AIPLA
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

April 22, 2016

Department of Industrial Policy and Promotion,
Ministry of Commerce & Industry
Government of India
Udyog Bhawan
New Delhi 110 107 *Via email*: kapoor.sumit@gov.in

Re: AIPLA Comments on Discussion Paper On Standard Essential Patents And Their Availability On FRAND Terms

Dear Sirs/Madams:

The American Intellectual Property Law Association ("AIPLA") welcomes this opportunity to submit these comments to the Discussion Paper On Standard Essential Patents And Their Availability On FRAND Terms ("SEP Discussion Paper"), which was published for comments on March 1, 2016.

AIPLA, headquartered in the United States, is the largest association of intellectual property practitioners in the United States, having about 14,000 members who are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property. Our members practice or are otherwise involved in patent and other intellectual property law in jurisdictions throughout the world.

AIPLA regularly comments on issues concerning the development, protection, commercialization, and licensing of intellectual property rights ("IPR"). This includes when such issues arise in the standards-setting context. AIPLA's views on standards-setting generally, and standard setting organizations' ("SSOs'") IPR policies specifically, have supported and emphasized the need for sensible transparency, flexibility, and incentives for broad participation in standards-setting activities by all stakeholders—i.e., users of standards and also owners of intellectual property whose technology may be included in standards based on the consensus of interested stakeholders. Consistent with this position, AIPLA has explained the importance of strong IPR protection in connection with standards-setting, so innovators will have the incentives to invest in the development of technologies and contribute such technologies to standards-setting efforts. To ensure that such incentives remain strong, SSOs' IPR policies should not impose, or be interpreted as imposing, constraints on patent owners' rights, except to the extent specifically set forth in a particular SSO policy.

As an initial matter, a fair, reasonable, and non-discriminatory ("FRAND") commitment, unless expressly stated otherwise, does not limit or eliminate a standard-essential patent ("SEP") holder's rights that arise under the patent laws of the relevant jurisdiction. This includes the ability to seek and obtain injunctive relief against an infringing product where that relief is otherwise justified by law. This also includes the ability of SEP holders to recover damages from an infringer who fails to obtain a FRAND license from the SEP holder.

It is in this context that AIPLA offers these comments regarding the SEP Discussion Paper. AIPLA does not comment on every issue covered by the SEP Discussion Paper, and our decision not to do so should not be interpreted as agreement with an issue presented by the SEP Discussion Paper.

*** * ***

I. General Comments on SEP Discussion Paper

AIPLA presents here some general comments on some portions of the SEP Discussion Paper.

Section 4 - Overview of Standards and Standard Essential Patents

AIPLA would like to clarify a few statements on Standard Essential Patents made in the Discussion Paper. As an initial matter, a fair, reasonable, and non-discriminatory ("*FRAND*") commitment, unless expressly stated otherwise, does not limit or eliminate a standard-essential patent ("*SEP*") holder's rights that arise under the patent laws of the relevant jurisdiction. These rights include the ability to seek and obtain injunctive relief against an infringing product where that relief is otherwise justified by law. This also includes the ability of SEP holders to recover damages for infringement from an infringer who fails to obtain a FRAND license from the SEP holder.

The availability of injunctive relief in appropriate circumstances is an important way that SEP holders can protect themselves against implementers who continuously refuse to pay FRAND royalties or unreasonably delay payment. Blanket unavailability of injunctive relief would discourage SEP holders from participating in an SSO if participation would cause them to lose their enforcement rights. There are legitimate circumstances under which SEP holders may be justified in not agreeing to license terms demanded by a potential licensee (for example, where the potential licensee expressly or constructively refuses to accept FRAND terms), and it is against good public policy to deny the availability of injunctive relief in these circumstances. A mere allegation by a potential licensee that the patent owner has refused to make or accept a FRAND offer should not preclude the patent owner from seeking injunctive relief and proving that injunctive relief is appropriate because its offer of a FRAND license was rejected.

The availability of monetary damages in appropriate circumstances allows SEP holders to receive adequate compensation for their inventions and provides incentives for patent holders generally, and SEP holders specifically, to make risky investments necessary to create new technologies that may contribute to the standards development to the benefit of users of such technologies and consumers. If the parties cannot reach an agreement concerning reasonable terms, AIPLA understands that Indian courts are an appropriate forum to determine damages for infringement to which a SEP holder is entitled under Section 108 of the Patent Act based on what is (or is not) reasonable royalty the SEP holder would otherwise obtain.

On the issue of patent hold-up, the U.S. Court of Appeals for the Federal Circuit in *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201 (Fed. Cir. 2014), required a showing of evidence of hold-up before including a jury instruction on the issue of hold-up. The court concluded that "Defendants did not present any evidence any licensee ever complained to Ericsson about hold-up". A hold-up not only will be unsuccessful in the long run, but it most likely will expose a SEP holder to significant risks, depriving the SEP holder of a substantial portion of revenue, without any assurance that the implementer may not elect to infringe the SEP anyway. These kind of economic and other considerations affect all license negotiations, and severely diminish (if not defeat) incentives to engage in "hold-up." Further, it is central to reasonable royalty analysis applied in most U.S. damages determinations that the hypothetical negotiation is between a willing licensor and licensee, which implies a general absence of a "hold-up".

Just as important, however, is that potential patent licensees may take advantage of FRAND commitments by "holding out" for low royalties. This "holding out" behavior may be more of a problem than "holding up" behavior by SEP holders because SEP holders with a reputation of committing "hold-up" would risk not being allowed future participation in standards development. In assessing the FRAND dynamic, holdout as well as hold-up must be considered, but only where such evidence exists.

Section 5 - SEPs vis-à-vis Competition Laws

On the topic of SEPs and competition law, AIPLA cautions that antitrust concerns may arise when a licensing arrangement harms competition among entities that would have been actual or potential competitors in a relevant market **in the absence of the license**. To be held liable, the enterprise in question also must be using the IPR in a manner not contemplated by the IPR laws and administrative regulations.

AIPLA believes that competition law should intervene only after consideration of whether there are adequate contractual remedies. The traditional SSO approach of leaving the definition of FRAND terms to bilateral negotiations generally has been successful. Thousands of FRAND license agreements have been reached through such a process. Promises to disclose patents or to license on FRAND terms are enforceable under contract law, which in turn looks to the intent of the parties. That intent generally reflects the necessary balance between (1) the innovators' incentives to invest in R&D and contribute to standards development and (2) the implementers' access to technologies under reasonable terms.

To invoke competition law as a way to resolve disputes in this context without first determining if contract remedies are unavailable or inadequate could disrupt the balance of interests that standards agreements attempt to strike.

Section 6 - Standard Setting/Development Organization

AIPLA would like to clarify the purpose behind establishing IPR policies by an SSO. The major SSOs specifically designed their IPR policies to ensure that innovators are sufficiently rewarded for contributing their patented technologies to standards, while providing those who wish to implement the standards reasonable access to the essential patents. The SSOs have repeatedly emphasized the import of this delicate and essential balance. For example, in announcing the Common Patent Policy of the ITU, the ITU's director noted that "it is difficult to develop technical standards without implicating patents. On the other hand, we have to take into account the interests of end-users. Therefore a balance must be found."

