REASONABLE ROYALTY RATES: THE QUINTESSENTIAL DETERMINATION IN INDIAN STANDARD ESSENTIAL PATENT INFRINGEMENT SUITS

Sripada Yashwant Prasad

Patent disputes in India have witnessed a paradigm shift from being plain infringement suits to those involving a complex interface of patent and competition laws. These complex disputes are termed as Standard Essential Patent suits whose jurisprudence has grown exponentially in the jurisdictions of US, EU and Japan, to name a few. Factually speaking, India’s legal position on adjudicating such disputes has been at a relatively nascent stage. Therefore, courts here are in the process of developing the same in tune with the evolving international scenario. In order to assist the courts in this segment, the present article has analysed relevant principles, decisions in India and abroad. The analysis ultimately puts forth an effective approach for Indian courts to incorporate while dealing with SEP disputes henceforth. This approach takes within its fold understanding the dynamics of reasonable royalties, FRAND commitments, standard setting organisations and licensing negotiations.

1 B.A.LL.B (Hons.), 2016, School of Law, Christ University, Bangalore. Presently working as an Associate at Saikrishna & Associates, New Delhi an IP boutique law firm. I place on record the constructive inputs given by my seniors and colleagues at Saikrishna & Associates namely, Mr. Saikrishna Rajagopal, Ms. Julien George, Ms. Sneha Jain and Mr. Devvrat Joshi. Similarly, I thank Mr. Abhirup Paul Bangara (Graduate, NYU Law) and my family members for their constant encouragement.
I. INTRODUCTION

With the advent of Standard Essential Patent (‘SEP’) infringement lawsuits globally, the determination of a reasonable royalty rate is the most influential factor fuelling their rise. This determination stands at the forefront of such lawsuits as it varies depending on the nature and ambit of every SEP in question. Other factors contributing to such lawsuits include refusal to license, failure of Licensor–Licensee negotiations and non-observance of FRAND terms. There are diverse and conflicting views worldwide on what qualifies as a reasonable royalty rate, however, the focus here is to put forth an approach that ensures effective negotiations involving reasonable royalty rates, eliminates abuse of a dominant position and promotes innovation therein. By doing so, this paper shall hopefully pave a way for effective adjudication of SEP disputes especially in the Indian jurisdiction. This article is broadly divided into segments, namely, refusal and reasonableness, proactive role of standard setting organisations and FRAND negotiations as the concluding portion.

To begin with, the author wishes to portray the legal position of SEP disputes prevalent in India which is at its nascent stage. In 2013, Ericsson sued Micromax\(^2\) for infringement of its essential patents in 3G, GSM and EDGE technologies. Undeniably, this dispute marked the beginning of multiple high-stake complex SEP disputes in India. Subsequently, Ericsson proceeded to sue other mobile manufacturers such as Lava\(^3\), Gionee,\(^4\) Xiaomi,\(^5\) and Intex,\(^6\) to name a few. While most are sub-judice in the Hon’ble Delhi High Court, Micromax has seen the light of day wherein parties have

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\(^2\) *Infra* note 40, at 15.


\(^5\) *Id.*

amicably settled the matter. Apart from the above matters, the recent *Philips* decision is widely regarded as the first post-trial SEP judgment passed in India. On a cursory glance of the disputes mentioned above, the author understands that there are ambiguities in comprehending and adjudicating on these essential patents. A reason attributable to the same is the persistence of conflicting views worldwide. Considering the foregoing, the author has accordingly presented his views keeping in mind the Indian SEP litigation scenario.

