

INDIAN PATENTS FROM THE LENS OF COMPETITION REGIME

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Abstract

In the matter of intellectual property management, the focal point is ideally to control an IP portfolio through the exclusiveness managed by IP enactments, especially patent law. This seems to repudiate legitimately the inspiration of a free market economy, since IP rights mainly the patent system offer a period of exclusiveness to exercise state-allowed rights in the patent in return for complete confession of the invention to the public while the application is as yet pending. Patent Law and Competition law have different domain occupied plus enforced to achieve distinct aims. There's substantial necessitate to comprehend the efficient functioning of the both the Acts. Intention of this paper is to analyse that the objective of Patent law with Competition law is nearer to one another to the extent that result some kind of harmony between the interests of the right holders and the consumers.

Keywords

Intellectual property (IP), Intellectual property right (IPR), Patent Pool, Standard setting organisations (SSOs), Standard Essential Patents (SEPs), Fair reasonable and non-discriminatory (FRAND).

1. Introduction

Markets are administered by various regulatory components. One of the significant goals of the component is to find some kind of harmony between the clashing interests among the different stakeholders. Free markets function automatically owing to unregulated supply as well as demand of fundamental needs with no much interference of the Govt. along these lines, the entrepreneurs adjure the market. The lack of impartial regulatory method eventually troubles the customers. Regulated market mechanism is a more productive system than the previous, since the fundamental objective in these method guarantees that all the essential needs of the consumers are met and the entrepreneur's welfare is additionally accomplished. The legislations are one of the central parts of regulatory machinery which in its concerned zones attempts to adjust among the liberated play of monopoly rights and welfare of the public.

The competition law of India was passed after "*repelling the Monopolistic and Restrictive Policy Act of 1969*" by the "*Raghavan Committee*" which has been imitated in Sec 66 of the Competition law. The three main provisions of the said Act has been reflected in the Sections 3,4,5 and 6 of the Act stating "*Prohibition of Anti-Competitive agreement*", "*Abuses of Dominant position*" as well as "*Combinations*" correspondingly. The characteristic aspect of this law is that "*abusive use*" of the Intellectual property right is given no space for exploiting the level of competition in the market. IP protection isn't abusive yet paradoxically, on the off chance that it dominates over the market it is just doing a lawful job of its objective, which is to generate to incentive to endorse innovation. On the contrary, when companies abstain from licensing their IP to competitors, they challenge the fundamental doctrine of competition law furthermore the quintessence of IP protection.

The relationship between IP rights, especially patent rights and scrutinizing anti-competitive practices under Competition law is a significant ongoing development in India, and statute is as yet scrappy. The 1990s introduced significant changes. Economic reforms were presented in 1991 and India turned into a signatory to the Agreement on Trade-Related Aspects of IP Rights; patent law got consistent with the agreement in 1995. The previous opened up the market to compete, while the outcome of the latter was in a vibrant patent atmosphere. For Indian trade, the economic development guaranteed that a few segments including telecoms, automobiles, consumer electronics along with aviation gave an opportunity for vigorous involvement and investment, thus setting the phase for relationship between "*free and fair competition and the exclusiveness managed by patents and other IP rights*".

2. Objective of Patent and Competition Law

Patent Law

According to the United Nations Conference on Trade and Development document on '*Examining the interface between the objectives of competition policy and intellectual property*'¹ the core aim of IPR is to promote innovation by giving the incentives. These intend is accomplished by granting certain exclusive rights to the inventors so, they can recover the cost of research and development in a limited period.

¹ United Nations Conference on Trade and Development, '*Examining the interface between the objectives competition policy and intellectual property*', Intergovernmental Group of Experts on Competition Law and Policy, 15th Session, October 2016, available at <http://unctad.org/meetings/en/SessionalDocuments/ciclpd36_en.pdf>, accessed on 06 May 2020.

Bainbridge summarizes IPR as “in the area of intellectual property the law strives to reach a balance between conflicting interests to reach a justifiable compromise. Justifiable on the ground of protecting the private interest and promoting investment and providing benefits and providing benefits for society at large in terms of increased wealth, knowledge and employment”.

The fundamental intention of patent law is to balance the interest of inventors and the interest of the public. The inventors are remunerated with an exclusive right to exploit their invention for a limited period, for providing technological innovation to the community. Patent safeguard the money invested in R&D and generate an inducement for innovation. But when the patentee agrees to any “*anti-competitive practices*”, Governments may approve measures akin to the compulsory licensing of such innovation which has been provided in the Art 31(b) of the Trade-Related Aspects of Intellectual Property Law Agreement.

Competition law

The primary intent of Competition Law is to cope with the “monopolistic unfair and restrictive trade practices” by creating a set of rules to strengthen competition in the market. The policies are anticipated to uphold efficiency, guarding the welfare of consumers, also to help in the formation of a business domain which depends on fairness, prompts proficient asset distribution and in which misuse of market power is prohibited or restrained. To accomplish its objective, Competition law restrain to a certain extent, rights arising out of personal assets for the welfare of the society (e.g. by preventive the right to merges amid undertakings). Competition is advantageous for the growth of economy as it promotes innovation plus boosts competitiveness.

International Agreement

The Paris Convention for protecting Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) structure the premise of patent enactment in many nations. These two agreements perceive the basic interaction among patent and competition laws and offer suggestions on how the overlap shall be deal with. In particular, Art 5(A) (2) of the Paris Convention visualizes the award of compulsory licenses to anticipate any abuse which may arise because of granting monopolistic patent rights. Correspondingly, Art 8.2, 40 along with 40.2 of TRIPs permit member nations to take proper measures to preclude the abuse of IP rights through practices which unreasonably control trade or adversely affect the international transfer of technology.

These international agreements have accordingly accredited the call for “*balancing monopolistic rights and fair play*”, even though absolute discretion has been granted to the member states to outline relevant legislations. The Indian Patents Act plus the Indian Competition Act are mutually perceived and echo this sense of balance of interests.

3. Is Patent Act, 1970 Anti-competitive?

A patent is an “*Intellectual Property Right*” correlated with invention moreover grant an exclusive right to the inventor or assignee to exploit his invention for a limited period (i.e. 20 years according to sec 53 of Patent Act, 1970).