SSO IPR policies which leave the negotiation of FRAND terms to the SEP holder and each potential licensee, an approach AIPLA supports, facilitate licensing freedom. One of the IPR policies mentioned in the SEP Discussion Paper, that of the European Telecommunications Standards Institute ("***ETSI***"), expressly defers to licensing negotiations between two parties, rather than setting-forth any specific terms and conditions. (See ETSI Guide on IPRs, §4. 4.1 (September 19, 2013). "Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI. Technical Bodies are not the appropriate place to discuss IPR Issues. Technical Bodies do not have the competence to deal with commercial issues…"). This view is shared by the Guidelines of the American National Standards Institute (ANSI) whose Policy and Guidelines are followed by about 80% of U.S. SSOs (accredited by ANSI). See *ANSI.org* "Guidelines for Implementation of the ANSI Patent Policy" (In the first instance, "such [license terms and conditions] should be determined only by the prospective parties to each license agreement…") Along this line, ANSI Policy, Guidelines, and Essential Requirements might help inform the discussion of FRAND in standards.

To more clearly set forth the new IEEE IPR Policy, we recommend that the SEP Discussion Paper use the exact quoted text from the IEEE IPR policy, because the SEP Discussion Papers' current discussion of "reasonableness" may not accurately reflect the IEEE IPR Policy. For example, the IEEE IPR Policy does not reference a "willing" licensee. The SEP Discussion Paper also should recognize that consideration of the factors cited in the IEEE IPR Policy is recommended, but not required.

In considering SEPs as defined in Section 4.2. we note that it is the SSO definition of what is an essential patent to the standard that controls. Not all SSOs provide that a patent will be essential to the standard even if it "read[s] only on an optional portion" of the standard; rather, some SSOs focus essentiality only on claims that read onto "required portions" of the standard.

For completeness, while many SSOs include provisions addressing FRAND assurances, many well-known SSOs have a "disclosure based" patent policy. Under such a policy, participating members are encouraged or required to disclose that they likely hold "essential" patents, but they may not be required to identify the specific patents. Moreover, the member identifying a patent under this type of patent policy is not generally obligated to license its essential patent claims, but rather is often just required to make a statement whether it will agree to license its essential patent claims on a "reasonable and non-discriminatory" ("***RAND***") or any other basis. And, a statement by a member that it will not license on RAND terms is often permitted.

Well-known SSOs that have some form of a disclosure-based patent policy and do not require any minimal licensing commitment include ISO/IEC/ITU, CEN/CENELEC, ETSI, AFNOR, Ecma International, OMG (Object Management Group), PWG (Printer Working Group), TTA (Telecommunications Technology Association of Korea), TTC (Telecommunication Technology Committee in Japan), and ANSI-accredited Standards Developers ("ASD") (such as the IEEE, TIA, ATIS, and ASTM). However, for a standard to be accredited as an American National Standard under ANSI Policy, the ASD must receive assurances from the holders of all known SEPs that licenses will be made available to implementers of the standard on RAND terms and conditions. Other SSOs also include mechanisms to address instances when an identified SEP is not accompanied by a FRAND assurance.

In Section 6, it would be helpful to note that only one SSO requires disclosure of most restrictive terms. Others have rejected this practice.

Section 7 - Cross Licensing & Patent Pools

AIPLA appreciates the SEP Discussion Paper's mention of this topic. License terms often vary for different licensees because negotiations lead to agreements addressing far broader cross licenses, portfolio licenses, and other business issues between specific parties. Although the FRAND commitment is a representation of a patentee's willingness to license its technology to willing counterparties, it does not, standing alone, contain any other express substantive limitations on the licensing of SEPs, provided that the ultimate terms are "reasonable."

A cross-licensing agreement/contract in and of itself should be duly respected and should not, by its simple existence, be presumed to constitute a competition law violation. Rather, a strong showing should be required to establish that any competition law violation has occurred.

The SEP Discussion Paper is correct that it is difficult to parse out value or determine the basis for exchanged value. However, we note that parties at arm's length ideally will arrive at a fair bargain. The statement that "cross-licensing may be entered to misinform" runs counter to economic and market logic, where parties at arm's length seek appropriate value in each transaction.

Section 9 - Judicial Approach Toward SEPs

The SEP Discussion Paper's summary of a few lawsuits worldwide requires some clarification as to the current state of jurisprudence. For example, the referenced *Microsoft v. Motorola* case was a contract case at the district court level that itself is not binding upon any other jurisdiction. In the appeal of that case, the Ninth Circuit appellate court ruled on discretionary, procedural matters that provide limited guidance on substantive law issues, rather than playing "an important role in developing SEPs jurisprudence" as the Discussion Paper indicates. In addition, the Discussion Paper does not address the ECJ's *Huawei v. ZTE* decision that has since replaced the *Orange Book* standard. In this regard, AIPLA includes the below comments.

Section 9.1 – United States of America

Our legal system entrusts courts with judgment under equitable principles as to whether to issue an injunction in patent cases authorized under 35 U.S.C. § 283 of the patent statute where four factors are shown. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). Most significantly here, those factors include "that the public interest would not be disserved by a permanent injunction." The Federal Circuit pointed out that the courts consider a "variety of equitable considerations" in making this equitable determination of whether to issue an injunction in patent cases. *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1315 (Fed. Cir. 2012). With respect to the public interest factor, the Federal Circuit explained that, although "the public often benefits from healthy competition," "the public generally does not benefit when that competition comes at the expense of a patentee's investment-backed property right" and, thus, "the public interest nearly always weighs in favor of protecting property rights in the absence of countervailing factors." *Apple Inc. v. Samsung Electronics Co., Ltd*, 809 F.3d 633, 647 (Fed. Cir. 2015). The Federal Circuit explained that "the encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude." *Id*. The U.S. International Trade Commission, in issuing exclusion orders, has the ability to consider competitive conditions when deciding whether to grant or deny injunctive relief "after considering the effect of such exclusion upon … competitive conditions in the United States economy." 19 U.S.C. § 1337(d)(1).

In *Apple Inc. v. Motorola Mobility, LLC*, 757 F.3d 1286, 1331-32 (Fed. Cir. 2014), the Federal Circuit declined to find that a FRAND commitment precludes the availability of injunctive relief from federal courts. The Federal Circuit ruled that there is no "per se rule that injunctions are unavailable to SEPs" or that there should be "a separate rule or analytical framework for addressing injunctions for FRAND-committed patents." Rather, the standard *eBay*[1] framework applied in all cases to determine injunctive relief "provides ample strength and flexibility for addressing the unique aspects of FRAND committed patents and industry standards in general."

AIPLA recommends that the SEP Discussion Paper review the *Ericsson v D-Link*[2] case and the *CSIRO v Cisco*[3] case, both of which include significant jurisprudence relating to FRAND.

In *Ericsson v DLink*,[4] the U.S. Court of Appeals for the Federal Circuit affirmed that there must be evidence of patent holdup or patent stacking before those arguments may be raised. It was not enough to simply theorize that patent holdup may exist because a SEP holder may be leveraging more than the value of its patented invention(s) or that royalty stacking may exist because other SEP holders might seek royalties; rather, there must be evidence of such hold-up or royalty stacking in the particular licensing negotiation at issue. The Federal Circuit explained that the entire market value rule (EMVR) derives from two parts: (1) a "substantive legal rule" that the

[1] *eBay Inc. v .MercExchange, L.L.C.*, 547 U.S. 388 (2006).

[2] 773 F.3d 1201 (Fed Cir 2014).

