

Standard Essential Patents and FRAND

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Abstract--- *This paper discusses the concept of Standard Essential Patents and Fair, reasonable and non-discriminatory terms on which these patents are expected to be licensed by the owners. The paper discusses the role that the standard setting organizations play in declaring a technology as a Standard essential technology and ensuring that the owner is willing to license it on FRAND terms. The paper also discusses the interplay of competition law and intellectual property law because with regards to SEPs before discussing the Indian position through some of the decisions by the courts. The paper concludes with pondering upon the need for a defined set of laws regarding SEP licensing and a specialised agency to look over the matters relating the same.*

Index Terms--- *Standard Essential Patents, FRAND, Standard setting organization, Intellectual property law, competition law.*

I. INTRODUCTION

Intellectual Property Rights enable the creators of the intangible property to advantage form the hard work and creativity put by them in their work. Article 27 of the Universal Declaration of Human Rights calls for “the protection of moral and material interests resulting from the authorship of scientific, literary or artistic productions.”¹ The creator of any kind of IP possesses a monopoly over the use of his the property created through his intellect. “These rights are State-awarded and may be exercised to restrain others from using them without the holder’s/creator’s consent.”² On the other hand, there is the existence of Anti-Trust laws which ensure that buying, selling, trading and licensing take place in a free and fair manner and there is a healthy competition in the market. “In today’s dynamic marketplace, fresh technical improvements are continuously replacing the ones that came before, since players in the marketplace compete to innovate existing products and introduce novel ones with a view to secure and maintain their market share.”³ While Competition Laws have the objective of doing away with the accumulation of market power, the patent law gives monopolistic rights to the creators.

“However parallel the aforesaid bodies of law may seem, the policies contained under Antitrust Laws and Intellectual Property Rights intersect at a point, and this intersection – while invoking public interest – is reached when a patented

¹ Article 27, Universal Declaration of Human Rights (1948) available at <<https://www.un.org/en/universaldeclaration-human-rights/>>.

² K.C. Shippey, A SHORT COURSE IN INTERNATIONAL INTELLECTUAL PROPERTY RIGHTS, WORLD TRADE PRESS.

³ U.S. Dep’t of Justice & Fed. Trade Comm’n, Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition (2007) available at <<https://www.ftc.gov/sites/default/files/documents/reports/antitrustenforcement-and-intellectual-property-rights-promoting-innovation-and-competition-report.s.department-justiceand-federal-trade-commission/p040101promotinginnovationandcompetitionrpt0704.pdf>>.

technology becomes essential to achieve a standard. Therefore, the fundamental thought behind the system of Standard Essential Patents [hereinafter 'SEPs'] is to reconcile the interface between patents, which are primarily 'private' and 'exclusive' in nature, as opposed to standards, which are meant to be the exact opposite."⁴

Standard can be defined as "a set of technical specifications that seek to provide a common design for a product or process"⁵ WIPO's standing committee defines it as "a document, established by consensus and approved by a recognised body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context"⁶ A standard, therefore can be said to be a document that lays down specific requirements that have to be met out as regards to a specific service or product. The WTO Agreement on Technical Barriers to Trade defines the terms Technical regulation and Standard as follows:

Technical Regulation: "Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method."⁷

Standard: "Document approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method."⁸

Standards can either be de jure or de facto. "A de facto standard is created when a particular technology is widely implemented by market players and accepted by the public so that such a technology becomes a dominant technology in the market even if it has not been adopted by a formal Standard Setting body. The de jure standards are, in general, set by Standard Setting Organizations [hereinafter 'SSOs'] such as the Bureau of Indian Standards (BIS), the International Telecommunication Union (ITU), Telecom Standards Development Society of India (TSDSI) etc."⁹ The SSOs provide means to a standard setting process wherein the stake holders as regards to a certain product or service are present in the decision making process who set standards either at a worldwide level or in a particular region. Standards play a crucial role in keeping a quality check in the technology sector as any device not complying with the set standard lacks in the competition. "Improved interoperability may be translated into better utility of products and simplified processes, and an increased choice of complementary products accompanied by (as a result of competition) lower prices. Further, standards

⁴ R. Narula, Standard Essential Patents, ROUSE THE MAGAZINE (2015) available at <<https://www.rouse.com/magazine/news/standard-essential-patents/?tag=india>>.