3.1 What are the rights of patentee?

The patentee acquires exclusive rights to prohibit third party from doing following acts without his consent over the patented product or process as per sec 48 of the Patent Act.

- Making the Product/Process
- utilizing the Product/Process
- Right to Sale
- Right to Offer for Sale
- Importing things for the purpose of Product/Process

The exclusive right to patentee to exploit his invention isn't absolute but subject to certain conditions under Patent Act. Although the commercialization of a patented invention is legally recognized in Sec 48, the processes plus practice taken up by the patentee or else the licensees in the commercialization raise issues concerning “*fair play and anti-competitive practices*”. There are certain provisions in the Act that are exception on grant on patent. For national interest or for benefits of public, the Central Government can use any patented invention. In such cases sufficient royalty is being paid to the patentee². Also, the exclusive right of the patent holder may be constrained for the following purpose³.

- a. For Government use.
- b. For the purpose of research or else experiment as well as imparting instructions to pupils.
- c. Special provision with respect to drugs or medicines that they may be imported by the Government for the reason simply of its own use.

The Central Government may acquire any patented invention, if satisfied that it is crucial for public purpose. In such cases only compensation is paid to the patentee or any interested person⁴. The Central Government may also revoke the patent, if the Govt. is of the opinion that the patent or the mode in which it is exercised is mischievous to the state or injurious to the public⁵.

Sec 83 of the Act makes a reference that the Patents are granted to promote inventions moreover to make sure that the innovations are worked in India on a commercial scale as well to the fullest extent that is reasonably practicable without undue impediment. Patents are not granted only to empower patentees to have the benefit of monopoly for the importation of the patented article. It intends to see that the patent right isn't abused by the patentee otherwise individual inferring title or interest on patent from the patentee doesn't remedy to practices which “*unreasonably restrain*” trade or adversely affect the international transfer of technology. Patents are granted to utilize the advantage of the patented invention accessible at “*reasonably affordable prices*” to the public. A patent granted can't forbid Central Government in taking measures to guard public health.

Statement in respect of working of the patent⁶

Every patent-holder or his assignee is mandated by the Government, to provide yearly, a statement showing the extent to which the invention has been worked in India on a commercial scale. If the statement isn't submitted within 3 months of the end of each calendar year, then the patent-holder is legally responsible for a penalty. Compulsory license may be granted for the

² Patent Act, 1970 Sec 100.

³ Patent Act, 1970 Sec 47.

⁴ Patent Act, 1970 Sec 102.

⁵ Patent Act, 1970 Sec 66.

⁶ FORM 27, THE PATENT ACT, 1970 (39 OF 1970) & THE PATENTS RULES, 2003.

patented invention to other persons to commercially exploit the patent in cases of non-submission of the above-mentioned information.

“Bolar-like provision” and “Parallel import provision”

Several countries grant producers of “*generic drugs*” to exploit the patented inventions for R&D. They can acquire the statutory sanction by compliance of information requisite under law. The generic manufacturer may then sell their edition of “*generic drugs*” almost immediately as the patent expires. This proviso is termed as “*Bolar-like provision*”⁷ or “*regulatory exception*”.

In India Sec107A (a) of Patents Act states such a proviso.

“*any act of making, constructing, using, selling or importing a patented invention solely for uses reasonably related to the development and submission of information required under any law for the time being in force, in India, or in a country other than India, that regulates the manufacture, construction, use, sale or import of any product;*”

“*Parallel import*” proviso is given in Sec107A (b), which state that importation of patented products by anyone who is duly authorized by law shall not be regarded as an infringement. The objective of “*Parallel import*” is to scrutinize the abuse of patent rights and designed to control the cost of patented product.

Sec140 of the Patents Act averts the patent-holder from making agreements by which a purchaser, lessee or else licensee is barred from:

- acquiring patents apart from the patentee’s;
- Executing any other process excluding patented process; or
- Challenging the legitimacy of the patent.

These provision endeavours to avert any “*abuse of the dominance*” of a patent- holder that is protected because of the monopoly incorporated in the patent Act.

Provision of Compulsory License under Patent Act

The provision of compulsory license in India was implemented initially in the case **Natco v. Bayer**⁸ in regard to Bayer’s patented drug “*sorafenib tosylate*”.

Compulsory licence under Patent Act may granted to any interested person after the cessation of three years from the date of grant of patent, on any of the following conditions⁹-

- (i) that the reasonable requirements of the public with respect to the patented invention have not been satisfied; or
- (ii) that the patented invention is not available to the public at a reasonably affordable price; or
- (iii) that the patented invention is not worked in the territory of India.

The Central Government by way of notification may grant Compulsory licences to any person interested on the following grounds¹⁰-

- a. a circumstance of national emergency; or
- b. a circumstance of extreme urgency; or
- c. a case of public non-commercial use

The controller may also grant compulsory license for export of “*pharmaceutical products*” in certain exceptional circumstances¹¹.

The CCI is also authorized to grant Compulsory licences. The preamble lays down the primary intent of the Competition Law is to cope with the “*monopolistic unfair and restrictive trade practices*” by creating a set of rules to strengthen competition in the market. The policies are anticipated to uphold efficiency, guarding the welfare of consumers, also to help in the formation of a business domain which depends on fairness, prompts proficient asset distribution and in which misuse of market power is prohibited or restrained. So, the Commission have statutory power to grant Compulsory licences to avert any enterprise from abusing its “*dominant position*”¹². The Commission may pass order or give direction if after inquiry come to the conclusion that any enterprise is contravening the provisions of Sec 3 or Sec 4 of the Act¹³.

The IP authority, if finds that decision pronounced by the authority may contravene the provision of Competition Act than the authority may refer the matter to the CCI¹⁴. The CCI may also refer the cases associated with “*compulsory license*” to the appropriate IP authority¹⁵. Consequently, “*compulsory license*” ought to be advocated as an “*anti-competitive*” remedy use in cases where the exclusive management is debatable and any other remedy can’t be adopted.