[3] 809 F.3d 1295 (Fed Cir 2015).

[4] 773 F.3d 1201 (Fed Cir 2014).

"ultimate royalty"—i.e., the combination royalty rate and royalty base—"must be based on the incremental value that the patented invention adds to the end products; and (2) an "evidentiary principle" applied to the choice of the royalty base that is intended "to help our jury system reliably implement" the substantive legal rule of apportionment. The court observed that, in a U.S. jury trial, "[i]t is not that an appropriately apportioned royalty award could never be fashioned by starting with the entire market value of a multi-component product—by for instance, dramatically reducing the royalty rate to be applied in those cases…" The court cautioned against misleading a jury, however, in such a situation. The court noted that actual real-world licenses are negotiated based on the end-product and evidence of such license "is relevant and reliable" where reliance on them take into account substantive principles of apportioning value to the patented invention.

In *CSIRO v Cisco Systems Inc*,[5] which references the *Ericsson* case, the Federal Circuit rejected as "untenable" an argument that valuing a patent must always start with the smallest saleable patent practicing unit (SSPPU). The Federal Circuit found that such an argument conflicts with the courts' approved comparable license methodology "that values the asserted patent based on comparable licenses," stating that, "[w]here the licenses employed are sufficiently comparable, this method is typically reliable because the parties are constrained by the market's actual valuation of the patent" and that such "comparable license valuations—at least in some cases—may be the most effective method of estimating the asserted patent's value." The court instructed that "damages awards for SEPs must be premised on methodologies that attempt to capture the asserted patent's value resulting not from the value added by the standard's widespread adoption, but only from the technology's superiority." In *CSIRO*, the parties had engaged in negotiations based on the entire product as a royalty base (and not the SSPPU). There were also prior third-party license agreements that relied on the entire product as the base. The court saw no error in using that data instead of the SSPPU.

Section 9.2 - Europe

In *Huawei v. ZTE*, the European Court of Justice ("***ECJ***") confirmed the importance of that relief and set guidelines to determine when a SEP holder is able to seek an injunction against an unwilling licensee. The ECJ's decision reiterates that enforcement of Essential Patents can be considered an abuse of market dominance in specified circumstances, and AIPLA also appreciates the balance the ECJ was attempting to achieve between the exercise of the statutory right to exclude by the SEP holder with the special nature of Essential Patents that may trigger abuse of a dominant position under Article 102 of the Treaty on the Functioning of the European Union. This case warrants discussion not only because it is from the European high court, but also because it was intended to clarify the issues in the *Orange Book* and *Kassetten* cases discussed in the SEP Discussion Paper.

In Section 9.1.2, it might be useful to note that Apple's patents were non-SEPs, but the Motorola patents included SEPs.

[5] 809 F.3d 1295 (Fed Cir 2015).

II. Issues for Resolution

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?

AIPLA provides no comment here.

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

Standard Setting Organizations ("SSOs") diversity has created a dynamic and flexible standards ecosystem, able to respond to market needs as they change and, importantly, able to ensure that standards do not limit competition but instead promote competition and innovation. Diversity among SSO IPR policies is encouraged to allow each SSO to develop an IPR policy that fits its particular circumstances – one size does not fit all. After careful negotiation among many skilled lawyers representing varied and disparate interests, well-known SSOs have not all reached the same conclusions and have not all agreed to adopt the same IP policy approaches. Indeed, the patent policies of any two different SSOs could be quite different, but each SSO's policy could be optimal for that organization and its membership. It is counterintuitive to believe that the same patent policy provisions or framework would somehow serve as the right balance for all SSOs in light of the differences in technology and industry, and that the memberships in disparate SSOs may be comprised of different businesses, individuals, and public entities, each with their own unique goals and interests. The diversity among SSOs is generally recognized as a strength of the information and communications technology standards ecosystem—enabling agility and innovation in SSO approaches and promoting healthy competition and choice.

With the understanding that each SSO should adopt IPR policies that fit their particular circumstances and encouraging the resultant diversity, AIPLA presents below some general concepts that SSOs may consider in developing their unique IPR policies.

Clear and Public IPR Policies. AIPLA favors the practice by SSOs of making information relating to the SSOs' standards development as well as their intellectual property rights (IPR), licensing and disclosure policies clear and publicly available. Despite the increasing number of proposals regarding patent disclosure and licensing commitments in the context of standards setting generally, few have been made to ensure that SSOs' patent policies and related information are clearly stated and made publicly available. Fundamental improvements could be made by publishing clearly stated patent policies and patent information, voluntarily submitted by patentees. It is critical that the rules are unambiguous and clearly understood by all stakeholders.

SSOs generally share a common goal. SSOs seek to avoid developing a standard that cannot be implemented because a participant in the standards-development process holds a blocking IPR that it refuses to license or refuses to license on reasonable terms. Affected parties benefit from clear and unambiguous policies that clearly delineate the "rules of the road." For example, implementers of standards may wish to avoid infringement by seeking appropriate licenses, and should know and understand the relevant IPR policy or the declarations process of the SSO. Similarly, contributors of IPR should have a certainty of understanding so they do not expose themselves to the potential that through, for example, unawareness or misunderstanding of an SPO's IPR policy, they are challenged as having waived important rights, or are accused of serious violations such as antitrust violations or fraud under applicable law.

To address this concern, most SSOs typically require participants in the standards-development process to follow rules concerning IPR disclosure and licensing commitments. The IPR disclosure rules typically specify when and how an IPR owner participating in the standards development process should disclose its IPR. Rules regarding IPR licensing commitments typically refer to situations in which an IPR owner declares its willingness to offer a license or undertakes a commitment to license particular IPR to implementers of the standard on certain terms and conditions, typically reasonable and non-discriminatory (RAND). AIPLA understands that under a typical policy, either as a result of explicit language or by implication, the specific terms of a license remain to be agreed upon between the owner of the IPR and the implementer of the standard.

Certain attributes of the process promote sound and effective standards. These attributes include open and transparent processes that permit all stakeholders to participate, clear and balanced rules and policies that are written and publicly available, and publication of IPR information voluntarily submitted by IPR owners. Ensuring clarity of policies, however, is best achieved through consensus policies of the SSOs. This will allow specific factors and issues relating to the full range of stakeholders' interests in particular industries, or relating to specific technologies, to be accommodated. We are not suggesting that SSOs should follow a single patent policy. To do so would constrain the flexibility that has benefited standards for decades. SSOs and their members are in the best position to review their patent policies and to determine what, if any, changes should be made.

SSO Governance Documents. One area that may not receive much attention involves SSOs' governance documents. Many SSOs provide a basic level of transparency to such foundational documents as their articles of incorporation, bylaws, and antitrust and intellectual property rights policies. Yet others either do not make their governance documents available, or make them difficult to find. Further, some SSOs do not provide more complete access to additional documentation, such as patent self-declarations, which may identify patents with potentially essential patent claims and/or may include patent licensing commitments. This information can be crucial for patentees who wish to participate in the standards-setting effort and for entities that desire to implement the standards, especially since this information will differ from one SSO to the next.

Disclosure-Based Policy. Many well-known SSOs have a disclosure based policy where participating members are encouraged or required to disclose that they likely hold "essential" patents, but they may not be required to identify the specific patents. Moreover, the member identifying a patent under this type of patent policy is not generally obligated to license its essential patent claims, but rather is often just required to make a statement whether it will agree to license its essential patent claims on a "reasonable and non-discriminatory" ("RAND") or any other basis. And, a statement by a member that it will not license on RAND terms is often permitted.

