

CONCEPT NOTE

IN India, the jurisprudence surrounding standard essential patent (SEP) and FRAND litigation in the ICT sector is at a nascent stage. In the given litigations without going into the inherent complexities, courts have contemplated various contentious issues such as royalty stacking, patent hold-up, determination of royalty base and calculation of royalty rate, the unwillingness of the prospective licensee and competition concerns.

While most of the cases in India are pending, plethora of claims and counter-claims involving various stakeholders that include SEP holders, the implementers and the Competition Commission of India (CCI) are worth considering for greater analysis.

It is observed that implementers have raised concerns about the possibility of royalty stacking. The implementers of SEPs have claimed that a particular product involves a number of essential and non-essential patents and therefore unreasonable demand for royalties by SEP holders would lead to royalty stacking. Likewise, they have also highlighted the possibility of patent hold-up.

The CCI has also contemplated the implications of patent hold-up and royalty stacking in the ICT industry. CCI suggested that licensing on FRAND terms can prevent occurrence of patent hold-up and royalty stacking, although there has been no detailed analysis or evidence suggesting presence of any of these conditions in the ongoing cases.

The issue of royalty base has been debated in these cases. Similar to the international jurisprudence, there are two strands of opinion – one is based on the downstream product and the other on smallest saleable patent-practicing unit. The CCI has suggested that basing the royalty on the entire downstream product constitutes an abuse of dominance in the absence of any evidence linking the demand for the product to the patents in question.

In a number of cases, the implementers have claimed that SEP holders are indulging in the practice of abuse of dominance and issuing anti-competitive agreements. There have been concerns with respect to the anti-competitive practice of ‘bundling and tying licensing’ and the onerous terms in Non-Disclosure Agreements (NDA). For instance, jurisdiction and arbitration terms in an NDA. Implementers have complained of being forced to execute an onerous NDA with terms which were not fair. There have been concerns with respect to charging different rates from

potential licensees. The CCI has ordered investigations based on its prima facie view that the selection of royalty base of the end product was discriminatory apart from other concerns in the NDA.

The SEP holders on their part have further argued that the implementers were unwilling licensees. Guiding principles from international jurisprudence suggests that emphasis should be added to the circumstantial conduct of the parties. Some of the initiatives expected from an SEP holder are notification and licensing on FRAND terms. Similarly, an implementer should express willingness for licensing, respond diligently and embrace no delaying tactics.

There has been a serious effort to address these contentious issues by the Department of Industrial Policy and Promotion (DIPP). The DIPP in March 2016 invited comments and feedback from industry, academia and other stakeholders. With initiatives of Government of India like 'Make in India', 'Digital India', 'Startup India', it is suggested that the above issues are required to be critically discussed for the purpose of capacity building. Towards this endeavor, the workshop for Indian academics, hosted by JIRICO in collaboration with Hoover IP², Stanford University, focused on these lesser explored issues in the context of India.

Thus, the workshop addressed the following issues:

- The patent hold-up hypothesis: theory and evidence
- Patent bundling leading to anti-competitive practices
- Royalty base and assessing FRAND royalties
- Parameters to identify an 'unwilling licensee' in a "reverse hold-up" situation
- Criteria for determining royalties for FRAND-encumbered SEPs
- Damages as an effective deterrent mechanism in preventing companies from misappropriating another's technology ❖❖❖