3.2 Does CCI have jurisdiction over patent related matters?

The foremost challenge aligned with the jurisdiction of the CCI argued by parties holding “*Intellectual Property Right*” is scrutinized considering Sec 3(5) of the Competition Act, 2002 that protect the holder of “*Intellectual Property Right*” to create anti- competition agreement with “*reasonable conditions*” to guard his “*Intellectual Property Right*” conferred upon him under any law for the time being in force. The term “*reasonable conditions*” endorse CCI the authority to investigate whether the holder of IPR while granting the license imposed reasonable conditions that were not excessively restrictive of competition. The protection to a patentee under Section 3(5) of Competition Act is concerned; the Court held that “*unreasonable conditions*” did not enjoy the safe harbour provided under the Section.

Also, Sec 4 of Competition Act which declare the act by any enterprises be liable to be abusive are evenly applicable to IPR owner. As per the High-Level Committee Report on Competition Policy and Law, “*all forms of Intellectual Property have the*

⁷ The exception was propounded in landmark US case Roche Products v Bolar Pharmaceuticals, 733 f.2d 858 (fed. cir. 1984)

⁸ Bayer Corporation v. Natco Pharma Ltd., Order No. 45/2013 (Intellectual Property Appellate Board, Chennai)

⁹ Patent Act, 1970 Sec 84.

¹⁰ Patent Act, 1970 Sec 92.

¹¹ Patent Act, 1970 Sec 92A.

¹² Competition Act, 2002 Sec 4.

¹³ Competition Act, 2002 Sec 27.

¹⁴ Competition Act, 2002 Sec 21.

¹⁵ Competition Act, 2002, Sec 21A.

potential to raise Competition Policy/law problems. Intellectual Property provides exhaustive rights to the holders to perform a productive or commercial activity, but this does not include the right to exert restrictive or monopoly power¹⁶. So, the report agree to the lawful intend of IPR of prohibiting others from using one's invention devoid of the required "licence", on the other hand it as also recognises the necessitate to restrain anti-competitive conduct that may rise in implementing IPR. The Competition Act was not intended to obstruct with IPR. But, if the CCI discovers that IPRs granted create a substantial "adverse effect on competition"¹⁷, the Act empowers the CCI to bring action¹⁸.

Thus, an IPR-holder can't put "unreasonable restrictions" on innovations at the time of licensing the IP. There is no predestined catalogue of "unreasonable restrictions"; moreover the assessment carried out is based on facts of each case. Sec 83 (f) and (g) of the Patent Act, 1970 states that the patent holder or individual granted title or interest on patent shall not way out to practices which "unreasonably" control trade otherwise adversely affect international transfer of technology also that the patented invention shall be made offered at reasonable prices to the public.

Under Sec 61 of the Competition Act, exclusive power is vested in CCI to decide the jurisdiction on any contravention of the Act. Under Sec 27 of the Competition Act the CCI too has unrestrained powers to cure "anti-competitive actions" by amending agreements otherwise by passing orders for disbursement of costs or else royalties. On the other hand, civil courts have power to settle issues that might distress competition as part of "patent infringement proceedings", leading to conflicting judgments. Civil courts have in inherent powers to settle royalty rates for standard-essential patents as an interim injunction in infringement proceedings.

An advocacy booklet released by the CCI in 2002¹⁹ anticipated the interpretation which implies that "unreasonable conditions" which are attached to an IPR will attract Sec3 of Competition Act. As stated in this paper, licensing arrangements expected to influence unfavourably the "prices, quantities, quality or varieties of goods and services" will liable for contravening the provisions of competition Act if they aren't in reasonable juxtaposition with the rights granted under IPR²⁰.

It also sets out examples of licensing arrangements that may be anti-competitive, such as an agreement that divides markets between companies that would compete using various technologies, arrangements that effectively combine the R&D activities of two or only a few entities that might engage in R&D in the relevant field, exclusive licensing arrangements, including cross licensing by parties collectively possessing market power, grant backs and acquisition of IPRs. It also recognized the tie in arrangements, price fixing, prohibiting the licensee from using competitors technology, the agreement to pay royalties even after the patent has expired or for unpatented know-how, including a condition not to challenge the validity of the IPR in question, requiring the licensee to grant back to the licensor any acquired know-how or IPR and not to grant licenses to anyone else, Package licensing and a number of other practices as 'anti-competitive.'

In **Aamir Khan Productions Pvt Ltd v Union**²¹ of India the Hon'ble Delhi High Court adjudicated the CCI have jurisdiction to deal with matters correlated with IPR as well as Competition Law. The Court held that "competition commission has the power to deal with intellectual property cases. What can be contested before copyright board can also be contested before Competition Commission Competition Act, 2002 has overriding effect over other legislations for the time being in force."

The Court held that charging unnecessary cost on life saving drugs come in the scope of price control and CCI have necessary jurisdiction to adjudicate such matters²².

Kingfisher Airlines Limited v. Competition Commission of India²³ the court upheld that the right of any individual to sue for infringement of patent, trademark etc is not restricted under sec 3(5). All defence which may be put before copyright board may also be put before CCI. Therefore, the competition law doesn't restrict application of any other law.

Phase Power Technologies Private Limited v ABB India Ltd²⁴, in this case CCI pronounced that "mere pendency" of a patent infringement suit before any civil court doesn't preclude CCI jurisdiction if the complainant is able to construe a prima facie case of infringement of Sec 3 or 4 of the Competition Act.

In Monsanto Holdings PVT. LTD. and ors. v. CCI and ors.²⁵, in a recent judgment dated 20.05. 2020, Delhi HC held that a patentee was not "free to include onerous conditions under the guise of protecting its rights" under Section 3(5) of the Competition Act, High Court dismissed biotechnology giant, Monsanto's plea against initiation of CCI probe against it in connection with its sub-licensing agreement for Bollgard-I and Bollgard-II Bt cotton technologies.

4. Standard Essential Patents – "The paradox of standardization"

4.1 Meaning of "standard" in a SEP

According to the ISO/IEC Guide 2:2004²⁶ "standard" is described as "a document, established by consensus and approved by a recognized body, that provides, for common and repeated use, aimed at the achievement of the optimum degree of order in a given context".

How to ascertain that a patent is indispensable to a specific standard?

Patent may be called as "essential" to a specific standard when it isn't possible to produce a product amenable to industry standards set by SSOs without contravening of that patent.