Participation-Based Policy. Other SSOs do not require members to disclose patents. For example, one set of patent policies generally requires members to license essential patent claims merely as a consequence of participating in the SSO or one or more of its technical working groups. These participation-based patent policies typically require SSO members to license their essential or necessary patent claims on a RAND or a "reasonable and non-discriminatory, royalty-free" ("RAND-RF") basis. It is important to note in this regard that nothing in such an SSO's patent policy would typically preclude a member from making a patent disclosure if it chose to do so.

Avoid Over-Burdensome IPR Disclosure Requirements. It is important to note that a disclosure requirement, depending on how it is phrased, can be exceedingly burdensome to any sized patent owner, and particularly a large, institutional patent owner. The vast majority of well-known SSOs do not require members to disclose "relevant" IP at all. Rather, they more commonly seek disclosure of patents likely to include "necessary" or "essential" patent claims.

For example, to the extent that a given disclosure requirement would require a member to search its patent portfolio on a regular basis, the administrative overhead of this obligation may be a sufficient basis for a large, institutional patent owner to decide not to join the SSO. The process is further complicated when the claims are in pending applications and are subject to change, or when the standards are in draft form and are themselves subject to later changes. Standards evolve dynamically, and whether a patent claim is essential to, or may be essential to, a standard may change over time as the standard is being developed. It may be difficult, therefore, for a patent holder to be able to determine whether a patent "reads on" a standard.

In addition, such a requirement may be very expensive. An organization with a large portfolio may be unable to know, much less undertake a rigorous analysis of specific claim language, whether any of their patents will "read on" a draft standard as it changes. An organization with a large patent portfolio would have to employ a team of patent lawyers to make a comprehensive review of the portfolio in connection with each modification to a standard.

If disclosure requirements are deemed too onerous, innovators who may have the most to contribute to the development of a standard may refuse to participate or contribute. Limiting the disclosure requirements to those potentially essential patents that the individual participating is personally aware of is a common way to balance the interests of all stakeholders. AIPLA acknowledges that some patent policies prohibit patent holders from intentionally shielding their representatives from knowledge about the patent holder's portfolio for the purpose of avoiding a patent disclosure obligation. We suggest that a disclosure policy may have a provision that a patent search is not required, and that only potentially essential patents that the individual who is an active participant or contributor is individually aware of must be disclosed.

Protect Confidentiality. Because of confidentiality issues, many SSOs only require or encourage disclosure of issued patents and published patent applications. Companies may resist disclosing confidential information related to unpublished patent applications, especially when a standard is still under development and patent claims may or may not remain potentially essential. AIPLA suggests that disclosure be limited to issued patents and published patent applications, and may also include unpublished patent applications to the extent that disclosure of confidential information related to the unpublished patent application is not required.

No Required Disclosure of Third-Party SEPs. No party should be obligated to disclose a third party's potentially essential patent. Parties should not be expected to make statements against their own interests. When a potential implementer states that a third party owns essential patent claims, that potential implementer is arguably admitting to infringement upon implementation of the standard.

SSOs Generally Should Not Examine Patents. According to the experience of AIPLA members, international SSOs do not examine patents. In fact, many SSOs state that they take no position on the applicability of patent claims to their standards. Patents are highly sophisticated legal documents that must be examined by legal professionals and possibly validated in a court of law. Usually technical bodies and working groups consist of engineers and other technical personnel, not legal professionals. AIPLA thus suggests that, while it may be inevitable that working groups consider patent disclosures and licensing statements that have been submitted, no "opinions" about patent matters be formed by the working groups, such as whether a patent reads onto a standard or is valid. Furthermore, members of the technical bodies and working groups are likely potential implementers of the standard. Their individual interests would be best served by invalidation or determination of nonapplicability of any proposed essential patent claims. This poses a potential conflict of interest that the technical bodies and working groups should not be faced with. Accordingly, AIPLA suggests that no examination of patents take place within the standardization technical committee or organization in charge.

Transfer of Patent Ownership. Implementers investing in products that use the standard want to know that they can rely on licensing commitments, including those made by predecessors in interest. AIPLA recommends that, when drafting a standard, SSOs and participants consider whether a patent holder's declared licensing obligation includes a provision that such obligation shall be binding on itself and future patent owners. Further, AIPLA recommends that SSOs' IPR policies should encourage that such obligations survive transfer to new owners (including successors in interest through bankruptcy proceedings) and have such a provision in exemplar declarations. Parties transferring SEPs should have latitude in how they achieve these desired ends.

Due Process Requirements. Finally, we recommend that DIPP review and consider adopting in India the basic due process requirements of openness, lack of dominance, balance, notification, consideration of views and objections, consensus vote, appeals and written procedures set out in the American National Standards Institute ("ANSI") Essential Requirements: Due Process Requirements for American National Standards.[6]

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?

AIPLA does not support legislative, regulatory, judicial or administrative action that would require all SSOs to adopt a single prescribed intellectual property rights (IPR), licensing and disclosure policy, but favors SSOs having the flexibility to formulate their own policies and procedures. As discussed above in response to issue b concerning recommendations for SSO IPR policies, one size does not fit all and SSOs should be permitted great flexibility and encouraged to adopt IPR policies that fit their particular circumstances. Accordingly, AIPLA suggests that, if the Government of India were to prescribe guidelines on working and operation of SSOs, such guidelines should be limited and permit SSOs to have great flexibility and diversity in their working and operation unique to their particular circumstances.

Further, it is important to recognize that patents are necessarily territorial rights granted by individual governments that are enforceable only in the country where they are issued. Consequently, any action by the Government of India should not infringe on the right of each sovereign country to determine the exercise of IPR within their respective jurisdictions and not attempt to regulate the use of IPRs beyond their borders.[7]

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?

AIPLA does not believe that the Government of India, or any other authority, should prescribe guidelines on setting or fixing the royalties in respect of Standard Essential Patents (SEPs) or defining FRAND terms. Rather, AIPLA supports SSOs traditional approach of not establishing specific licensing terms, including monetary terms, which should be left to the negotiations of the parties. Certainly, nothing in a FRAND commitment imposes a substantive limit on royalties or requires that they be calculated in any particular way, provided they are "reasonable." The Government of India should proceed in the same way and not create a specific or mandatory framework for assessing royalty fees.

---

[6] The current requirements may be found at www.ansi.org/essentialrequirements.

[7] *See Lexmark Int'l, Inc. v. Impression Products, Inc., et al.*, -- F.3d --, 117 U.S.P.Q.2d 1817 (Fed. Cir. Mar. 28, 2016) (en banc) ("Our [U.S.] patent system makes no claim to extraterritorial effect; these acts of Congress do not, and were not intended to, operate beyond the limits of the United States, and we correspondingly reject the claims of other [countries] to such control over our [U.S.] markets.") (internal quotations and citations omitted).

Further, as discussed in section c immediately above, patents are necessarily territorial rights granted by individual governments and any action by the Government of India should not infringe on the right of each sovereign country to govern the exercise of IPR within their borders.