⁵ H. Hovenkamp, M. Janis, M. Lemly, IP and Antitrust: An Analysis of Antitrust Principles applied to Intellectual Property Law, ASPEN LAW & BUSINESS (2003-04), SUPPLEMENT p.35.

⁶ Document SCP/13/2, STANDING COMMITTEE ON THE LAW OF PATENTS, WIPO (2009). 7 Annex I, AGREEMENT ON TECHNICAL BARRIERS TO TRADE available at <https://www.wto.org/english/docs_e/legal_e/17-tbt.pdf>.

⁷ Annex I, AGREEMENT ON TECHNICAL BARRIERS TO TRADE available <https://www.wto.org/english/docs_e/legal_e/17-tbt.pdf>.

⁸ Ibid.

⁹ Document SCP/13/2, STANDING COMMITTEE ON THE LAW OF PATENTS, WIPO (2009).

protect consumers from deceptive practices by ensuring the quality and safety of products and services so that they can place greater confidence in the market.”¹⁰

Standard Essential Patent is a patent that protects a technology that is a standard, i.e. a technology which must be used by the manufacturers in order to be a certain standard compliant. “A given patent is “essential” to a standard if use of the standard requires infringement of the patent, even if acceptable alternatives of that patent could have been written into the standard. A patent is also essential “if the patent only reads onto an optional portion of the standard”.¹¹ The Standard setting organizations must be able to get the owner of the standard essential patent to be willing to license his patent on reasonable terms, failing which, the technology cannot become an SEP.

II. FAIR, REASONABLE AND NON-DISCRIMINATORY (FRAND) LICENSING and SSOs

The members of Standard Setting Organizations are required to grant binding licenses to the ones willing to use the standard in question. A standard can only be adopted once the owner has agreed for it to be licensed at fair, reasonable and non-discriminatory terms. “Licensing of Standards Essential Patents (SEPs) on Fair, Reasonable and Non-Discriminatory (FRAND) terms forms the foundation stone of the standards development process”.¹²

FRAND ensures that a technology which is innovative in nature is available to the manufacturers for use so that it can be made easily available to the public at large. It also ensures that the owner of such standard technology is not abusing his dominant position in the market owing to his ownership of a technology which has become a standard. This creates a balance between the Intellectual Property law and the Competition law.

Standard Setting Organizations have the task of producing technical standards that are to be complied by the manufacturers dealing in the same field. SSOs help in promoting the use of the standard by the industry, they also help in lowering the development costs of the products. SSOs enable healthy competition in the market.

III. SEPs AND COMPETITION LAW

Generally, competition law and Intellectual property laws walk parallel to each other, never intersecting. However, when it comes to SEPs, the Competition law plays a part. Competition authorities intervene if the patent is a standard Essential Patent. “Patents that are considered essential to implement a chosen industry standard cannot be exploited like any other patent, and certainly not to the exclusion of other market participants.”¹³

¹⁰ Ibid.

¹¹ European Commission Memo, Antitrust Decisions on Standard Essential Patents (SEPs) – Motorola Mobility and Samsung Electronics – Frequently Asked Questions available at <http://europa.eu/rapid/press-release_MEMO-14322_en.htm>.

¹² International Telecommunication Union, Understanding Patents, Competition and Standardization in an Interconnected World (2014) available at <<https://www.itu.int/en/ITU-T/ipr/Pages/Understanding-patents,competition-and-standardization-in-an-interconnected-world.aspx>>.

¹³ India – Competition Law and FRAND Commitments, CONVENTUS LAW (2014) available at <<http://www.conventuslaw.com/ARCHIVE/INDIA-COMPETITION-LAW-AND-FRANDCOMMITMENTS/>>.

For Standard setting to be beneficial, it must be checked that the owner of the standard patent is not in a position as to be able to exploit the manufacturers who seek licenses from the owner in order to implement the technology into their products or services. “One of the ways by which this may be achieved is by extracting FRAND commitments, where owners of essential patents commit to make their essential patent available to third parties on FRAND terms. While this appears to be a mutually beneficial solution, with the patent owner benefitting from its patent being widely used by the industry, and the remaining stakeholders being protected from paying exorbitant royalty rates, ultimately, the efficacy of FRAND is determined by its enforceability.”¹⁴

IV. STANDARD ESSENTIAL PATENTS IN INDIA

India’s national Standard Setting Organization is the Bureau of Indian Standards. In the IT sector, the Telecom Engineering Centre is the sole formally recognized SSO. These SSOs have been working on implementing IP policies that see to the fact that the standard set by them is accessible to the members of the industry on reasonable basis of licensing.