¹⁶ Report of High Level Committee on Competition Policy and Law, S. V. S. Raghavan Committee, Para. 5.1.7.

¹⁷ Competition Act 2002, Sec 19(3).

¹⁸ Competition Law and Intellectual Property Rights, MHRD Project, Government of India, available at <https://epgp.inflibnet.ac.in/epgpdata/uploads/epgp_content/law/05._competition_law/06._competition_law_and_intellectual_property_rights/et/5212_et_06et.pdf>, accessed on 10 May 2020

¹⁹ Intellectual Property Rights under the Competition Act, 2002, an advocacy booklet from the Competition Commission of India, <http://www.cci.gov.in/images/media/Advocacy/Awareness/IPR.pdf> (15 May 2020).

²⁰ Monsanto Holdings PVT. LTD. and ors. v. CCI and ors., W.P. (C) 1776/2016 and CM Nos. 7606/2016, 12396/2016 & 16685/2016.

²¹ Aamir Khan Productions Pvt Ltd v Union, (2010) 112 Bom L R 3778.

²² Union of India v. Cyanamide India Limited & Another, AIR 1987 SC 1802.

²³ Kingfisher Airlines Limited v. Competition Commission of India, WRIT PETITION NO.1785 OF 2009

²⁴ Phase Power Technologies Private Limited v ABB India Ltd Competition commission of India, case no. 12 of 2016.

²⁵ Monsanto Holdings PVT. LTD. and ors. v. CCI and ors., W.P. (C) 1776/2016 and CM Nos. 7606/2016, 12396/2016 & 16685/2016.

²⁶ <https://www.iso.org/standard/39976.html>

The Washington District Court held, “A given patent is essential to a standard if use of the standard requires infringement of the patent, even if acceptable alternatives of that patent could have been written into the standard²⁷”.

How is the “SEP” status acquired?

If for manufacturing a product amenable with definite industry standards, a manufacturer desires to exploit patented technology, but it isn't possible to produce that devoid of contravening the supposed patented technology, in that case the patented technology acquires a “Standard essential patent”.

4.2 Role of SSO (Standard Setting Organization) in SEPs framework

SSOs are industry associations that maintain certain industry standards in various significant technological fields.

The perspective on licensing of SEPs supposes to play a fundamental role in a company's inducement while investing in standardization activities. Nevertheless, the exclusive right granted to a patent-holder under patent law may sometime conquer the objective of making standards available at large for public use. To tackle this issue SSO's had definite IPR policies. SSO members ought to accomplish their SEPs licensing on terms and conditions that are “Fair, Reasonable and Non-Discriminatory” (FRAND). These obligations are intended to guard technology executors while guaranteeing that Patentee gain a proper royalty for his expenses in research and development.

The SSO-SEP framework grants significant control on the SEP holder. The “FRAND” declaration tries to strike a balance between the views that an entity must have the right to acquire a license of the required technology on “FRAND” requisites. Though, it is controversial to conclude what comprise a “FRAND” practice. Also, it is not possible to resolve what “FRAND” royalty equals to. The direct construe as regards “FRAND” is that it is a voluntary contract between a patent holder and an SSO. The patentee is at freedom to safeguard his right to exclude and withdraw the membership of an SSO, and then he has no compulsion to fulfil its directive.

4.3 Main issues in SEP proceedings

I. Patent Holdup

When a patent is accepted as standard and acquires commercial recognition, the same shall be used by a manufacturer otherwise its goods wouldn't be compatible with the goods of other entities. Such a condition amplifies the bargaining power of the SEP owner as the licensee has no substitute technology. Patent holdup takes place when a SEP owner abuses a locked-in patent by attempting to impose unjustified royalty.

Except if controlled via a SSO to act in accordance with FRAND licences, the SEP owner may manipulate the locked in a position to receive substantially high royalty than he would have been received prior to the acceptance of the patent as a standard. In spite of obliging to FRAND, aforesaid condition subsists because FRAND is ambiguous in nature. The SEP owner binds the licensee by a non-disclosure agreement in regards to the conditions of the license which prevent the other licensees from obtaining information of the royalty rates levied on those previous licenses. This serves as an obstacle in the manner of licence bargaining among the parties and thus, contributes to significant competition issues in FRAND litigations

II. Injunctive Relief

The SEP holder abuses his dominant position by suing for injunctive relief for imposing royalty, as SEP holder presumes that it's less risky for licensee to accept unfair royalty than defending an infringement suit. Injunctive relief should be claimed only when the licensee is reluctant to compensate royalty at FRAND rate otherwise it will be contravention of FRAND terms.

III. Royalty base

The rationality of a royalty rate relies upon the royalty base being chosen correctly. The SEP holders intend to levy the royalty rate on the final product's net sales price, rather than on the part that contains the infringed patent. This implies that although SEP is implemented in a single element of a multi-component device, the implementer will be obliged to compensate the royalty on non-SEP components. In these situations, the entire principle of FRAND weakens as the estimation of a royalty on the whole product brings a significant risk that the SEP holder will be unfairly compensated for non-infringing element of that product.

IV. Royalty Stacking

Stacking royalties is the condition in which royalties are layered onto one another resulting in greater aggregate royalties. It takes place when various SEP holders place equal royalties on various components of a multi-component product, resulting in the royalties exceeding the overall price of the product.

4.4 Standard procedures to be implemented under FRAND

The draft CEN CENELEC Workshop Agreement (CWA) on the 'Core Principles and approaches for licensing of Standard Essential Patents (SEPs)' by the European Committee for Standardization (CEN) and the European Committee for Electro-technical Standardization (CENELEC) Offers some of the best practices to be implemented under FRAND conditions²⁸. They are known in perspective of 'Parties', 'Injunctions', 'Valuations' etc.

I. Parties

Each party, like a willing licensor and a willing licensee, is obligated by a commitment to act reasonably.

The CWA states that negotiating on all licenses possessed by the licensor is compulsory if they are needed to implement a standard also the licensee asks for the same.

While granting a SEP the licensor can't tie 'non-SEPs' or 'SEPs' of other standards he holds that aren't demanded by the licensee regardless that the non-SEPs is supposed to be pertinent to the product of the licensee. Thus, the same is included in the fundamentals of FRAND licensing.