Royalty fee regulations have broad implications and may affect incentives to develop innovations that lead to patents. The rise of standardized technology has created enormous social and economic benefits. Patented technology is now prevalent in many industry standards, and some of these standards cannot succeed without being able to take advantage of patented technology. Because the development of this technology may require great risk and enormous cost, standards might not attract the best technology without rewarding innovators with reasonable compensation. Many Standard-Setting Organizations (SSOs) seek to incentivize patent holders to contribute their technologies to standards through effective, FRAND-based IPR policies that could be with or without monetary compensation. These policies are carefully balanced to reflect the interest of all stakeholders and advance two equally important goals: (1) ensuring implementers who want to practice a standard have reasonable access to FRAND licenses; and (2) providing reasonable compensation through licensing of standard-essential patents on fair and reasonable terms and conditions free of any unfair discrimination. Of course, licensees will want to minimize royalty fees, while licensors will want to maximize royalties. In light of the tension between those positions, AIPLA recommends that the Government of India proceed cautiously and not make government authorities price regulators, which would have the potential to suppress incentives to innovate and adversely affect competition. The importance of maintaining incentives to innovate that lead to patents does not change simply because the patent owner has made a FRAND commitment with respect to SEPs. Rather, even when patented technology is included in a standard, the negotiation of a reasonable royalty should be left to the parties.

Further, any attempt to regulate royalty fees would need to take into account the complete, and often complex, commercial relationship between the parties. The royalty fees agreed to in license agreements are often the result of complex and multifaceted commercial negotiations between the parties addressing far broader cross licenses, portfolio licenses, and other business issues between specific parties. Fundamentally, all licensing terms have value, whether in monetary or non-monetary terms, and negotiating parties cannot consider monetary terms in isolation. Consideration of royalty fees should be broad and flexible enough to permit consideration of all aspects of the license agreement. Along this line, the complexity of valuation is reflected by the frequently relied on U.S. case, *Georgia Pacific v U.S. Plywood,* 318 F. Supp. 1116 (S.D.N.Y. 1970). In the *Georgia Pacific* case, 15 factors may be considered is determining a reasonable royalty. Recent courts have found additional factors or algorithms that may be appropriate for standard essential patents while some *Georgia Pacific* factors may not be applicable to standard essential patents.

The traditional SSO approach of leaving the determination of FRAND terms and conditions to bilateral negotiations generally has been successful. Thousands of FRAND license agreements have been reached through such a process, and the development of collaborative standards has been enormously successful thanks to the access assurance provided by the FRAND ecosystem.

Allowing patent owners and implementers to be generally free to negotiate all the terms of their licenses strikes the right balance and advances their respective business goals in particular circumstances. For example, freely negotiated terms enable IPR owners to realize market-driven financial rewards for their inventive investments. They also allow licensees to enjoy similarly market-driven financial rewards from the use of IPR-protected technology in the development and sale of their own products and services, and in their own development of follow-on technology, which may depend upon or complement the invention made available through such licensing. Such licensing freedom is key to the evolution of technology and for facilitating competition. SSO IPR policies which leave the negotiation of FRAND terms to the standard-essential patent (SEP) holder and each potential licensee facilitate licensing freedom. The traditional SSO approach of leaving the definition of FRAND terms to bilateral negotiations has been tremendously successful.

Such flexibility to allow individual IPR holders and licensees to negotiate the license terms is necessary given the different perspectives at which IPR holders approach and value their IPR. This is based on a myriad of factors. For example, some companies invest in research and development and contribute IPR-protected technology into the standards-development process. These companies may choose to license their IPR to implementers and users to generate revenue for further research and development. Other companies may use their IPR portfolios defensively, e.g., they may enter into cross-licenses to protect their products that incorporate standardized technology where the sale of such products creates revenue for further research and development. Still other companies may decide not to invest in research and development, but instead choose to rely on products and services that use the standardized technology to support their particular business models. Other companies may invest heavily in research and development in order to manufacture and sell a better, more innovative product and are not focused on patent monetization. Still other firms may support all of these business models, and, accordingly, the demarcation line among these various stakeholders may blur such that there is no one-size-fits-all basis for assessing FRAND terms and conditions.

Thus, the negotiation of a reasonable royalty should be left to the parties. If the parties cannot reach an agreement concerning reasonable terms, courts are already equipped to determine reasonable royalties as damages for infringement using accepted legal standards. Attempts to place artificial limitations on an SEP owner’s ability to seek reasonable royalties as damages would upset the critical balance between SSO participants by redefining the FRAND commitment to favor only the interests of potential licensees, without giving due regard to the interests of innovators. FRAND commitments are always voluntary. Even if a consensus of all stakeholders (including potential licensees) determines that a patented technology offers the technical solution desired, it does not mean that the SEP owner (i.e, the owner of patents covering such desired technology) can be compelled to forego reasonable compensation for making the technology available. Doing so would be tantamount to compulsory licensing, unless such an agreement had been expressly stated in the relevant SSO patent policy and the SEP owner had voluntarily agreed to that policy. A contrary approach may devalue SEPs, potentially undermine the bargain struck by innovators in consideration for their contribution of patented technology for inclusion in standards, and potentially disrupt the incentive scheme for ensuring successful standards development.

Finally, the traditional approach of SSOs to avoid involvement in establishing specific licensing terms, including monetary terms, should be reinforced. Consistent with an interest of encouraging the availability of IPR-protected technologies for consideration in standards, and concomitantly the interest of attracting IPR holders to participate in SSO activities, such participation should not limit the remedies available at law and equity to IPR holders that comply with applicable law (both statutory and court-made) and SSO policies. With respect to monetary values of an IPR-protected technology, even when such technology is included in a standard, such matters should be left to the negotiations of the parties. If they are not left to such negotiations, arbitrary limitations will be imposed on parties' ability to freely negotiate all licensing terms. Fundamentally, all licensing terms have value, and negotiating parties generally would not consider monetary terms in isolation.

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?[8]

FRAND Includes Non-Monetary Consideration. As an initial matter, as discussed in section d immediately above, AIPLA cautions against too great a focus on royalty rates as presented in this question, because FRAND agreements are not limited to only monetary royalty rates, but may include non-monetary terms and conditions. A FRAND agreement permits the parties to agree to reasonable terms, which can include non-royalty compensation, such as reciprocal licensing, defensive suspension provisions or any other consideration that the particular parties to a FRAND agreement agree to exchange. A determination of what constitutes a FRAND rate depends not only on all of the other terms and conditions that the relevant parties must negotiate as part of a license or cross-license involving SEPs, but also on whether SEPs alone are to be licensed, or whether they are to be licensed by the SEP owner along with its other patents or IPRs. Indeed, we are unaware of a formula or other detailed framework that would value an SEP outside of the specific transaction at issue. License agreements may, and often do, provide other consideration than payment of royalties.

The consideration that a patent holder and implementer would find appropriate in negotiating a FRAND-based license may vary and often is not limited to monetary consideration. As discussed in section d above, SSO participants in standards development can represent many different interests, depending on a myriad of factors. The lines demarcating the interests among the various stakeholders may blur such that there is no one-size-fits-all basis for assessing FRAND terms and conditions.

