. Nonetheless, as explained in Part B, the court typically allowed the infringer to avoid an interim injunction by making interim royalty payments for the use of the patented technology.

B. The Determination of a FRAND Royalty

As of February 2016, no Indian court had set a FRAND royalty for the infringement of SEPs. Nonetheless, on several occasions, the Delhi High Court has determined the interim royalty payment that the infringer had to pay to the SEP holder for the use of its SEPs during the pendency of the legal dispute between the SEP holder and the alleged infringer (Judgment, ¶¶ 2–4, at 1–3, Telefonaktiebolaget LM Ericsson v. Mercury Elecs. & Another, Interim Application No. 3825 of 2013 and Interim Application No. 4694 of 2013 in Civil Suit (Original Side) No. 442 of 2013, High Ct. of Delhi (Nov. 12, 2014) (India), http://lobis.nic.in/ddir/dhc/GSS/judgement/17-11-2014/GSS12112014S4422013.pdf). In those cases, the Delhi High Court has recognized economic principles that should guide the calculation of an interim royalty for the use of SEPs. The same principles would likely apply in cases where the court would determine a FRAND royalty for SEPs.

1. *Ericsson v. Micromax*

In March 2013, Ericsson sued Micromax, the largest Indian manufacturer of mobile handsets, alleging that Micromax infringed eight Ericsson patents that were declared essential to practice the 2G and 3G telecommunication standards (Order at 3, Telefonaktiebolaget LM Ericsson v. Mercury Elecs. & Another, Interim Application No. 3825 of 2013 in Civil Suit (Original Side) No. 442 of 2013, High Ct. of Delhi (Mar. 6, 2013) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=46519&yr=2013). Ericsson sought damages and a permanent injunction against Micromax (*Id.*). Although Ericsson and Micromax had initially agreed to negotiate an interim royalty (Order, Telefonaktiebolaget LM Ericsson v. Mercury Elecs. & Another, Interim Application No. 4694 of 2013 in Civil Suit (Original Side) No. 442 of 2013, High Ct. of Delhi (Mar. 19, 2013) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=57850&yr=2013), the parties ultimately failed to reach an agreement. Consequently, the Delhi High Court directed Ericsson to produce 26 license agreements that Ericsson had signed with other Indian licensees to determine Micromax's interim payment pending trial (Judgment, ¶ 1, at 1, Telefonaktiebolaget LM Ericsson v. Mercury Elecs., Interim Application No. 3825 of 2013 and Interim Application No. 4694). On the basis of evidence from comparable licenses, the court set a range of royalties between 0.8 and 1.3 percent of the sale price of Micromax's infringing products (*Id.* ¶¶ 2–4, at 2–3). By depositing the interim royalty payments, Micromax was able to avoid the enforcement of an interim injunction (Order, Interim Application No. 4694 of 2013 in Civil Suit (Original Side) No. 442 of 2013, ¶3E, at 2).

In setting the interim royalty payments, the Delhi High Court implicitly recognized that royalties negotiated in comparable license agreements can assist the court in determining a royalty for the use of SEPs. The decision also recognized that the price of the downstream product might be the proper royalty base for the calculation of a royalty for an SEP. The court clarified, however, that the royalties that it ordered Micromax to pay were "not a determination of the FRAND rates for the Ericsson portfolio," but were merely an interim arrangement pending the final outcome of Ericsson's patent-infringement suit (*Id.* ¶ 9, at 4).[2]

2. *Ericsson v. Gionee*

The Delhi High Court again set interim royalties for the use of SEPs in a patent-infringement suit that Ericsson initiated against Gionee, a Chinese handset manufacturer, for infringing the same eight SEPs that Ericsson asserted against Micromax (Order, Telefonaktiebolaget LM Ericsson v. Gionee Communication Equipment Co. Ltd.

2. As of February 2016, the legal dispute between Ericsson and Micromax was still ongoing. Ericsson also brought a legal action against YU Televentures Ltd., a wholly owned subsidiary of Micromax. Ericsson alleged that YU, as a subsidiary of Micromax, is obligated to pay Micromax's court-determined interim royalties for YU's use of Ericsson's SEPs. (Order, Telefonaktiebolaget LM Ericssson v. Micromax Informatics Ltd. & Others, CCP No. 71 of 2015 in Civil Suit (Original Side) No. 442 of 2013, High Ct. of Delhi (Dec. 2, 2015) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=260084&yr=2015; YU Televentures Private Ltd. v. Telefonaktiebolaget LM Ericssson & Others, LPA 888 of 2015 and C.Ms. No. 30187–88, 30582 of 2015 in Crl.M.A. 18179 of 2015, High Ct. of Delhi (Dec. 11, 2015) (India), http://lobis.nic.in/ddir/dhc/GRO/judgement/12-12-2015/GRO11122015LPA8882015.pdf).