II. Non-Disclosure Agreements and transparency in SEP licensing

Transparency in a FRAND agreement offers for the basis on which its terms and conditions are based. The disclosure of particulars is also compulsory to allow the licensee to assess if the licensor meets all conditions of the FRAND.

III. Essentials of a FRAND agreements

The basics of FRAND licensing are intended to reduce the complication of SEP licensing.

SEPs are inevitable because of their nature and place it's on pedestals. Licensor's representation shall be sincere and verifiable. The patent agreement shall be open to royalty and value reductions through an 'adjustment clause' due to expiration, etc.

²⁷ Microsoft Corp. V. Motorola, Inc., Motorola Mobility, Inc., and Gen. Instrument Corp.

²⁸ ftp://ftp.cenelec.eu/EN/News/WS/2019/CWA_SEP/CWA95000.pdf

IV. SEP Valuation Methods

The CWA intends to use royalty methods as set out in section 5.3 of the CWA or as mutually agreed upon by the parties. FRAND royalties are only expected to reflect the value of the patented invention, as perceptible from the competent authorities according to general principles.

V. Non-discriminatory behaviour

Unfair royalties or refusal to grant license is not consistent. Licensors with SEPs can't conspire or refuse the license in a contracted standard ecosystem wherein they promised it. SEP holders are not provided with special legal rights except those granted to other non-FRAND-obligated patent holder.

VI. Injunction

FRAND is designed with the primary intention to prevent market barring of competitor firms through dominant ones. Thus, it limits the accessibility and aptness of injunction.

VII. Patent Transfer and breakups

If a FRAND-restricted SEP is transferred, the primary transferee and every consequent transferee should stay obligated by the FRAND compulsion.

VIII. Licensing via patent pool

Both licensors and licensees acquire the power to decide to either license via a patent pool or via bilateral negotiations.

4.5 Competition Law perception on SEPs

From Competition Law perception, a SEP holder enjoys dominance over market because of lack of alternative technologies. The SEP holder is inclined to engage in abusive practices, like withhold to license the SEP to other producers, otherwise demanding excessive royalties. So, as to balance this biased bargaining power, SSOs over all jurisdictions necessitate SEP holders to license their IP on FRAND terms. Though, the multi-jurisdictional decisional practice explicate that mere substantiation by SEP holder to SSOs doesn't prohibit him from involving in abusive practices, thus requiring an interface between IPR and competition laws.

FRAND licensing in India is still at a juncture where rules and procedures are implemented in accordance with the developments and principles of the EU and US courts also practices that have been streamlined by the European Committee for Standardization. CCI vigorously participates in the assessment of SEP agreements from the lens of FRAND terms and construing on its standard inventory to facilitate just and non-discriminatory orders to be passed.

In India, although the dispute over SEPs is emerging, it has erected some jurisprudential question qua the interaction between Competition Act and Patents Act. The chief issue raised is:-

- Whether conduct with respect to SEPs can be probe under the Competition Act; and
- Whether the CCI has the jurisdiction to inspect the supposed anti-competitive conduct of an SEP holder counting the impartiality of the FRAND terms.

Sec3 (5) of the Competition Act exempt IPR holders from restrictions imposed under sec 3 to guard IP holder's exclusive right. But, this immunity is only to protect from restricted imposed in Sec 3 and not from Sec 4 perception and expansion only to "reasonable conditions" imposed in exercise of statute granted rights²⁹.

So far, the CCI has instigated enquiry in cases³⁰ pertaining to inter alia the alleged infringement of FRAND licensing terms by Ericsson for the use of its 8 SEPs³¹ applied in the 2G and 3G wireless telecommunication standards. The informants raised similar disputations in all the cases that Ericsson being the patentee of 8 SEPs, with no other alternative technology available, is abusing its dominant position by demanding excessive royalty rates.

Prima facie the CCI pronounced that Ericsson was abusing its dominant position to exploit of its SEPs. Also, CCI observed that the patent-holder must apply FRAND terms fairly and uniformly to equally placed players. CCI passed orders initiating enquiry against Ericsson for abusing its dominant position.

In LM Ericsson (Ericsson) v CCI and Anr³²

Ericsson filed a petition challenging the orders of the CCI, the Delhi HC has adjudicate that the CCI have jurisdiction under Competition Act to probe matters that are related to patent and held that Indian Patents Act provide nothing that expressly or impliedly exiles the jurisdiction of CCI. CCI have jurisdiction to investigate cases related of anti-competitive practices and abuse of dominance happening because of monopoly granted by patent rights and can't be taken away even if the Patents Act endow with for efficient remedies³³.

Examining the abuse of dominant position, the Court noted "that threats coercing the Defendants to enter into non-FRAND puts the Defendants into a disadvantageous position and amounts to abuse of a dominant position by Ericsson". The Court elucidated that the SEP holder might in a certain situation be seen as abusing its dominant position of seeking an injunctive relief. This is since the peril of suffering injunctions would, in certain circumstances, wield too much pressure on an implementer also places him in a prejudicial bargaining position in comparison with the SEP holder. The Court also held that "the Competition Act isn't concerned with patent rights of a person or enterprise is within the domain of the Patents Act, but the exercise of such rights".

²⁹ Shamsheer Kataria v. Honda SIEL Limited and Others, Case no. 3 of 2011.

³⁰ Micromax Informatics Limited v. Telefonaktiebolaget LM Ericsson, Case No. 50 of 2013; Intex Techs. (India) Limited v. Telefonaktiebolaget LM Ericsson, Case No. 76 of 2013; and Best IT World (India) Private Limited v. Telefonaktiebolaget LM Ericsson, Case No. 4 of 2015.

³¹ The 8 SEPs comprise of Adaptive Multi-Rate (Indian Patents IN203034, IN203036, IN234157, IN203686, IN213723), 3G (Indian Patents IN229632, IN240471) and Edge Technology (Indian Patent IN241747).

³² The high court of Delhi, w. o. (c) 464/2014 & cm no. 911/2014 & 915/2014.

³³ Sections 89, 90, 91 and 92 of the Indian Patents Act 1970.