**II. REFUSAL AND REASONABLENESS**

A patent granted under the Indian Patents Act, 1970 entitles the Patentee (‘Licensor’) with certain privileges, one of which is preventing a third party from using the subject matter of the patent, save with his consent. Cutting across jurisdictions including India, a right to refusal has always been understood to incentivize an innovator. This privilege is often questioned in SEP disputes, as to whether or not a Licensor is *prima facie* entitled to exercise such a restriction, absolutely or relatively, vis-a-vis a patent categorized under the Essential Facility Doctrine. This doctrine, a recent development, presupposes the following proposition, “An Essential Facilities Doctrine (EFD) specifies when the owner(s) of an ‘essential’ or ‘bottleneck’ facility is mandated to provide access to that facility at a ‘reasonable’ price.” The exercise of the privilege discussed above gains prominence among SEPs for two reasons namely, it promotes the interface of rights recognized for Licensors under Intellectual Property (‘IP’) laws and rights recognized for Licensees under Competition Laws. Secondly, an abuse of this privilege has the alarming potential of arbitrarily driving away competition from the market.

An absolute refusal to license, which results in hampering competition in the market, is *per se* an instance of abusive conduct. The legislations in point include the Patents

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Act, 1970 and the Competition Act, 2002. Patents Act is the law that governs the patentability of inventions within the territorial bounds of India. The present law on patents is a consolidation of the existing patent laws that aims to evolve in tune with the economic development of the country. The Competition Act, a fairly recent enactment aims to prevent anti-competitive practices, promote sufficient freedom for consumers and market players to interact and ultimately sustain competition in a given market. To juxtapose the Competition Act, 2002, with the Indian Patents Act, 1970, section 3(5)(i) of the former legislation provides an exception that agreements delving into licensing of IP rights do not amount to anti-competitive conduct, subject to the conditions raised in such licenses as being ‘reasonable’ in the eyes of law. The author understands that these reasonable conditions inter alia include seeking reasonable royalties in a given licensing arrangement. The term “reasonableness” is not backed by any statutory definition and is subject to judicial interpretation that differs from a case to case basis. Similarly, the Patents Act however, does not make a mention of royalty rate determinations that are exclusive to patents falling under the Essential Facility Doctrine. Usually, an essential facility possesses a patentable feature but not every patentable feature is an essential facility. The above vital understanding demands attention for it is the standalone aspect that distinguishes a patent from a standard essential patent.

A standard essential patent in essence, is a patented technology that functions on par with an industrial standard declared as a threshold. In other words, it is a patented technology that is essential to comply with the industrial standard. This technology is so declared as it ensures seamless performance and interoperability. The SEP declared as the standard is the only patented technology recognized as the industry-best and does not have any alternatives to compete with, thereby justifying the essentiality tag. Any other patent not recognized under the Essential Facility Doctrine competes with other technologies or competitors that act as alternatives to the said patented product. Therefore, patents falling under this doctrine reflect inelastic

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12 The Competition Act, No. 12 of 2003, § 3(5)(i).
demand and act as catalysts for futuristic innovation. As a result, an absolute refusal of such a patent is *per se* an instance of abusive conduct curtailing competition and driving away players from the market.

In *Volvo v. Veng*,\(^\text{14}\) the European Court of Justice ruled on the issue of an arbitrary refusal to license and concluded as follows,

> "It must however be noted that the exercise of an exclusive right by the proprietor of a registered design in respect of car body panels may be prohibited by Article 82 if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States."

Therefore, preventing the mere access\(^\text{15}\) to SEPs jeopardizes innovation and competition in the market. In a scenario where an absolute refusal to license is exercised, the natural consequence would be driving away competition and simultaneously cutting down the choices available to a consumer in a given market. That apart, such a consequence goes against the letter and spirit of the Competition Act, 2002.

A. *Principle Of Reasonableness*

In such a case, moving beyond the scope of refusal to license is the quantum of royalty that may certainly be levied as a reasonable condition. Consequentially, what would be a reasonable royalty rate for licensing an SEP? Section 3(5)(i) points out that any licensor who licenses his or her intellectual property may do so by levying reasonable conditions only.

In this regard, caution is to be borne when the patent involved is categorised under the Essential Facility Doctrine. The cardinal principle of apportionment in SEP disputes envisages a royalty to be charged only on the patented technology and not be bundled


\(^{15}\) *Id.* at 3.
with any unpatented feature that is not a subject-matter of the license agreement.\textsuperscript{16} For example, instances of abuse may arise when the prospective Licensor offers the ‘entire portfolio’ or a ‘global patent license’ as opposed to licensing the core SEPs required in the license agreement. Ordinarily, the Licensor should, in such a scenario offer a license depending on the geographical extent of a Licensee and not for markets that the latter has no market presence in whatsoever. This not only reflects unreasonable bundling of SEPs but is no doubt the starting point for disputes.