& Another, Interim Application No. 17578 of 2013 in Civil Suit (Original Side) No. 2010 of 2013, High Ct. of Delhi (Oct. 31, 2013) (India), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=211053&yr=2013). In October 2013, the Delhi High Court ordered Gionee to deposit interim royalties for its infringing products (*Id.* ¶ 5(3)).[3] In determining the interim payments, the court made a specific reference to the interim royalties that the court awarded in the *Micromax* decision (*Id.* ¶ 4), and it ordered Gionee to deposit payment for royalties that ranged between 1.25 percent and 2 percent of the sale price of Gionee's infringing products (*Id.* ¶ 5(3)(B)). Although the reference to the *Micromax* decision seems to imply that the court applied a methodology similar to the one that it used in *Micromax* when determining the interim royalty payment, the Delhi High Court did not explain why it ordered Gioneee to pay higher interim royalties than Micromax.

3. *Ericsson v. Intex*

In March 2015, the Delhi High Court also calculated interim payments for SEPs in the dispute between Ericsson and Intex Technologies (Judgment, ¶¶ 1, at 8, Telefonaktiebolaget LM Ericsson v. Intex Techs. (India) Ltd., Interim Application No. 6735 of 2014 in Civil Suit (Original Side) No. 1045 of 2014, High Ct. of Delhi (Mar. 13, 2015) (India), http://lobis.nic.in/ddir/dhc/MAN/judgement/16-03-2015/MAN13032015S10452014.pdf). As explained in Part A, Ericsson sought damages and a permanent injunction against Intex (*Id.* ¶ 1, at 1). Intex argued, among other things, that the royalty rates that Ericsson had offered Intex exceeded the rates that Ericsson had offered Micromax and Gionee, and that that discrepancy violated Ericsson's FRAND commitment (*Id.* ¶ 72, at 58). In addition, Intex challenged Ericsson's practice of "charging royalties on the basis of the sale price of the mobile phone as opposed to the profit margin on the sale price of the baseband processor/chipset," and Intex quoted U.S. district court decisions to support its contention regarding the royalty base (*Id.* ¶ 73, at 63 (quoting Microsoft Corp. v. Motorola, Inc., No. C10-1823JLR, 2013 WL 2111217 (W.D. Wash. Apr. 25, 2013) (Robart, J.); *In re* Innovatio IP Ventures, L.L.C. Patent Litigation, MDL No. 2303, 2013 WL 5593609 (N.D. Ill. Oct. 3, 2013) (Holderman, J.))).

The Delhi High Court, however, rejected Intex's claims. The court observed that Ericsson had actually offered Intex lower rates for patent-practicing products sold *inside* India than it had offered Gionee and Micromax, but it offered higher rates for patent-practicing products sold *outside* India (*Id.* ¶ 95, at 108–09). Consequently, the Delhi High Court concluded that the royalties that Ericsson had requested from Intex were not different from those it had requested from other licensees (*Id.*). The Delhi High Court also found that Ericsson's practice of charging a royalty based on the price of a downstream device comported with Ericsson's FRAND commitment (*Id.* ¶ 158, at 250). The court noted that, in other jurisdictions, courts have allowed the use of the price of the downstream product as the royalty base (*Id.* ¶ 156, at 249–50 (citing Commonwealth Sci. & Indus. Research Org. v. Cisco Sys., Inc., No. 6:11-cv-00343, 2014 WL 3805817 (E.D. Tex. July 23, 2014) (Davis, C.J.); 国家发展改革委对高通公司垄断行为责令整改并罚款 60 亿元 [*The National Development and Reform Commission Ordered Rectification of Qualcomm's Monopolistic Behavior and Fined Six Billion Yuan*], 中华人民共和国国家发展和改革委员会 [NATIONAL DEVELOPMENT & REFORM COMMISSION, PEOPLE'S REPUBLIC OF CHINA] (Feb. 10, 2015), http://www.ndrc.gov.cn/xwzx/xwfb/201502/t20150210_663822.html)). The court also

3. Although the text of the Delhi High Court's order is not clear, it seems that the court required Ericsson and Gionee to negotiate a FRAND license agreement within one month following the judgment. (*Id.* ¶ 5(1), (3)).

emphasized that, in the *Micromax* suit, the court determined interim FRAND royalties on the basis of the net selling price of the devices (*Id.* ¶ 160, at 251–54). Because the facts of both cases were similar, the Delhi High Court declined to select a different royalty base for the calculation of Intex's interim payments (*Id.* ¶ 161, at 254). The Delhi High Court ultimately required that Intex pay interim royalties that ranged from 0.8 percent to 1.3 percent of the sale price of the infringing products (*Id.* ¶ 160–61, at 251–54).