The Court stated that “*There is no irreconcilable conflict between the Competition Act and Patents Act and in the absence of any irreconcilable conflict between the two legislations, the jurisdiction of CCI to entertain complaints of abuse of dominance regarding patent rights cannot be ousted*”.

Delhi HC pronounced the first- ever judgment in India on SEPs. In the year 2018 Delhi HC delivered one judgment in favour of the plaintiff by consolidating two suits³⁴. The plaintiff has instituted patent infringement suit against different companies. The plaintiff claimed that defendants have infringed patent held by plaintiff (PHILIPS) over its DVD-ROM players.

The plaintiff argued that its patent was “*essentials to DVD-ROM standards*”. It asserted that selling of DVD-ROM players by the defendants were an infringement of its patent because any DVD player used the patented technology of Plaintiff.

Main issues examined by the Court:-

A. Whether the patent of plaintiff was standard-essential?

The Court before drawing the conclusion compared the essentiality certificate granted to the plaintiff by European and US patents office and held that patent of plaintiff was standard-essential.

B. Is there any infringement of plaintiff’s patent?

The HC held that defendants have infringed the plaintiff’s patent. The question of infringement was decided on two counts:

a. The defendants exploit the SEP of plaintiff without a grant of licence from plaintiff.

b. The specifications of defendant’s DVD were compared with the specifications of patent in question. It was conclusively proved that the defendants undoubtedly use the technology of the patent in question.

C. Jurisdiction of Civil Court

The defendant argued that the plaintiff is abusing its dominance position and demanding excessive royalty so, the jurisdiction is of CCI under competition Act. The Court held that the issue is previously been established by the Court that, “*the CCI and the civil court are different from each other and operate in different realms and the remedy offered by the two is vastly different, however it is not mutually exclusive and one is not destructive or exhaustive of the other*”³⁵.

D. License on FRAND royalty rate

The Court fixed royalty on FRAND rates. The Court pronounced that the plaintiff presented license for its SEPs on FRAND rate to the defendants. The court depended on the assessment reported in Commonwealth Scientific and Industrial Research Organisations vs. CISCO Systems, Inc. and held that royalty rates may be determined on casual negotiations.

The Court ordered to pay royalties of USD 3.175 from the date of institution of the suits till 27th May 2010, and afterwards pay an additional royalty at the rate of USD 1.90 till February 2015. Royalty rates are further subject to the interest of 10% per annum.

This judgment is a huge step for the evolution of IPR jurisprudence in the Country, also undoubtedly landmark judgement, on SEPs.

4.6 Loop holes in present legislation (Patent Act)

- Patent Act provides certain provision³⁶ to restrict the rights of patentee granted under the Act to strike a balance between public interest and IP holder. Still, the issues related to SEPs were not exposed to be tackled by the Law. As the issues related to SEPs directly impact the interest of the public, there is a requirement to amend the law with appropriate provisions to clarify the issues involved in SEPs.

- Patent may be revoked by the Central Government if it “*generally prejudicial to public*”³⁷. But no elucidation is given on what is “*generally prejudicial to public*” and whether revocation is potential equipment to revoke SEPs, if it is hampering the public interest by abusing its dominant position.

5. Patent pools at the precincts of patent and competition laws

Patent pools may be termed as “*an agreement between two or more patent owners to license one or more of their patents to one another or to third parties. Often, patent pools are associated with complex technologies that require complementary patents in order to provide efficient technical solutions. Generally, these patent pools cover mature technologies. Pools also frequently represent the basis for industry standards that supply firms with the necessary technologies to develop compatible products and services. In that case, they rather concern technologies that are yet to be fully developed*”³⁸.

Patent pools are mainly evolved as the majority of the technologies required complementary patents and it’s not possible to implement such technology devoid of infringing anyone’s innovation or without an effectual means to acquire required license to exploit the various patents. Also, patent pools were originated to avoid litigation among competitors in order to bar one another from their innovation.

It’s usually formed to exploit the technology of others devoid of sustaining any cost allied to research and development. Furthermore, it aid in lessening the royalty of licensing patents, threat of contravening patents and save research time.

5.1 Origin of Patent Pool

Over the past hundred years, patent pools have played a vital role in developing the industry. The first pool of patents was created by Grover, Baker, Singer, and Wheeler & Wilson in 1856 for sewing machine. Every one of them was fighting with one another for patent infringement. In Albany, in one of the legal proceedings, the advocate and chairman of the Grover and Baker Corporation, Orlando B. Potter, offered to all of them to resolve the conflict by authorizing one another to exploit the technology by pooling instead of running out of profit.

³⁴ Koninklijke Philips N.V. &Anr. v. Rajesh Bansal, CS (COMM) 24 of 2016 and Koninklijke Philips N.V. &Anr. v. Bhagirathi Electronics, CS (COMM) 436 of 2017.

³⁵ Telefonaktiebolaget LM Ericsson (PUBL) v. Competition Commission of India and Ors The high court of Delhi, w. o. (c) 464/2014 & cm no. 911/2014 & 915/2014.

³⁶ Compulsory License.

³⁷ Patent Act, 1970 Sec 66.

³⁸ https://www.wipo.int/export/sites/www/ip-competition/en/studies/patent_pools_report.pdf.

The attention in the patent pool may be noticed in the rising industrial or electronic technologies, such as MPEG-2 audio, airplanes, video, radios, and etc. Also, it recently has started to be the centre of attention in the genomics or biotechnology commune.

5.2 Types of Patent Pool³⁹

Mainly patent pools are categories on how and by whom the patents are being exploited. It may be created by cross-license agreement under which the two partners make common licenses to third parties or which can be accomplished by creating a separate legal entity which turns out to be the holder of the licensed patents.

Patent pool can also be split into two basic parts, namely an open pool and a closed pool. There are several patentees in the closed pool; one of these members is chosen to grant the pooled patents on behalf of all the members to a third party.

And in the open patent pools, qualified management firms, such as a joint venture, are typically outsourced, set up specifically for the management of the patent pool. These management companies handle patent pool upholding by adding new patent owners who satisfy the requirements, coordinating among patent owners, and negotiating with third-party license holders about license fees.