In as much as a ‘reasonable royalty’ is the heart of a Licensor’s right under the FRAND (Fair, Reasonable and Non-Discriminatory) commitment,\textsuperscript{17} a clause of reasonableness set out in a license agreement shall ensure a mutually beneficial arrangement wherein, the Licensor is guaranteed a deserving reasonable royalty and the Licensee, a right to legitimately use the SEP. For the above indicated purpose, the term reasonableness in the context of SEP disputes primarily involves FRAND terms that avoid arbitrariness and promote party-friendly negotiations. The legislative intent\textsuperscript{18} is to clearly create a similar balance of interests for the Licensor and Licensee, though none of the enactments expressly identify commitments that are deemed as FRAND. In tune with the principles of statutory interpretation, the Patents Act and the Competition Act must be read together harmoniously and not be construed as polar opposites. This harmonious interpretation is essential to put forth FRAND commitments in the absence of any express law in force. In addition, there is no judicial interpretation supporting the above legislative intent insofar as the Indian turf is concerned.

Considering the evolving nature of SEP jurisprudence in our context, courts here have time and again taken cue from foreign jurisdictions particularly the US and EU. It is but relevant to comprehend what ‘reasonable royalty’ is interpreted to be vis-à-vis FRAND terms in such jurisdictions. This is more so, when a reasonable royalty per se is vastly distinguishable for patents as opposed to SEPs. Justice Birss in \textit{Unwired Planet}
v. Huawei\textsuperscript{19} elaborately opined on when a royalty rate is deemed to be FRAND. As per the \textit{ratio decidendi} laid down, a FRAND royalty rate is the reasonable rate \textit{sans} any consequence of ‘patent hold-up’ by the Licensor or ‘patent hold-out’ by the Licensee. Such a rate is devised by sifting through comparable licenses of third parties pertaining to similar technologies. By following the said approach, a reasonable royalty rate is determined by virtue of real world licenses between real world parties, thereby leaving no room for any hypothetical \textit{ex ante} values. Thirdly, foreign judgments though only persuasive in value, do possess key factors that may contribute to establishing reasonable rates.

The licensing of SEPs shall therefore, not be refused in ordinary scenarios failing which instances of abuse as seen in the Volvo precedent arise. Exceptions to such grant of licenses no doubt exist, whilst negotiating with parties that turn out to be unwilling Licensees. Secondly, a license shall only be granted parallel to the principle of reasonableness and FRAND terms alike, thereby doing away with the misuse of market power by either party to the negotiation.

\textbf{III. PROACTIVE ROLE OF STANDARD SETTING ORGANISATIONS}

Whilst determining the reasonable royalty rate, it is imperative to understand the role of Standard Setting Organisations (SSOs) that predominantly develop SEPs. The reason being, reasonable royalty rates affixed for a patented technology share a strong correlation to the said technology being declared as a standard by the SSOs. Simply put, the SSOs identify the worth of any technology prior to recognizing it as a standard. This in turn sets the pace for identifying the royalty rate upon evaluating the technology’s worth.

An SSO conducts robust R&D, analyses existing technologies and puts forth a technical standard that will eventually be an industry benchmark or threshold for prospective Licensees to mandatorily use in their respective products. A number of market players come forward to establish these organisations that are sector-specific such as the European Telecommunications Standard Institute (‘ETSI’), Cloud Communications Alliance (‘CCA’), Network Test Automation Forum (‘NTAF’) and the related kinds. The