4. Summary

In all three cases, the Delhi High Court determined the interim royalty payments for the use of the same Ericsson SEPs. In setting the royalty for those SEPs, the court recognized that royalties determined in comparable license agreements can inform the court about the adequate compensation that the SEP holder should receive for the use of SEPs. The court also rejected the assertion that one should calculate the royalty for SEPs using the chipset price as the royalty base, recognizing instead that one can determine the royalty as a percentage of the price of the downstream product. However, it remains unclear whether the court would apply similar principles when determining a FRAND royalty. As of February 2016, no Indian court had yet determined a FRAND royalty. One could nonetheless question whether the court would likely adopt a different methodology when calculating a FRAND royalty, and thus award a FRAND royalty that differed from an interim royalty. Unless, at the end of the trial, the court learns new facts that it did not known when the dispute was still ongoing, there seems to be no valid justification to award a FRAND royalty that differs from the interim royalty. Put differently, it is reasonable to assume that the principles that the court adopted in calculating the interim payments for the use of SEPs would apply also to the calculation of a FRAND royalty.

C. Standard-Essential Patents and Antitrust

As of February 2016, the CCI had scrutinized, in three cases, an SEP holder's licensing practice under the provisions of Indian competition law. In those three cases, the CCI examined whether the SEP holder's licensing practice could constitute an abuse of a dominant position in violation of section 4 of the Competition Act. The CCI's preliminary orders indicate that the potential licensee's lack of available alternatives to the SEP holder's patented technology establishes *prima facie* evidence of the SEP holder's dominant position. The CCI's order also shows that an SEP holder's practice of calculating royalties on the basis of the price of the downstream product might contradict the SEP holder's FRAND commitment and thus establish, *prima facie*, an abuse of a dominant position. The CCI also suggested that requiring licensees to sign an NDA could be evidence of the SEP holder charging discriminatory royalties in violation of its FRAND commitment. However, as of February 2016, the CCI's three investigations into the SEP holder's licensing practices were still ongoing. It thus remains unclear under what conditions, if any, the CCI considers an SEP holder's licensing practice an abuse of a dominant position.

1. Micromax's Complaint Against Ericsson

In 2013, Micromax Informatics Ltd. filed a complaint with the CCI in which it alleged that Ericsson charged exorbitant royalties for its SEPs and thereby abused its allegedly dominant position, in violation of the Competition Act of 2002 (Micromax Informatics Ltd. v. Telefonaktiebolaget LM Ericsson, Case No. 50 of 2013, Competition Comm'n of India (2013) (India), http://www.cci.gov.in/sites/default/files/502013_0.pdf; Competition Act, 2002, § 4, No. 12, Acts of Parliament, 2003 (India), http://www.cci.gov.in/sites/default/files/cci_pdf/competitionact2012.pdf). Micromax alleged that the royalties Ericsson offered were "excessive when compared to royalties charged by other patentees for patents similar or comparable to the patents held by Ericsson" (*Micromax Informatics Ltd.*, Case No. 50, ¶ 2, at 2). Micromax added that the royalty rates that Ericsson imposed should have been based on the sale price of the chipset technology in a mobile phone, instead of on the sale price of the licensed downstream product (*Id.*, ¶ 8, at 4). Micromax argued that using the price of the downstream product as the royalty base constitutes "misuse of SEPs" that "would ultimately harm consumers" (*Id.*). In addition, Micromax alleged that further harm to competition resulted from Ericsson's practice of requiring all current and prospective licensees to sign an NDA. Specifically, Micromax said that Ericsson's requirement that licensees sign an NDA was evidence that Ericsson might be violating the nondiscrimination component of the FRAND commitment, by perhaps charging Micromax many times the royalty that Ericsson charges other potential licensees (*Id.*).