No Specific Formula. AIPLA is unaware of a formula or other detailed framework that can value an SEP outside of the specific transaction at issue. Rather, license terms often vary for different licensees because negotiations lead to agreements addressing far broader cross-licenses,

---

[8] This issue currently is before India CCI.

portfolio licenses and other business relations between specific parties. FRAND obligations are a representation of a patentee's willingness to license its technology to willing counterparties, and do not, standing alone, contain any other express substantive limitations on royalties associated with the licensing of SEPs, provided that the ultimate terms are "reasonable." Because a FRAND commitment does not define "reasonable" terms for licensing SEPs, existing and developing patent law for calculating a "reasonable royalty" provides guidance, at least with respect to pure monetary licensing terms.

Flexible Bilateral License Negotiation. AIPLA supports SSOs' traditional approach of not establishing specific licensing terms, including monetary terms, which should be left to the negotiations of the parties. Fundamentally, all licensing terms have value, whether monetary or non-monetary terms, so negotiating parties generally would not consider monetary terms in isolation. Patent holders may want to seek royalties, but they also may want the ability to expand design freedom through reciprocal licensing requirements and defensive suspension provisions. Thus, an SSO participant could agree to license patents essential to implement a standard in return for a reciprocal licensing commitment from the implementer of the standard.

Value Of Patented Invention, Not Standardization. As with other patents, it is important in all cases that FRAND compensation be closely tied to the patented technology, and not to value that the patent holder did not invent or claim in its patent. As the U.S. Court of Appeals for the Federal Circuit recently stated: "The patentee's royalty must be premised on the value of the patented feature, not any value added by the standard's adoption of the patented technology. [This is] necessary to ensure that the royalty award is based on the … value that the patented invention adds to the product, not any value added by the standardization of that technology."[9]

Patent Law Guidance on "Reasonable Royalty." Because the FRAND commitment does not define "reasonable" terms for licensing SEPs, existing and developing patent law for calculating a "reasonable royalty" provides guidance, at least with respect to pure monetary licensing terms. Contract language that reference terms of art used in patent law, like the words of FRAND commitments, indicate that the parties intended for patent law to apply in interpreting the agreement.

No Set Royalty Base. As discussed above, what constitutes FRAND terms, including a FRAND royalty, depends on a myriad of factors. Accordingly, used rigid criteria such as setting a royalty base from the net price of the downstream product, the smallest saleable patent practicing component (SSPPC) or other set criteria may not be appropriate. The parties should be free to utilize whatever combination royalty rate and royalty base fits their circumstances, as long as the ultimate reasonable royalty—i.e., combination of royalty rate and royalty base—are based on the value that the patented technology adds to the licensed products.[10] It otherwise would be

[9] *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201, 1232 (Fed. Cir. 2014).
[10] See *Ericsson, Inc. v. D-Link, Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014).

improper to require all royalty bases to start with an end product, SSPPC or other set royalty base or methodology.[11]

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?

FRAND should be sufficiently flexible to permit patentees and implementers to negotiate specific license terms tailored to their unique interest, relationships and business models, and certainly does not establish any cap on the royalties or license fees that may be charged in connection with standards-essential IPR claims. The concept of capping royalties on a product is derived from royalty stacking concerns. Often, these are speculative, theoretical concerns unsupported by actual evidence. Royalty calculations should be based on evidence, not speculation. Indeed, the proliferation of standards is strong evidence that implementers have not faced significant obstacles in obtaining the required licenses to implement standards. AIPLA is not aware of any evidence that the possibility of royalty stacking has inhibited access to or the adoption of any standard. The fact that a standard may incorporate a large number of patented technologies does not, in and of itself, support the devaluing of those patents to the level most advantageous for implementers. If a patentee has contributed a valuable piece of technology to the standard, the SSO IPR policies explicitly intended to preserve a reward of adequate compensation for that contribution—regardless of the number of other SEPs that may also contribute to the standard.

Accordingly, AIPLA believes that royalty caps are artificial and arbitrary limitations on SEP holders' ability to receive adequate compensation for their inventions, which risks harming effective standards development. Moreover, it would undermine the incentives that patent holders generally, and SEP holders specifically, must have to make the risky investments necessary to create new technologies that can them be made available for standardization to the benefit of uses of such technology and consumers.

If the parties cannot reach an agreement concerning reasonable terms, including in cases where multiple SEPs cover a single product, courts are already equipped to determine reasonable royalties as damages for infringement using accepted legal standards. Attempts to place artificial limitations on an SEP owner's ability to seek reasonable royalties as damages would upset the critical balance between SSO participants by redefining the FRAND commitment to favor only the interests of potential licensees, without giving due regard to the interests of innovators. Even if a consensus of all stakeholders (including potential licensees) determines that a patented technology offers the technical solution desired, it does not mean that the SEP owner (*i.e.*, the owner of patents covering such desired technology) can be compelled to forego adequate compensation for making the technology available. Doing so would be tantamount to compulsory licensing, unless such an agreement had been expressly stated in the relevant SSO

[11] *See Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys.*, 809 F.3d 1295 (Fed. Cir. 2015) ("[A rule]—which would require all damages models to begin with the smallest salable patent-practicing unit—is untenable.").

patent policy and the SEP owner had agreed to that policy. A contrary approach may devalue SEPs, potentially undermine the bargain struck by innovators in consideration for their contribution of patented technology for inclusion in standards, and potentially disrupt the incentive scheme for ensuring successful standards development.

With respect to price limitation, any short-term effect of higher prices occurring during the limited term of an intellectual property right may be offset by access to patented technology, which can lower market entry costs and ideally create a virtuous cycle of dynamic competition. Patented technology may afford the technologically optimal standardized solution, and owners of IPRs should, therefore, be encouraged to make their inventions available, even if there is a license fee that will have to be paid. Moreover, a licensing fee may represent only a small or even *de minimus* percentage of the costs that would be incurred if a lesser non-proprietary technology were include in a standard. Such other costs could involve more difficult implementation, lesser performance and higher replacement expenditures. And this says nothing of the losses consumers may suffer because they are denied superior technology and products based thereon.

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

AIPLA observes that this specific issue is already *sub judice* before the CCI.

NDAs are a common industry practice in patent licensing negotiations. They help facilitate the implementation of standards and thereby may have a pro-competitive effect. License negotiations may be complex and multi-faceted, where cross-licenses and other business issues of the parties are addressed. The presence of NDAs help to ensure that potential licensees and licensors are free to disclose and negotiate about sensitive and confidential business issues with the SEP holder, and thus facilitate licensing discussions. Therefore, barring proof of actual competitive harm based on the particular facts of concern, the practice of requesting NDAs in licensing SEPs should not be viewed as an abusive practice.

Importantly, AIPLA reiterates that improper discrimination does not exist merely because an IPR owner entered agreements with different terms and conditions for different entities; such circumstances do not mean that, as a whole, the different licensees provided and received different value of consideration overall. Thus, AIPLA is concerned that, without NDAs, patent holders may face undue scrutiny whenever two licensees have different rates or terms. Justifying such rates may require disclosure of sensitive business information and undermine patent holders' as well as the licensee's basic ability to license and negotiate.

Some have argued that NDAs may allow discriminatory licensing practices in violation of a FRAND commitment by hiding different terms agreed upon with different licensees. But a FRAND commitment does not necessarily mean that all licensees must be offered the same terms. In general, non-discriminatory licensing means only that similarly-situated licensees should be offered economically similar terms. There may be significant difference between license agreements reached based on the particular facts and circumstances, and commercial needs and desires of the companies. Given the many different forms that license agreements can take, and the different monetary and non-monetary consideration that can be exchanged, AIPLA recommends against attempting to define what it means for contracts to be non-discriminatory or prohibiting use of NDAs as a way to address non-discrimination. Doing so may yield limited benefit given the potential differences among licensing agreements while adversely and publicly disclosing sensitive, competitive licensing terms. The flexibility needed by all parties to IP licensing agreements should be recognized so that companies can continue to make deals that are similar for similarly-situated participants, but nevertheless take into account the unique circumstances of each, while protecting sensitive competitive business information in the parties' negotiations and licensing agreements through NDAs.