\textsuperscript{19} Unwired Planet v. Huawei, [2017] EWHC (Pat) 711.
aforementioned process performed by these organisations is termed as ‘Standardisation’ and some of the established standards exclusively pertaining to the telecommunication sector include 3G, LTE, EDGE, AMR, HE - AAC and GSM that ensure seamless performance coupled with interoperability among varied devices. Further, Standardisation broadly entails in itself two forms namely, De Jure and De Facto. The mode of standardisation that undergoes rigorous analyses and tests is often referred to as De Jure Standardisation. The second form of standardisation is De Facto, wherein certain technologies become standards by virtue of the market forces, consumer demand as well as technological reliability.\(^{20}\)

While determining an appropriate technology as a standard, the SSO must necessarily look into interoperability of that technology with other devices. In the present-day context, any technology’s worth is reflected on how interoperable it is. By saying so, said technology achieves its objective when it is compatible with devices possessing varied operating systems. “Interoperability is the cornerstone of the information and communications technology (‘ICT’) sector and has an ever-growing role in the era of digital convergence, where the traditional boundaries between distinct computing and communications products are becoming increasingly blurred. More and more electronic products need to be able to “talk” to each other and interoperate. The European Information & Communications Technology Industry Association (‘EICTA’) has broadly defined interoperability as the ability of two or more networks, systems, devices, applications or components to exchange information between them and to use the information so exchanged.”\(^{21}\) More the technology being interoperable, higher are the chances of it being recognized as a standard.

Post the process of standardisation, the Licensor is entitled to certain privileges and is simultaneously bound by obligations which are often referred to as FRAND. For instance, the ETSI spearheads the ETSI IPR Online Database wherein every SEP holder is obligated to declare all the IPRs in its possession. Such a declaration is mandated by


ETSI to ensure FRAND compliance in prospective license negotiations.\(^{22}\) Needless to mention, no license arrangement is warranted for technologies or standards that are non-proprietary in nature. Therefore, SSOs perform the most significant role of determining an industrial standard for market players to adhere to and for this very reason the Licensors attain market power upon escalation of their technologies as standards. Though these organisations put forth standards, at no point do they certify the validity or essentiality of any patent.\(^{23}\) Instead, they merely identify a particular technology as the industry best, notwithstanding the patentability or essentiality of the same. Having said that, they often provide a detailed guidance on how prospective Licensors would be obligated to license their essential patents on reasonable terms. Similarly, these organisations in turn render assistance for prospective Licensees in identifying anti-competitive practices, if any.\(^{24}\) In view of the reasons highlighted above, SSOs play a pivotal role in establishing a level-playing field for Licensors and Licensees alike.

**IV. FRAND TERMS: THE THUMB-RULE FOR EFFECTIVE NEGOTIATIONS**

Post comprehending the essence of reasonable royalty rates, this segment attempts to focus on the different facets of determining such FRAND rates. A worthy mention is the unsettled position of law in most jurisdictions regarding the ideal *modus operandi* to such determination. As matters stand, a method to broadly distinguish SEP negotiations is the existence of a claim of infringement. The author understands that this factor is the sole component differentiating reasonable royalties agreed by two willing parties as opposed to reasonable royalties generated in the backdrop of infringement claims between contesting parties. The latter must be quantified higher and cannot be placed on the same pedestal as the former, failing which Licensees take leeway to pay the same royalty rate with or without impinging upon the Licensor's rights.\(^{25}\) There is no deterrent effect cast on such Licensees who pay a royalty only


\(^{24}\) *Id.*

after conveniently causing an infringement and not by securing a formal license. Irrespective, FRAND terms warrant strict adherence by parties to the negotiating process, for it is an all-encompassing measure that triumphs as the thumb-rule for effective negotiations.