The CCI issued its preliminary order in November 2013, finding that Micromax had established a *prima facie* case that Ericsson abused its dominant position (*Id.*). The CCI identified the market for the SEPs necessary for mobile devices that implement the GSM standard as the relevant product market and the country of India as the relevant geographic market (*Id.* ¶ 15, at 7). The CCI found that, in the relevant product market, Ericsson was "the largest holder of SEPs for mobile communications like 2G, 3G and 4G patents used for smart phones, tablets etc.," for which there was no acceptable alternative available to existing or prospective licensees (*Id.* ¶ 16, at 7). The CCI thus concluded, on the basis of the size of Ericsson's SEP portfolio and the lack of available alternatives to Ericsson's SEP portfolio, that Ericsson had a dominant position in the relevant market for patents essential to mobile devices that implement the GSM standard (*Id.*).

The CCI also said that Ericsson's royalty rates were, *prima facie*, excessive and discriminatory, because they were set as a percentage of the price of downstream products instead of as a percentage of the price of the GSM chipset (*Id.* ¶ 17, at 7–8). The CCI found that the requested royalties "had no linkage to [the] patented product" (*Id.*), because licensees would need to pay a different royalty, depending on the price of their infringing products, even if their infringing products included the same GSM chipset. The CCI suggested that such a practice might be "discriminatory as well as contrary to FRAND terms" (*Id.*). Consequently, the CCI concluded that Micromax had established a *prima facie* case that Ericsson had abused its dominant position by seeking excessive royalties for its SEP portfolio from Micromax, and that Micromax's allegations consequently warranted further investigation by the Director General (DG) of the CCI (*Id.* ¶ 19, at 8).

2. *Intex's Complaint Against Ericsson*

In 2013, Intex Technologies (India) Ltd. filed a complaint with the CCI presenting similar allegations against Ericsson (Intex Techs. (India) Ltd. v. Telefonaktiebolaget LM Ericsson, Case No. 76 of 2013, Competition Comm'n of India (2014) (India), http://www.cci.gov.in/sites/default/files/762013_0.pdf). Intex alleged that Ericsson offered to license Intex only at exorbitant royalty rates and proposed unfair licensing terms (*Id.* ¶ 6, at 3). Specifically, Intex alleged that Ericsson required that potential licensees (including Intex) sign an NDA before beginning license negotiations (*Id.* ¶ 7, at 3). Intex argued that Ericsson's requirement of an NDA strongly suggested that "different royalty rates [and] commercial terms were being offered to potential licensees belonging to the same category" (*Id.*). Intex also claimed that Ericsson's NDA requirement would lead to royalty stacking and patent holdup, which would likely "render the business of [Intex] unviable” (*Id.* ¶ 8, at 3). In addition, Intex said that the NDA prevented it from discussing with its vendors the possibility that the inputs that those vendors supplied to Intex might infringe Ericsson’s SEPs (*Id.* ¶ 9, at 4). The NDA also allegedly prevented Intex from addressing its grievances in local courts and forced Intex to seek redress of those grievances in Singapore, an inconvenient foreign forum (*Id.*).

On the basis of Intex’s assertions, the CCI concluded that Intex had established a *prima facie* case that Ericsson had abused its dominant position (*Id.* ¶ 16, at 6). Several of the CCI’s conclusions with respect to Intex’s allegations resembled the CCI’s conclusions regarding the allegations in *Micromax*. The CCI concluded that Intex provided *prima facie* evidence that Ericsson had a dominant position (*Id.*). The CCI also found that the royalties that Ericsson demanded for the use of its SEPs “had no linkage to the patented product” and were thus “discriminatory as well as contrary to FRAND terms” (*Id.* ¶ 17, at 6–7). The CCI said that a refusal to share the commercial terms of the FRAND license “fortifie[d] the accusations of [Intex], regarding [Ericsson’s] alleged discriminatory commercial terms” (*Id.*). The CCI also said that charging “different licensing fees for the use of the same technology” indicated “excessive pricing vis-à-vis high cost phones” (*Id.*). In addition, the CCI said that imposing a jurisdiction clause that prevented Intex from adjudicating its disputes in a “country where both parties were in business” also provided *prima facie* evidence of an abuse of a dominant position (*Id.*). Finally, the CCI noted that there was an ongoing investigation by the DG of the CCI against Ericsson on similar grounds (*Id.* ¶ 19, at 7–8). Therefore, having formed a *prima facie* opinion that Ericsson had abused its dominant position by imposing excessive royalties and a restrictive NDA, the CCI ordered that the DG combine the claims that Intex had brought against Ericsson with its ongoing investigation into the claims that Micromax had brought against Ericsson (*Id.*).