Courts and the CCI, in the course of their adjudication, in appropriate cases, may require access to terms of SEP licenses offered by different parties. In such cases, appropriate legal procedures may be used, whereby the terms of SEP licenses granted to different parties are made available as confidential information only to the Court or adjudicating authority.

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?

Appropriate Mode/Remedy For Settling FRAND Disputes. Promises to disclose patents or to license on FRAND terms are enforceable under contract law, which in turn looks to the intent of the parties. That intent generally reflects the necessary balance between (1) the innovators' incentives to invest in R&D and contribute to standards development and (2) the implementers' access to technologies under reasonable terms. Ensuring that the first goal is considered incentivizes the continued investment in standardized technologies, which can be difficult and risky to develop. A FRAND commitment generally is enforceable by those who wish to implement the standard and secure a license to the patented technology, as third-party beneficiaries to the agreements between an SEP holder and the relevant SSOs.

Disputes occur primarily due to disagreements over royalty rates, as well as disagreements over the royalty base on which such rates would be applied. They can occasionally include disputes as to whether a given patent is standard-essential. In the stage of standard promulgation, such disputes have on occasion led to delays in promulgation, and therefore delays in implementation. In addition to such delays, in general such disputes may lead to decreased consumer choice and increased marketplace costs. Given the broad differences in the circumstances under which such issues arise, in what patent claims cover, and in what a reasonable royalty may be, we do not recommend any particular methodology/mechanism for resolving such disputes.

The failure to consummate a FRAND license as a result of a commercial dispute between a licensor and licensee can result from a number of causes, and does not necessarily rise to the level of an abuse of a patent right or improper refusal to license simply because of such failure to license. Remedies, therefore, should be carefully tailored to avoid discouraging innovation or development in standardized technologies at the outset by making it difficult for innovators to negotiate in the future with potential licensees or infringers.

Injunctive Relief. The rights to exclude others and to choose whether to grant a license are basic patent rights. Like all patent owners, SEP owners should have the right to protect their intellectual property from infringement. AIPLA also believes that precluding an SEP owner from seeking injunctive relief under its SEPs is contrary to a patent owner's fundamental right to seek such relief under governing law. Whether a patent owner refuses to make a FRAND offer, or refuses a FRAND offer by a licensee, might be relevant to a court's consideration whether to grant injunctive relief, but such refusals should not limit a patent owner's right to seek such relief when it is otherwise available under governing law.

At the outset, AIPLA observes that, currently, the grant or denial of interim injunctions and permanent injunctions are governed by Indian Civil Procedure Code and the Specific Relief Act, 1963, respectively. AIPLA understands that, barring specific cases, these laws usually vest discretion with Courts to determine whether injunctions should be issued in any given case. In this regard, the current laws should govern a decision whether or not to grant an interim or permanent injunction, even in respect of SEPs. We also understand that existing principles account for questions of equity, including whether the patentee has honored its representations, whether damages are an adequate remedy and if the parties have engaged in good faith negotiations.

Although a FRAND commitment is a representation of an SEP holder's willingness to license its technology to willing licensees, it is not a blanket waiver of the right to seek injunctive relief. A blanket prohibition on seeking injunctive relief may not be appropriate in all circumstances, although it may be appropriate in certain circumstances, e.g., the declaration of a standard essential patent that the patentee has not yet offered fair, reasonable and non-discriminatory terms. But an SEP-owner may seek an injunction if a prospective licensee is unwilling to license on FRAND terms. The patentee will not necessarily be entitled to injunctive relief in all situations, and a court should consider questions of equity, such as whether the patentee has honored its representations to the SSO. To preclude even seeking injunctive relief risks displacing the proper role of the courts who are entrusted with judgment as to whether to issue an injunction. If any competitive harm were to result from an injunction, it would occur because the court decided—in its discretion, after hearing the parties, and subject to appeal—to issue the injunction. The parties to the litigation have every opportunity to defend themselves and to persuade the court that injunctive relief is not warranted. Further, either party may appeal a court's ruling, including the determination of a FRAND rate or the availability of injunctive relief. Harm to a prospective licensee, if any, would not result from the patentee's seeking the injunction, but rather from the court's decision, subject to appellate review, based on all the facts and equities, to issue the injunction. AIPLA believes that the India Government should not displace the discretion of the courts to make case-by-case decisions.

Precluding an SEP owner from seeking injunctive relief under its SEPs may be contrary to a patent owner's fundamental right to seek such relief under governing law. Whether a patent owner refuses to make a FRAND offer, or refuses a FRAND offer by a licensee, might be relevant to a court's consideration whether to grant injunctive relief, but such refusals should not limit a patent owner's right to seek such relief when it is otherwise available under governing law.

The availability of injunctive relief in appropriate circumstances is an important way that SEP holders can protect themselves against implementers who refuse to pay FRAND royalties or unreasonably delay payment. Unavailability of injunctive relief would discourage SEP holders from participating in an SSO if participation would cause them to lose or substantially limit their enforcement rights. Failing to preserve injunction options may be harmful to the rapidly growing IT and telecommunications industries that often participate in SSOs, and may encourage infringing products. A blanket removal of exclusionary or injunctive relief as an enforcement option would discourage SEP owners from participating in an SSO if such participation would cause them to lose their enforcement rights. This would in turn harm the public interest by discouraging collaborative innovation.

There are legitimate circumstances under which SEP holders may be justified in not agreeing to license terms demanded by a potential licensee (for example, where the potential licensee expressly or constructively refused to accept FRAND terms), and it is against good public policy to deny them enforcement options in such circumstances. Otherwise, for example, if the cost of a license is not what an IPR user decides he wants to pay, the IPR user may simply use the technology without paying and later allege a FRAND violation by the IPR holder.

Whether a party is a "willing licensee" can depend on a variety of facts and circumstances, such as the willingness of a prospective licensee who owns SEPs to grant a reciprocal license or an infringer's inability to pay royalties. An infringer might purport to be willing to take a license, but ultimately refuses to take a license on reasonable terms, or might insist on terms more favorable than other licensees (to which the patent holder owes a duty of non-discrimination). Or an infringer might claim to be negotiating in good faith, but does so for an unreasonably long time, paying no royalties in the interim and gaining an unfair advantage over those who have taken a license. Such actions by an infringer do not demonstrate "willingness" to license. Injunctive relief may be appropriate where an infringer effectively refuses to negotiate in good faith, or takes unreasonable positions, or prolongs negotiations for an unreasonably long time while other licensees are paying FRAND royalties. Therefore, a patent owner should not be precluded from seeking injunctive relief by a potential licensee's mere allegation that the patent owner refused to make or accept a FRAND offer without requiring more. This is because, as illustrated above, it cannot be assumed that all instances of infringement subject to potential injunctive relief arise from an SEP holder's breach of an agreement to license its patents under FRAND terms.