SEPs came to forefront in India after Ericsson’s legal battle with regard to its ownership of some Standard Essential Technology. Ericsson sued various smartphone manufacturers on the ground of infringement of its patented technology in India. Ericsson contended that it offered these manufacturers to buy the licenses of its SEPs on FRAND basis but rather than getting the licenses. Despite these manufacturers have been using its technology in their phones thereby, infringing Ericsson’s patents in the said technologies. It was held by the Delhi Court that the acts of the manufacturers were infringing in nature and ex parte injunctions were granted against them. The court also directed the customs authorities to keep a check on the consignments by these manufacturers. Flipkart was ordered to get rid of Xiaomi’s infringing products. Xiaomi was ordered to deposit INR 100 on the sale of every device with effect from February 3, 2015. Micromax was also directed to pay royalties to Ericsson in case it wanted to continue selling its devices.

The aggrieved parties approached the Competition Commission of India claiming that Ericsson did not sell its licenses on FRAND terms and that it had taken undue advantage of its dominant position in the market. The CCI passed an investigative order to which the Delhi High Court held the order to be in conflict with the decision of the court. The High Court held that the order of the CCI was adjudicatory and determinative due to the nature of the order being detailed, as a result of which, the remedy available to Ericsson had been discarded.

The above series of cases displays the willingness of the courts to protect the rights of patent holders. In fact, the courts even granted ex-parte injunction orders without hearing any arguments on merits from the alleged infringers. Furthermore, the courts failed to observe that the patents in these cases were standard essential patents. This would have major implications with respect to development of technology and protection of consumers who may not be given enough choice due to such ex-parte injunction orders. Also, the decision of the Delhi High Court pertaining to the Competition Commission’s investigative orders shows that there is a possibility in patent cases that the CCI’s orders may result in the overlapping with the jurisdiction of the High Courts and result in interventions with the jurisdiction of the High Court.

¹⁴ Ibid.

The role of the CCI in patent law cases thus needs to be clearer. This case is actually the first instance wherein the CCI has issued an order in relation to a patent law dispute.

The Delhi High Court's decision also differed from the CCI's order because Intex made contradictory arguments before the CCI and the Delhi High Court. On one hand, Intex argued before the CCI that Ericsson's patents were essential and consequently Ericsson dominated the market, and on the other hand, Intex argued before the Delhi High Court that Ericsson's patents were not essential.¹⁵ The court also noted that Intex did not seek to license Ericsson's SEPs, but Ericsson offered a FRAND license for its patent portfolio. The decision of the Delhi High Court was in keeping with the judicial norms being undertaken by the other countries in matters related to SEPs which instills confidence in the Indian Judiciary as far as SEPholders licensing their Patents in India are concerned.

V. CONCLUSION

The Biotechnology industry has time and again displayed a great deal of unity and inter-operability by collaborating and sharing patents in order to enhance innovation. The industry has used methods like cross licensing, patent pools and patent exchanges to mitigate the cost of licensing of Intellectual Property.

FRAND terms limit the patent owner's right to enjoy their ownership over the invention as the greater good of socio economic growth comes into play. There lies an urgent need to amend the patent laws in order to set a specific set of the terms of licensing as regards to standard essential patents. This would define the remedies available to the licensors as well as licensees in case of breach of any of the terms of the license. The decisions regarding SEPs due to their nature shall be decided by special tribunals consisting of the members of competition commission, Intellectual Property appellate board and judiciary. These tribunals would decide on the basis of the case as to which party has breached the right of which one. Deciding on the matter of SEPs is a delicate task as it might discourage them from engaging with the SSOs.

In a knowledge-driven, innovation-dominated and tech-savvy society, post-late 20th century, novel and non-obvious inventions overwhelmingly come from the university educated professional in science, engineering and technology rather than artisans. This is in sharp contrast to the Elizabethan period when modern patent laws were enacted in England to encourage artists and artisans. Therefore, it is high time that the bar for granting patents is substantially raised, especially in terms on novelty and non-obviousness of an invention.

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¹⁵ K. Chawla, Ericsson v. Intex, Part I – SEPs, Injunctions, and Gathering Clouds for Software Patenting, SPICYIP (2015) available at <<http://spicyip.com/2015/03/ericsson-v-intex-part-1-seps-and-injunctions- anda-new-era-of-softwarepatenting.html>>.

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