3. *Ericsson’s Legal Action Against the CCI*

In 2014, Ericsson challenged the CCI’s jurisdiction to investigate Ericsson’s SEP licensing practice (Order at 5, Telefonaktiebolaget LM Ericsson v. Competition Comm’n of India, No. 1006 of 2014, High Ct. of Delhi (2014), http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=33798&yr=2014). Ericsson argued before the Delhi High Court that the Patents Act “provides adequate mechanism to balance the rights of patentee and other stakeholders” (*Id.* at 2). The Delhi High Court agreed that Ericsson’s case raised “substantial questions of jurisdiction” (*Id.* at 4). In particular, the court criticized the detailed conclusions that the CCI presented in its decision to initiate its investigation against Ericsson. In the court’s view, by presenting such detailed reasoning, the CCI “[had] entered into an adjudicatory and determinative process,” which rendered “illusory” the remedy under section 26(7)—a provision that allows the CCI to close the investigation after considering the objections and suggestions (*Id.* at 5). The Delhi High Court consequently determined that the CCI should not issue a final order with respect to Micromax’s allegations against Ericsson until the next hearing before the Delhi High Court (*Id.*). The court also restricted the CCI’s ability to summon, for purposes of its investigation, any Ericsson executive located outside of India (*Id.*). After the CCI appealed the Delhi High Court’s decision, a Division Bench of the Delhi High Court removed the restriction on summoning Ericsson executives outside of India, but it allowed Ericsson to appeal to the court if Ericsson believed that such a summons was unnecessary (Singh, 2014). As of February 2016, the CCI had not concluded the joint investigations.

4. *iBall's Complaint Against Ericsson*

In May 2015, Best IT World (India) Private Limited (iBall) filed a similar complaint against Ericsson with the CCI (Best IT World (India) Private Ltd. v. Telefonaktiebolaget LM Ericsson, No. 4 of 2015, Competition Comm'n of India (2015) (India), http://www.cci.gov.in/sites/default/files/042015_0.pdf).[4] iBall alleged that, although it was "willing to enter into a license agreement with Ericsson as per FRAND," Ericsson presented strict and onerous conditions that iBall needed to agree to before beginning negotiations, including settling all disputes through arbitration in Stockholm, executing a nondisclosure agreement with a duration of 10 years, and covering past as well as future sales within the scope of the license agreement (*Best IT World (India) Private Ltd.*, No. 4, ¶ 5, at 3–4). iBall alleged that Ericsson's conduct—refusing to identify the infringed patents, threatening a patent-infringement suit, demanding "unreasonably high royalties" calculated as a percentage of the price of the downstream product, and bundling "patents irrelevant to [iBall's] products" in the license agreement—violated section 4 of the Competition Act (*Id.* ¶ 6, at 4).

Similar to its orders in *Micromax* and *Intex*, the CCI observed that, because there is no available technology that is an alternative to Ericsson's patents essential to the 2G, 3G, and 4G mobile communication standards, "Ericsson enjoys a complete dominance over its present and prospective licensees in the relevant market" (*Id.* ¶ 13, at 6). The CCI also said that Ericsson's licensing practices appear to be "discriminatory as well as contrary to FRAND terms" (*Id.* ¶ 14, at 7). The CCI said that Ericsson's practice of "forcing a party to execute [an] NDA and imposing excessive and unfair royalty rates, *prima facie*, amount to abuse of dominance in violation of section 4 of the [Competition] Act" (*Id.*). The CCI directed the DG to investigate Ericsson's licensing practices and highlighted that iBall's allegations were similar to the allegations made in *Micromax* and *Intex* (*Id.* ¶ 15, at 7). As of February 2016, the DG had not adopted any decision in that investigation.

5. *Summary*

The CCI has shown that it is willing to scrutinize an SEP holder's licensing practice under the provisions of Indian competition law. The CCI has found that an SEP holder typically has a dominant market position. However, in the case of Ericsson, the CCI based its finding on the reasoning that the SEP holder was the largest holder of SEPs for mobile communications. It is thus questionable whether the CCI would have found a firm to have a dominant position if that firm possessed a smaller SEP portfolio. In addition, the CCI has shown its intent to scrutinize the specific terms of the SEP holder's license offer. In particular, the CCI has expressed concern over the selection of a particular royalty base and over the SEP holder's requirement that the potential licensee execute an NDA. As of February 2016, the CCI's investigations were still ongoing. Consequently, it remains unclear under what conditions an SEP holder might incur antitrust liability under Indian competition law.

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4. Ghosh and Sokol (2016) observe that the CCI's order regarding iBall's complaint did not differ significantly from its previous orders regarding the complaints of Micromax and Intex, despite the Delhi High Court's rulings in FRAND cases, turnover of personnel within the CCI, and considerable clarification about the meaning of FRAND from economists and jurists around the world.