5.3 Advantages and disadvantages of Patent Pool

As patent pools offer a range of advantages to third parties, including creating and developing new technologies, minimizing transaction costs to prepare these new technologies, clearing patent blocking positions and eliminating prolonged infringement proceedings. In particular, patent pools permit "one-stop shopping" to interested third parties, allowing patent licensees to arrange all the patents required to use a certain technology from one place rather than acquiring licenses individually from all patent proprietors.

On the contrary, patent pools are often interpreted as an obstacle to third parties not part of the pool, specifically in the export manufacturing industry, where a domestic competitor who isn't a party of a pool and therefore can't enter the foreign market without paying royalties. The patent pool normally controls all patents according to an internationally accepted standard and always asks for huge royalties. Because the patent pool is the sole source of license rights, the manufacturing third parties have no choice but to bargain for higher royalties. For instance, where the licensee is the low-cost producer but in other countries has to pay the same royalties as a higher cost company.

5.4 Evolution of Patent Pool in United States

The United States case laws demonstrate that patent pools have been accused from time to time of several anti-competitive activities such as price manipulation, tying arrangements or post-sales constraints on patented products⁴⁰. The evolution of diverging views in law on what forms 'anti-competitiveness' with respect to patent pools is of considerable interest. In several cases, while enforcing the stance that patent pools per se didn't abuse fair perceptions of competition, the courts came down strongly on the anti-competitive 'patent misuse' activities in which pools were found guilty⁴¹.

The Court took a strong decision on patent infringement and its illegitimacy; tying, price-fixing agreements and post-sales limits on patented products were patent abuse cases⁴². In another case the Court highlighted that *'there is nothing unlawful in the requirement that a licensee should pay a royalty to compensate the patentee for the invention or the use of the patent. The unlawful element is the use of the control that such cross-licensing gives to fix prices'*⁴³.

In a case the Supreme Court held that *'two or more patentees in the same field may not legally combine their valid patent monopolies to secure mutual benefits for themselves through contractual agreements between themselves and other licensees, for control of the sale price of the patented devices'*⁴⁴.

Gradually, abuse of patents in licensing pool were handled more strictly and ultimately the US Department of Justice in 1970 inaugurated a list of practice which were supposed to be an infringement of the competition laws or the 'Nine No-No's' at the time of licensing pool.

These included practices like requiring a licensee to procure unpatented product from the licensor, confining a procurer of a patented item in the resale of that item, restraining the licensee's opportunity to bargain in products otherwise services beyond the patent, demanding the licensee to agree to a bundle license, etc.

This rigid licensing framework, expressed in the 1970s has undergone significant amendments. From then on, the Justice Department, in collaboration with the Federal Trade Commission came out with the Licensing Guidelines on Antitrust of IPR in 1995 (ref. 30). The Guidelines emphasized the affirmative features of pools and came a long way from 'Nine No No's', recognized just a few pooling arrangements as controversial except under certain conditions. These include restraints on collective price or output (except if they contribute to efficient markets), exempting competing companies from collective patent access and prohibitions which have a negative impact on R&D.

After modification in the rigid licensing framework, the judicial pronouncement after 1995 framework also favoured pro-competitive patent pool⁴⁵.

³⁹ <https://www.mondaq.com/india/patent/325602/patent-pool>

⁴⁰ A tying arrangement is the 'sale or lease of one product or service on the condition that the buyer take a second product or service as well', in Hovenkamp H J, Economics and Federal Anti-Trust Law (West Publishing Co, St Paul, MN), 1985, p. 397.

⁴¹ Patent misuse occurs when 'a patent holder attempts to leverage the scope or duration of a patent beyond its intended boundaries', in Durham A, Patent Law Essentials: A Concise Guide, 2nd edition (Praeger Press), 2004.

⁴² Morton Salt Co v G S Suppiger, 314 US 488 (1942).

⁴³ United States v Line Material, 333 US 287 (1948).

⁴⁴ United States v New Wrinkle Inc, 342 US 371 (1952).

⁴⁵ Summit Technology Inc and VISX Inc, FTC, 24 March 1998 (No 9286).

US Philips v International Trade Commission (ITC), 424 F.3d 1179 (Fed Cir 2005).

5.5 Patent Pool: Indian Scenario

In India, the perception of patent pools is novel and is correlated to the anticipated solution to the reasonable health care. It's being scrutinized as a pathway to accrue several patents held via various companies, intending to encourage development and availability of medicines in the developing countries that are affecting the underprivileged people.

As per survey carry out by TERI, that after the amendment of Patents Act, 1970, *"survival for most of the companies with only bio generics will be difficult. Moreover, many are doubtful about good and useful new patents will be part of pool"*⁴⁶.

Recently, one Indian generic drug manufacture Aurobindo Pharma Limited and MedChem joined the Medicines Patent Pool for manufacturing of several anti-retroviral medicines⁴⁷.

5.6 Patent Act and "pooling agreement"

There is no provision under Patent Act, 1970, for creation of patent pools or any direction for its creation. Nevertheless, the Act neither restrict for formation of the same. But some provisions in the Indian Patent Act in some way are relevant in patent pools; Sec. 68 of the Act provide for Patent transfer and states that a patent may be transferred by an assignment or licence. The agreement to transfer the invention through a license or assignment should be in writing and so must be duly signed by the parties. The license agreement shall specify the term of licence, the terms and conditions of the licence, the royalty amount. Sec 69 necessitates that an agreement for the transfer of patents by means of a license or assignment be registered and entered in the Patent Register. Sec 102 of the Act is a supportive proviso for the framework of patent pool in which the Central Government may acquire any patent if it is necessary for public purpose. The Act also provides certain conditions which are restrictive and can't be inserted into an agreement for licensing of a patent⁴⁸. Inclusion of restrictive conditions is a practice which licensing agreements allied with a pool have frequently been blamed of, leading bundles of anti-trust proceedings over the world.

Compulsory Licence

Patentee who wants to create a pool can also get it through compulsory licenses, if voluntary licenses can't be acquired. The Patent Act provides granting of compulsory licensing on certain mentioned grounds⁴⁹. Still compulsory licensing isn't a simple proposal for developing countries which face political pressure from developed countries, despite the fact that it is approved by TRIPS⁵⁰.

