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The Fair Standards Alliance (FSA) is an association that has been incorporated to promote a number of Key Principles regarding the licensing of standards-essential patents (SEPs) on a fair and reasonable, and non-discriminatory (FRAND) basis. We believe that FRAND means something. It means that patent owners are entitled to *reasonable* compensation for their contributions to the standard, no more and no less. It means that standard implementers are entitled to licenses on *fair and non-discriminatory* terms. Behaviours that support these fundamental principles should be encouraged; abuses that undermine these fundamental principles should be discouraged.

The FSA membership constitutes a broad range of industry stakeholders. Our member companies work in different markets, different technologies and different levels of the supply chain. The FSA includes companies that spend millions (or in some cases, billions) of Euros annually developing technologies, participating in standards development and licensing our SEPs to others. Together, its members own more than 160,000 patents, and spend more than \$20 billion in annual R&D.

In addition to large patent holders, the FSA's membership also includes prominent product companies and consumer brands, as well as implementers that develop, market and sell standardized goods, and who may license SEPs from others. Indeed, most of our member companies are both inventors and implementers. Each of our members favours balanced approaches to SEP issues that address the legitimate interests of both SEP holders and of potential licensees.

We would like to thank the Department of Industrial Policy and Promotion (DIPP) for providing this opportunity for public comment. We do not offer joint answers on each of the detailed questions in the consultation (though some members may choose to submit their own, more detailed individual responses). We instead offer some balanced views on key matters that the FSA finds important to emphasize. The Alliance seeks to promote some key principles that FRAND requires at least the following behaviours.

- (1) A license for a SEP should be available at any point in the value chain where the standard is implemented, and the important terms of those licenses should be transparent to other companies implementing the same standards;
- (2) A FRAND royalty should reflect the value of the invention. In most cases that means that it should be based on the smallest device that implements those patents, and additionally it should take into account the overall royalty that could be reasonably charged for all patents that are essential to that standard;

(3) Injunctions and similar legal threats should be a last resort;

(4) A FRAND commitment made in respect of a SEP should not fall away simply because the SEP is sold to another company.

Our members are united in the view that unfair and unreasonable SEP licensing practices pose a significant risk to the innovation eco-system, create barriers to entry for new market players, threaten to stifle the full potential for economic growth across major industry sectors, and ultimately harm consumer choice.

We believe that our experiences with licensing behaviours, successes and abuses in connection with SEPs can provide the DIPP with valuable insight as it reviews the SEPs, FRAND issues, and considers possible updates and clarifications.

Providing clarity on licensing of SEPs on FRAND terms will enhance and strengthen the Indian Market by providing much improved harmonization across jurisdictions and a more unified framework for companies doing businesses in India, under the Digital India and Make in India programs.

We hope that the DIPP finds our perspectives helpful, and thank the DIPP for its efforts to promote a healthy standards ecosystem that promotes innovation, and benefits Indian markets, industries and consumers.

We thank you for your time and attention to our submission, and our organization remains available for any follow up questions, discussions or other input. Further information about the Fair Standards Alliance and its Key Principles is available from <http://www.fair-standards.org/>.

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

The current provisions in Indian law may provide adequate opportunity to deter SEP abuses, if they are applied in a proportionate, fair and reasonable manner.

For example, the *Specific Relief Act, 1963* (Section 41(h))<sup>1</sup> expressly bars injunctions when an alternate efficacious remedy is available. This principle can be read to decline an injunction as patent holder has already agreed to monetary terms such as FRAND royalties.

Likewise, *The Patents Act, 1970* (Section 10(4)(c)) limits the scope of an invention.<sup>2</sup> It defines the scope of the patent monopoly, and should be read to limit the royalty that can be demanded by a

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<sup>1</sup> 41. Injunction when refused.—An injunction cannot be granted—

.....

(g) to prevent a continuing breach in which the plaintiff has acquiesced;

(h) when equally efficacious relief can certainly be obtained by any other usual mode of proceeding except in case of breach of trust;

.....

<sup>2</sup> 10. (4) Every complete specification shall—

(a) fully and particularly describe the invention and its operation or use and the method by which it is to be performed;

(b) disclose the best method of performing the invention which is known to the applicant and for which he is entitled to claim protection; and

**(c) end with a claim or claims defining the scope of the invention for which protection is claimed;**

licensor to the same scope. That is, it should be a matter of common sense that a patent holder should not demand a royalty that exceeds the scope of what has been invented and claimed in the patent.

Similarly, the *Competition Act, 2002* provides adequate remedies for abuse of dominant position under Section 4. Section 3(5) does not enjoin a patent holder from asserting its rights and preventing infringement of the patent, but rather addresses abuses of the patent rights that occur in specific circumstances, such as with the violation of the FRAND promise.<sup>3</sup>

Finally, the fundamental principles of *equity*, and *proportionality* are built into the Indian legal framework, and should be used appropriately to limit patent abuses that seek to unfairly extend the scope of the patent monopoly. Fairness, equity and proportionality should be considered by judicial authorities before any injunction is issued in matters involving SEPs. . The Alliance also believes in encouraging *transparency* in dealing with complex SEP licensing issues.