Negotiations conducted in the backdrop of an infringement entail a hypothetical arms-length negotiation process between the Licensor and a Licensee in order to determine the reasonable royalty.\textsuperscript{26} The hypothetical negotiation,\textsuperscript{27} as the name suggests, is premised on the hypothesis that parties would have effectively executed a license and agreed on a royalty rate had there been no infringement to begin with. The identification of this rate as the FRAND royalty rate is merely assumptive and is determined therein, on the basis of \textit{ex ante} or predictive values. The author clarifies that the term \textit{ex ante} in the present context, infers the rate predicted and chosen prior to the occurrence of an infringement. On the contrary, a comparable license approach reflects devising the royalty rate by means of comparing third party licenses on similar technologies. These third party licenses typically involve Licensees that are similarly placed\textsuperscript{28} so as to arrive at rates that are non-discriminatory. The said approach is put to utility in negotiations not involving claims of infringement. It further throws sufficient light by virtue of incorporating real world royalty rates and not \textit{ex ante} values to arrive at fairly accurate figures.

\textbf{A. Negotiations Within The Realm Of Infringement Claims}

Justice Markey in \textit{Panduit Corp. vs. Stahlin Bros. Fibre Works Inc.},\textsuperscript{29} penned down an approach of determining a reasonable royalty rate, upon proving existence of an infringement. Justice Markey had put forth the following four significant elements for consideration while establishing the rate, namely –

- The lack of acceptable non-infringing substitutes;
- Panduit’s unvarying policy of not licensing the patent in dispute;

\textsuperscript{26} \textit{Id.}
\textsuperscript{28} \textit{Supra} note 18, at 6.
\textsuperscript{29} Panduit Corp. v. Stahlin Bros. Fibre Works Inc., 575, F.2d 1152 (6\textsuperscript{th} Cir. Apr. 25, 1978).
- The future business and attendant profit Panduit would expect to lose by licensing a competitor;
- That the infringed patent gave the entire marketable value to infringed duct.

The four elements highlighted above firstly enable the court to infer the market positions of the Licensor and Licensee in a concise manner. Secondly, they emphasize on the principle that any Licensor holding dominance in the market, is viewed as resorting to abuse when it fails to license the patent for a reasonable royalty. This is more evident, when the Licensor is never compelled on the contrary, to share its intellectual property on a rate viz., marginal or nil. At the other end of the spectrum is the behaviour of Licensees who in turn may contribute to anti-competitive practices by usurping profits of the Licensor through sales of the infringed products. While calculating the reasonable royalty rate, the profits of the Licensor lost as a result of sales lost to the Infringer play a crucial role in the determination. Moreover, Justice Markey substantiates the above elements in tune with section 284 of the U.S. Code\textsuperscript{30} that grants discretionary power to courts for awarding reasonable royalty rates upon finding instances of infringement. The opposite is seen here in the Indian context wherein no express statutory power is granted for courts to identify a reasonable royalty rate. Justice Markey then proceeds to state, “The setting of a reasonable royalty after infringement cannot be treated, as it was here, as the equivalent of ordinary royalty negotiations among truly ‘willing’ patent owners and Licensees. That view would constitute a pretence that the infringement never happened.”\textsuperscript{31} Accordingly, this obiter drives home the point that reasonable royalties vis-à-vis infringement claims differ substantially from reasonable royalties that two willing parties would otherwise prudently agree. This is precisely the reason why this section diversifies negotiations between two willing parties on one hand and on the other, between two contesting parties in the backdrop of infringement claims.

For SEP negotiations falling under the realm of infringement claims, the reasonable royalty is based on a hypothetical; arms-length negotiation that takes place at the time

\textsuperscript{31} Supra note 28, at 11.
the SSO is setting the standard. For parties making a FRAND commitment during the standard-setting process, a reasonable royalty is the rate they would negotiate at that point, not a rate that differs for each Licensee depending on when that party begins implementing the standard. For the aforementioned purpose, some of the best practices that SSOs implement include explicitly noting the timing and context for the hypothetical ex ante negotiation.

