Chapter – 7

Injunctions

7.0. Introduction

Injunction is a specific remedy granted at the discretion of a court, requiring an individual to do or omit a specific action. Practically, injunctions should be granted in the rarest of rarest cases by the courts. But, in practice are injunctions granted in the rarest of the rare cases by the courts in patent infringement cases or are injunctions granted too quickly? Would granting of injunctions too quickly even before assessing the merits of the case and are even before assessing whether the patent holder will be successful in establishing patent infringement cause irreparable damage to the alleged infringer?. These are important questions to be answered because injunctions when granted will bring the make, use, and sale of products to a grinding halt. This chapter focuses on whether the grounds for grant of injunctions are actually satisfied when courts grant ex-parte or interim injunctions. Specifically, this chapter discusses the appropriateness of injunctions granted against patent rigorous products, which may embody many patents but, the actual patent infringement suit may cover only a fraction of the total number of patents embodied in a patent rigorous products. Further, this chapter discusses the possibilities of misuse of injunctions, especially in a SEP/FRAND related litigation. This chapter discusses appropriateness of Injunctions in patent infringement cases and SEP/FRAND cases.

7.1 Patent Rigorous (PR) Products and Non-Patent Intensive (NPI) Products

7.1.1. Nature of PR and NPI products

There is a relentless effort among public and private companies to build high technology and complex products and these products may embody several patented inventions/technologies. Thus, such products are generally patent rigorous (PR) products. It is not uncommon to see such patent rigorous products embodying multiples of thousands of patents. A mobile device such as a

smartphone[1] is estimated to embody 2.5 lakh patents and a laptop[2] is estimated to embody more 250 standards and each standard may include thousands of patents. These high technology products are very different compared to other non-patent intensive (NPI) products such as an electric bulb or a medical drug, which may embody very few patents. According to a study carried out by Lisa Larrimore Ouellette[3] an average of 3.5 patents were covering a drug in 2005 and with over 5 patents per drug for best-selling pharmaceuticals. The average number of patents (i.e., 3.5 and even 5) per drug is very small compared to 250000 SEPs in a smart phone. The existence of such NPI products may be substantially equated to practice of a patent (or very few patents). Edison's electric bulb embodied only few patents and predominantly a single patented (US 223898, Jan 1880) invention could be equated to Edison's electric bulb. These products (PR and NPI) are very different from each other from the perspective of patents embodied in such products.

However, the legal remedies available for patent infringement for these products (PR and NPI) are the same. A patent embodied in a PR type product contributes to a fraction of the total value of the PR product and a patent embodied in a PRI product contributes to a substantial value of the PRI product. An injunction granted in case of PR product, which allegedly infringes one or few patents affects the total value of the PR product. Thus, applying same legal principles to grant injunctions to PR and NPI products, which are alleged to infringe patents may result in highly undesirable effects on Innovation and business. Issues related to grant of injunctions in a patent infringement suit is

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[1] There Are 250,000 Active Patents That Impact Smartphones; Representing One In Six Active Patents Today, available at https://www.techdirt.com/blog/innovation/articles/20121017/10480520734/there-are-250000-active-patents-that-impact-smartphones-representing-one-six-active-patents-today.shtml, last visited on April 14, 2016.

[2] Brad Biddle *et al,* How many standards in a laptop? http://www.standardslaw.org/How_Many_Standards.pdf , last visited on April 14, 2015.

[3] Lisa Larrimore Ouellette, How many patents does it take to make a drug? Follow-on pharmaceutical patents and University licensing, 17 Mich telecomm, Tech L rev. 299 (2010), available at http://repository.law.umich.edu/cgi/viewcontent.cgi?article=1044&context=mttlr, last visited on April 14, 2016.

very important to the world and India in particular as India aims to move up the innovation value chain.

FIG. 7.1 below provides a visual representation of how hi-technology products are integrating multiple products, which were used as a stand-alone product earlier. The stand-alone products such as clock, camera, recorder, calendars, radio, and many more devices are integrated into a smart phone. A smart phone or a laptop or a tablet like electronic gadget have started embodying numerous technologies covered by many thousands of patents and have thus become PR products.