Furthermore, there is a concord that pools created via voluntary licence have more probability of success. As stated by Overwalle et al., *"it is always a better strategy to encourage companies to establish patent pools through voluntary means than to force them into a compulsory licensing scheme"*⁵¹.

According to Gold et al., *"the grant of one or more compulsory licenses could create additional pressure to get voluntary licenses for some patent holders, with the risk that other patent holders may be reluctant to license their patents if they know that their voluntary licenses will be supplemented by compulsory licenses"*⁵².

5.7 From Competition law prospective

Anti competitive policies governed by Competition Act, 2002 could be a predictable obstacle in the formation of patent pools. It prohibits any license otherwise agreement which is anti-competitive⁵³. Patent pools may be anti competitive when the parties of the pool consent in favour of not to grant license to any third party and fixing of excessive royalty and quota at the same time. In an advocacy booklet released by the CCI⁵⁴, describes patent pooling as a *"restrictive practice, which will not constitute being a part of the bundle of rights forming part of an IPR"*. It recognized the situations under which the patent pool turn out to be anti-competitive. As stated by the CCI, this take place when the companies in a manufacturing industry make a decision to pool their patents and consent not to allow licenses to third party, fixes excessive royalty and quota at the same time. They possibly will make supra-normal profits and restrict the entry of new companies in the market. Specially, if the entire technology is in the hands of few companies by patent pool agreement, it will be difficult for the outsider to compete.

These perhaps provide guidelines for makers of patent pools in India, to guarantee that the pool doesn't attract anti-competitive proceedings. Since the courts of developed countries specified, patent pools⁵⁵ have been accused to anti-competitive in conditions where several anti-trust practices emphasized by CCI have been initiate to exist.

6. Conclusion

Undoubtedly, it can be construed that there is no disagreement between both the laws' aims and objectives. Both the laws sponsor consumer protection and innovation. Realm of both the laws should harmoniously constructed to achieve middle pathway. CCI is having restricted jurisdiction to deal with patent related issues; CCI can only intervene when there is contravention of Competition Act. The jurisdiction of CCI to intrude starts when the patent holder abuses his dominant positions, exceeding the 'reasonable use' of his rights under sec 3(5) of the Competition Act. The opponents generally raise dispute on the ground of CCI's jurisdiction, this is only a hoax to delay the order of CCI, as our hon'ble Apex Court and various hon'ble High

⁴⁶ <https://www.mondaq.com/india/patent/325602/patent-pool>

⁴⁷ <https://www.mondaq.com/india/patent/325602/patent-pool>

⁴⁸ Patent Act, 1970 Sec 140.

⁴⁹ Patent Act, 1970 Sec 84.

⁵⁰ Nanda N, Diffusion of climate friendly technologies: Can compulsory licensing help? Journal of Intellectual Property Rights, 14 (3) (2009) 241-246.

⁵¹ Overwalle G V, Zimmeren E, Verbeure B, Matthijis G, Models for facilitating access to patents on genetic inventions, Nature Reviews: Genetics, 7 (2006) 143-148.

⁵² United States v Line Material, 333 US 287 (1948).

⁵³ Competition Act, 2002 Sec 3

⁵⁴ Intellectual Property Rights under the Competition Act, 2002, an advocacy booklet from the Competition Commission of India, <http://www.cci.gov.in/images/media/Advocacy/Awareness/IPR.pdf> (15 May 2020).

⁵⁵ Morton Salt Co v G S Suppiger, 314 US 488 (1942).

United States v Line Material, 333 US 287 (1948).

United States v National Lead Co, 332 US 310 (1947).

United States v New Wrinkle Inc, 342 US 371 (1952).

Courts have established this in favour of CCI. The CCI must be endowed with sufficient powers to handle IP matters that create market distortions as well as recognized jurisdiction. Competition law shall not, however, go that far. From a competition law perspective, the scope of its compliance should not surpass the cases in which IPR causes significant detrimental competition consequences.

Although the notion of government intervention in the IP commercialization is well understood that may be subverted interest of the patent holders, the same can't be supposed for SEPs, as unrestricted SEPs build a possibility to abuse the dominant position of patent holder. Parliamentary reforms to deal with matters allied to SEPs have been considered and discussed in 13th session by the WIPO standing committee on the patent laws⁵⁶. Parliamentary measures are also essential in India where there is no strong implementation for contractual breach by SSO members in spite of the members' agreement with SSOs. In recent cases, the necessity for parliamentary measures was as well felt which prove uneven bargaining power patent holder and potential licensor-mainly in SEPs cases, where mutual agreements, particularly with irrational NDA terms, can't be an acceptable tool for the implementation of a licensing agreement. The advantages of all these remedies are that they are immutable plus they also extend to non-participants in the standard-setting process. Proviso for "*license of right*" shall be examined to guarantee the license of a patent to a potential licensee under the provisions of RAND. A related proviso as of Sec 46 of the UK Patent Act 1977 (as amended) may be implemented in India, as it will be advantageous for the patentee and the licensee⁵⁷.

The Indian patent Act doesn't impose any obstacles to pooling; however government administered as well as controlled pools would've been easier to implement under the existing law. In addition, the Indian patent law seems to have some sections that may be used to curtail problems related to anti-competitiveness, even without going to competition law. In India, competition law scrutinize patent pooling as a 'restrictive practice' when it is allied with definite anti-competitive practices. The patent pool controlled by the SSOs could be an appropriate option for the benefit of members and licensors. SSOs or any other official authority should promote the patent pool for SEPs and specify the royalty portion to be charged to each SEP holder. Through doing so, it is possible to prevent the risk that a single member will collect an unfair royalty and harm the interests of other members. SSOs / official authority can work with patent offices in coordination and should keep a watch on any potential patent hold up. An acceptable royalty framework can be explored for sharing royalty between members. The SSO's IP policy should provide several mandatory provisos for imposing contractual obligations on the members such including not to bind the licensee with other patent, patent to be granted on FRAND terms etc.



⁵⁶ STANDARD AND PATENTS DOCUMENT SCP/13/2 www.wipo.int/edocs/mdocs/scp/en/scp_13/scp_13_3.pdf.

⁵⁷ <http://www.legislation.gov.uk/ukpga/1977/37/section/46>.