Moving on, in the Georgia-Pacific Corp. case, though decided prior to the Panduit judgment, Justice Tenney succinctly discusses the determination of a reasonable royalty rate through an inclusive list of factors (hereinafter referred to as the “Georgia-Pacific factors”). These factors are far more elaborative in approach as opposed to the Panduit factors, for they perceive patent infringement from a holistic sense. In other words, while the Panduit factors emphasize on the determination of rates only vis-à-vis infringement claims, the Georgia-Pacific factors stand applicable to reasonable royalty rates between two volitional parties as well as two parties contesting through infringement claims. These factors have subsequently found their way in numerous precedents, including the recently decided TCL judgment. Justice Tenney lists them as follows:

- Royalties Licensor receives for licensing the patent in suit.
- Rates Licensee pays for use of other comparable to the patent in suit.
- Nature and scope of license terms of exclusivity and territory/customer restrictions.
- Licensor’s established policy and marketing program to maintain patent monopoly by not licensing others to use the invention.
- Commercial relationship between Licensor and Licensee, such as whether they are competitors or inventor and promoter.
- Effect of selling the patented specialty in promoting sales of other products of the

33 Id. at 9.
34 Infra note 37, at 14.
Licensee; the existing value of the invention to the Licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales.

- Duration of patent and terms of license.
- Established profitability of the products made under the patent, its commercial success and its current popularity.
- Utility and advantages of patent property over old modes and devices.
- The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the Licensor; and the benefit of those who have used the invention.
- The extent to which the Infringer has made use of the invention and the value of such use.
- The portion of profit or selling price customarily allowed for the use of the invention.
- The portion of realizable profit attributable to the invention as distinguished from non-patented elements, significant features/improvements added by the Infringer, the manufacturing process or business risks.
- Opinion testimony of qualified experts.
- Outcome from hypothetical arm’s length negotiation at the time of infringement.

To begin with, Justice Tenney lays down the grundnorm that any reasonable royalty is a price that both the Licensor and Licensee would agree to prudently pay without any compulsion. Economic determinants such as geographical extent, market value of the infringed product, minimum fixed royalties in new market setups, existence of acceptable non-infringing substitutes play a key role in narrowing down the most acceptable rate. In concurrence with the experts’ opinion Justice Tenney concludes, “The amount that a Licensor (such as the Patentee) and a Licensee (such as the Infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent Licensee who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention would have been willing to pay
as a royalty and yet be able to make a reasonable profit and which amount would have
been acceptable by a prudent Patentee who was willing to grant a license.”35 The Georgia
factors therefore set a benchmark on how reasonable royalty rates need to be
calculated with or without infringement claims and how rates are to be determined in
varying scenarios.

B. Negotiations Without Claims of Infringement

i. Need for Perusing Non-infringing Alternatives

Any hypothetical negotiation involves certain conditions precedent whereby, the
alternative specifications or technologies are first identified. By doing so, the parties
are well informed about the best potential non-infringing alternatives to the proposed
standard.36 In some cases, the best ex ante technological alternatives would have
required some development effort by SSO participants and could not simply have been
taken off the shelf. A reasonable royalty should reflect what eventually transpires as a
result of a well-informed ex ante technology competition. The incremental value of the
patented technology over and above the next-best alternative serves as an upper bound
to the reasonable royalties. To this end, SSO best practice includes maintaining
records, such as minutes from SSO meetings, which will inform subsequent negotiators
and arbitrators of the ex ante technical alternatives that were feasible or considered,
along with their pros and cons.

ii. Need for Sifting Through Third-party Licenses

The hypothetical negotiation over the FRAND commitment is a bilateral negotiation
between the patent holder and one implementer. Deals with third-party implementers
may be evidence of a reasonable price, and certainly constitute relevant evidence
before the adjudicatory body. Plus, deals with such parties may be binding due to the
non-discrimination commitment.37 But the hypothetical ex ante negotiation is not one

35 Supra note 22, at 8.
on the Antitrust aspects of Standards Setting, in ABA HANDBOOK ON THE ANTITRUST ASPECTS OF
in which all the buyers act collectively to reduce prices.\textsuperscript{38} Justice Selna in \textit{TCL vs. Ericsson},\textsuperscript{39} ruled that while comparing these third party licenses, it is of paramount importance to identify similarly – placed parties, particularly in this approach. Some of the means to identify such parties include the geographic scope of the entity, reasonable volume sales and the nature of licenses requisite for the entity’s business portfolio. The brand value, overall financial success or risk, existence of retail stores as well as operating systems of the devices, in Justice Selna’s view, do not tantamount to factors that recognize similarly situated entities.\textsuperscript{40} Considering the aforementioned principles laid down in the judgments discussed, courts now will be confident to label when licensing negotiations are indeed FRAND. Nothing here suggests any straitjacket application of the said principles for they require interpretation in consonance with the legal framework already prevalent in India.