Guidance from the right government authorities to further clarify the meaning of FRAND may provide additional benefit, however, as has been done in other jurisdictions.

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

There is no single policy that is optimal for all types of standards.

A standards organization should be able to choose a policy according to its particular situation, and subject to the competition laws. A good example of a policy that permits inclusion of royalty-bearing technologies is the recently updated Institute of Electrical and Electronics Engineers (“IEEE”) Patent Policy. Similarly, the World Wide Web Consortium (“W3C”) seeks to develop standards that can be implemented on a royalty-free basis, and the W3C Patent Policy has been supporting that goal for over a decade.

The IEEE sent the recently proposed IPR policy to the Antitrust Division of the U.S. Department of Justice (“DOJ”), and the DOJ did not object to the IEEE policy updates and provided comments indicating the potential benefits of some of the clarifications. The review letter is separately enclosed as Annexure II.

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

AND

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(d) be accompanied by an abstract to provide technical information on the invention:

<sup>3</sup> Competition Act. (3) (5) Nothing contained in this section shall restrict—

(i) the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred upon him under—

... (b) the Patents Act, 1970 (39 of 1970);

**Abuse of dominant position**

4. [(1) No enterprise or group shall abuse its dominant position.]

(2) There shall be an abuse of dominant position 4 [under sub-section (1), if an enterprise or a group].—

(a) directly or indirectly, imposes unfair or discriminatory—

(i) condition in purchase or sale of goods or service; or (ii) price in purchase or sale (including predatory price) of goods or service.

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

Ideally, the market participants should be able to negotiate the specifics of FRAND terms on a voluntary basis. Agency guidelines framed under the principles of natural justice can provide helpful guidance for all parties. The agency responsible could be DIPP or the Competition Commission of India or a combination. A position paper outlining the Key Principles for FRAND licensing of SEPs is enclosed as Annexure I.

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

In response to this question, we respectfully refer to our Annexure I: Position Paper that outlines Key Principles for FRAND licensing. We hope that our Position Paper will be of assistance to DIPP in reviewing these issues.

It may be helpful to Indian industry (and courts and agencies) if FRAND – which is a commitment to license on Fair, Reasonable and Non-Discriminatory terms – were to be clarified further with more express guidelines to promote innovation, economic growth, competition, and consumer choice.

The Alliance believes that FRAND should, for example, mean at least the following:

- A license for a SEP should be available at any point in the value chain where the standard is implemented, and the important terms of those licenses should be transparent to other companies implementing the same standards;
- A FRAND royalty should reflect the value of the invention. In most cases that means that it should be based on the smallest device that implements those patents, and additionally it should take into account the overall royalty that could be reasonably charged for all patents that are essential to that standard;
- Injunctions and similar legal threats should be a last resort;
- A FRAND commitment made in respect of a SEP should not fall away simply because the SEP is sold to another company.

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

While parties generally should be entitled to negotiate and conclude licenses on a voluntary basis, fair and reasonable royalties for SEPs should take into account the actual and potential aggregate royalty demands for other SEP's. The result of such consideration is context dependent.

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

Keeping aspects of negotiations of licensing terms between a patent holder and an implementer on confidential terms can be in the common interest of both negotiation partners. Such negotiations, and the formulation of a resulting licensing agreement may require reference to confidential business information for both parties.

However, in our members' experience, this may not necessarily always be the case, and confidentiality arrangements can indeed also be abused by SEP holders against the valid interests of potential licensees. The unwillingness of a potential licensee to enter into a confidentiality agreement as a pre-condition for obtaining a license should therefore not be construed to per se express an unwillingness to take a license. Confidentiality agreements generally prevent companies from disclosing unreasonable, unfair, or discriminatory practices.

While some degree of confidentiality may be permissible, making SEP licensing information more transparent could promote a level playing field and limit abuses.

The Alliance therefore wishes to encourage SEP holders to be open and transparent regarding, amongst other things, which companies in the supply chain are licensed, the FRAND royalties that are charged, how they are calculated and other licensing conditions as reasonably appropriate.

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

The Alliance's view is that a SEP holder must not be allowed to seek or enforce an injunction or other exclusionary remedies in relation to that SEP except in extremely limited circumstances in order to ensure that the threat of injunctions cannot be abused to extract unreasonable royalties. National courts can always consider specific infringement allegations, and the parties, by mutual agreement, may agree to alternative dispute resolution processes such as arbitration.

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

AND

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

While some degree of confidentiality may be permissible, making SEP licensing information more transparent could promote a level playing field and limit abuses.

The Alliance therefore wishes to encourage SEP holders to be open and transparent regarding, whether while cross licensing or patent pooling, amongst other things, which companies in the supply chain are licensed, the FRAND royalties that are charged, how they are calculated and other licensing conditions as reasonably appropriate.

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

Courts should be the ultimate arbitrators of these issues; defences should always be available to specific patents.

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

Equity and proportionality could be basic guiding principles to develop any methodology for determining FRAND terms for SEPs. See the attached paper that outlines Key Principles for FRAND licensing. Such an expert body is not needed, however, if appropriate guidance is provided by relevant authorities regarding the general meaning of the FRAND commitment.

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Note: the positions and statements in this paper do not necessarily reflect the detailed individual corporate positions of each member.