Finally, merely participating in SSO activities should not affect licensing freedom or limit the equitable remedies available to IPR holders that comply with applicable law and SSO IPR policies. This includes the right to seek injunctive relief when such relief is available under applicable law. If SSO participants, however, wish to limit the rights of holders of FRAND-committed patents to seek injunctive relief, they could clearly provide for such limitations in their policies and in the language of their licensing commitments. To the extent no such limitations are included in the relevant commitments and policies, however, it must be assumed that no such limitations are intended and the remedy should be determined under generally applicable law.

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

A party may cross-license all or only some of its patents. This issue closely relates to question (g) above and underscores the reason why DIPP should not treat confidentiality of SEP licenses or cross-licenses as abusive behavior. Indeed, licensing transactions are often complex business arrangements and it would not be appropriate to reduce “fair” and “reasonable” terms to an assessment of royalty rates alone. The reasonableness of a license agreement, including cross-licensing requirement, should be assessed on a case-to-case basis.

Depending on SSO Policy, a SEP holder who has committed to licensing its SEPs on FRAND terms may have an obligation to license or license back its SEPs. Where one SEP holder licenses all of its SEPs to an implementer, the grantor may include, as a “reasonable” term or otherwise under the SSO Policy, a license back under the implementer/licensee’s SEPs.

Cross-licensing is consistently and widely recognized as pro-competitive. *See Chapter 3, Antitrust Enforcement And Intellectual Property Rights: Promoting Innovation And Competition (04/2007).* Accordingly, regulations should promote such technology sharing. Overprescribing transparency can have an opposite effect. Cross-licensing not only involves the parties’ assessment of each other’s patents but other factors as well, many of which embody confidential competitive information. Such information can range from future market predictions, product plans, territorial expansion, and R&D investment. Making such information public not only affects the competitive position of the cross licensing parties but chills the interest in sharing technology and participating in standards.

In many instances, parties do not confine themselves to licensing SEPs, but to licensing products or fields or portfolios. In those instances, the sharing involves different types of property (such as SEPs and non-SEPs).

Seeking business information and information on different IP may provide little useful information, but also may undermine business plans and objectives.

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

AIPLA reiterates its submissions to questions (g) and (i), above.

In addition, it is not clear why patent pools must demonstrate fair and reasonable terms, seemingly overcoming a negative presumption. It is recognized that pools involve the grouping of multiple parties' patents to be licensed collectively. That is, a licensing entity, usually for a fee, licenses patents of multiple parties for a single payment, which is then divided among the patent holders, based on a mutually agreed to formula. So there is group activity. However, pooling in standards typically results in less administration and more convenience for all parties, and normally lower rates than a licensee would receive if it licensed the patents from the patent holders individually. Pools are one way (although not the only or necessarily the best way) to help address situations where many parties hold many SEPs.

Where the pool involves SEPs, the licensee may approach each SEP holder and obtain separate, negotiated licenses, if the pool rate or terms seem less favorable. So there is an inherent mechanism directing SEP pools towards reasonableness.

In addition, parties to a pool are typically cautious to avoid competition issues, another tempering mechanism. Patent pools that are composed only of complementary patents – that is, patents that are not substitutes for each other and therefore do not compete – rarely raise competition concerns. Thus a patent pool composed only of SEPs – which, by definition are not substitutes – may be pro-competitive, particularly where the patent pool is not the exclusive licensing avenue for the patents in the pool.

In this regard, if there is a question about competition and a SEP patent pool, the Rule of Reason should apply. Such treatment provides certainty about how to analyze licensing conduct and allows firms to maximize the use of intellectual property in ways that advance competition and consumer benefits. It would also avoid the "chilling effect" that an over-expansive application of the misuse doctrine or antitrust principles would have on investment in new technology and related endeavors. Alleged anticompetitive effects must be proved by the party alleging them and should not be presumed. This also recognizes that stakeholders may view IPR from many different perspectives and that standardization can be effective by balancing these various perspectives.

Moreover, pool participants are often implementers who must pay the pool royalty, which further directs the fees toward reasonableness.

If a pool's rates and terms are unreasonable, the market will seek an alternative. This is a typical consideration when pool members consider SEP pool terms.

Accordingly, it is not clear why transparency in pools has been raised. Have problems arisen in this context? In fact, the district court in *Microsoft v Motorola*, No. C10-1823, 2013 U.S. Dist. LEXIS 109905 (W.D. Wash. Apr. 25, 2013), relied on patent pool royalties in assessing rates for other unpooled SEPs (while recognizing that pool rates and circumstances differ).

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?

As an initial matter, this question should be clarified because it is based on the premise that "a patent [is] declared as SEP," but that generally is not the case. Patent holders participating in the standard development process typically do not declare that a patent is essential to the standard (i.e., that a patent reads onto the standard or actually is a standard-essential patent or SEP);

rather, they typically declare whether and under what terms they would be willing to license their patents **if** the patents are found to be essential to the standard.

Whether a patent is "essential" (or "necessary") is determined by the definition specified in an SSO policy, bylaws, or other agreement. While there are common principles, definitions vary considerably. For example, in some SSOs, a SEP is limited to claims that necessarily infringe a "required" portion of the standard's specification, while others extend "essentiality" to claimed inventions that must be practiced when an "option" in the specification is implemented. In determining essentiality, a well-developed concept is whether patents are technically essential to the standard because it is not possible to manufacture products that comply with a standard without using such patents. Any analysis of essentiality should be based on individual claims within a patent on a claim-by-claim basis so as not to involve non-essential claims within a given patent. Further, essentiality should be based on a finding by a court or tribunal of competent jurisdiction that the patent claims at issue genuinely are in fact essential to the standard.

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?

Any independent expert body should not supplant or foreclose private licensing activities and access to the courts for dispute resolution. Disputes regarding licenses should be adjudicated by the courts rather than an administrative agency. Such disputes often involve complex issues of patent law, including whether a product is covered by the patent claims and thus subject to license fees. The courts are best suited provided their extensive patent experience to adjudicate such complex disputes.

Disputes occur primarily due to disagreements over royalty rates, as well as disagreements over the royalty base on which such rates would be applied. They can occasionally include disputes as to whether a given patent is standard-essential. In the stage of standard promulgation, such disputes have on occasion led to delays in promulgation, and therefore delays in implementation. In addition to such delays, in general such disputes may lead to decreased consumer choice and increased marketplace costs. Given the broad differences in the circumstances under which such issues arise, in what patent claims cover, and in what a reasonable royalty may be, we do not recommend any particular methodology/mechanism for resolving such disputes.

m) If certain Standards can be met without infringing any particular SEP, for instance by use of some alternative technology or because the patent is no longer in force, what should be the process to declassify such a SEP?

At present, there is no standardized or global repository or listing of patents classified as SEPs. Instead, in some SSOs, participants may make disclosure statements to the SSO, usually based on good faith and personal knowledge of the representative making the declaration, that they may own patents that cover the technology space in the standards. Those declarations typically do not specifically claim or classify specific patents as actually being standard essential patents.

And SSOs typically do not carry out any verification of whether a patent actually is standard-essential.

Accordingly, AIPLA submits that since there is no formal system to classify something as an SEP, there is no procedure or any need for a procedure to declassify them.

* * *

Again, AIPLA appreciates the opportunity to provide these comments. Please contact us if you would like us to provide additional information on any issues discussed above.

Sincerely,

Denise W. DeFranco
President
American Intellectual Property Law Association