V. CONCLUSION

Through this paper, an attempt is made to explore the genesis of FRAND terms, especially for determining reasonable royalty rates in Standard Essential Patent disputes. Such an attempt is so made, in the backdrop of India’s developing jurisprudence over the said subject matter that is predominantly at its nascent stage. In view of the above, courts must bear sufficient caution whilst adjudicating them. In the initial few disputes of \textit{Ericsson},\textsuperscript{41} suing \textit{Micromax} and \textit{Dolby},\textsuperscript{42} suing \textit{Oppo} as well as \textit{Vivo}, the Hon’ble Delhi High Court, best known for adjudicating on path-breaking intellectual property issues, ordered an \textit{ad interim} injunction against \textit{Micromax}.\textsuperscript{43}

\textsuperscript{39} TCL Commc’n Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson, Case no. SACV 14-341 JVS (DFMx) Dec. 21, 2017.
\textsuperscript{40} Id.
Similarly, *ex parte ad interim* injunctions were ordered against Oppo\(^{44}\) and Vivo\(^{45}\) respectively. Such orders though delivered for the first time ever in Indian SEP disputes, pose as a dangerous precedent and warrant introspection owing to the complex web of technical issues surrounding them. Unless and until such technicalities are comprehended at the grass root level, granting injunctive reliefs only leads to far reaching consequences, unfortunately not foreseen by courts. For instance, challenges to the injunctive reliefs are *sub-judice* before the Hon’ble Delhi High Court on grounds including misrepresentation and fraud that may ultimately cause for the vacation of the injunction *per se*. The essential patents in issue are fundamentally reflective of technologies that Standard Setting Organisations tirelessly research and develop for years together. To command clarity over the same demands attention to detail even prior to adjudicating on the essentiality and validity of such patents. For the said illustrated reason, an *ex parte* injunction shall not be granted as a straitjacket formula and therefore injuncting a Defendant may be effectively done, only after hearing the opposite side as well. Having said so, subsequent to hearing both sides, the court may by all means injunct the Defendant as an unwilling Licensee upon finding instances of abuse namely, Licensee hold-out.

Standard Setting Organisations, as stressed earlier, play a pivotal role in the entire process of standardizing a particular technology, *albeit* patented or not. The websites of these organisations such as ETSI provide for guidelines on conducting party-friendly negotiations. In such a case, they are at best, the ideal entities that can identify unwilling licensees, possible hold-ups, hold-outs and determine when a party acts in non-compliance of FRAND terms. These organisations, should certainly participate in negotiations to the limited extent of identifying the aforementioned practices. In doing so, prospective Licensors or Licensees do possess an informed choice to initiate litigation against the other, prompted by qualified grounds. This process at the very least leaves no room for “patent trolls” or any other vexatious proceedings.


Ultimately, FRAND commitments can only entail seeking reasonable royalties and levying reasonable licensing terms. Any demand, over and above the same is reflective of anti-competitive behaviour either by the Licensor or Licensee. Neither the Patents Act, 1970 nor the Competition Act, 2002 encourage any practice that is suggestive of such anti-competitive behaviour. The statutes in question are well equipped to decide the complex interface of these “patent-monopoly” matters. In fact, they must be accorded harmonious interpretation and should never be construed as polar opposites to each other. In no manner, do they curtail the adjudication of contemporary intellectual property and competition law practices highlighted here. As matters stand, there is no dearth for legislative protection, more so when foreign judgments act as catalysts for our purposes. This paper therefore, hopes to inter alia provide, a roadmap for the sound determination of reasonable royalty rates, as a quintessential facet for adjudicating SEP disputes in India.