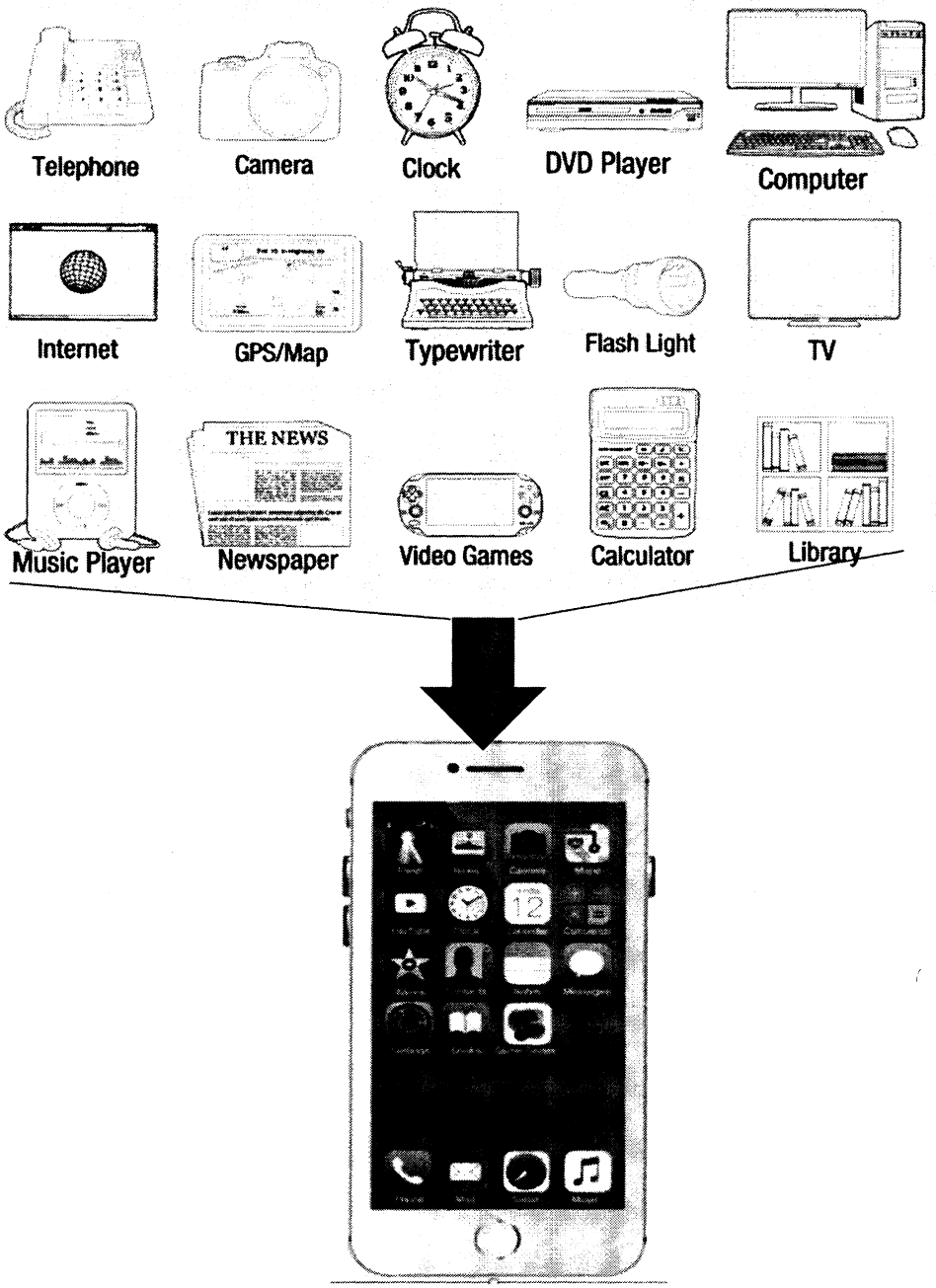

FIG. 7.1: Integration of multiple stand-alone devices into a Smart phone (PR product)

As another example (FIG. 7.2), a laptop may include thousands of technologies and may include components, which comply with more than 300 standards and each standard may be covered by many thousands of patents. A Wi-Fi chip, CPU, Ethernet card, Graphics card, USB, Operating system, hard drive and many other such independent technologies and products are integrated

into a laptop. Each of these independent technologies (or products) could embody multiple thousands of patents. The USB device and the Wi-Fi chip may embody several SEPs and is complaint with standards such as USB 3.0 and 3GPPs' 2G or 3G or 4G standards, however, the operating system such as Windows 10 may not be based on a standards.

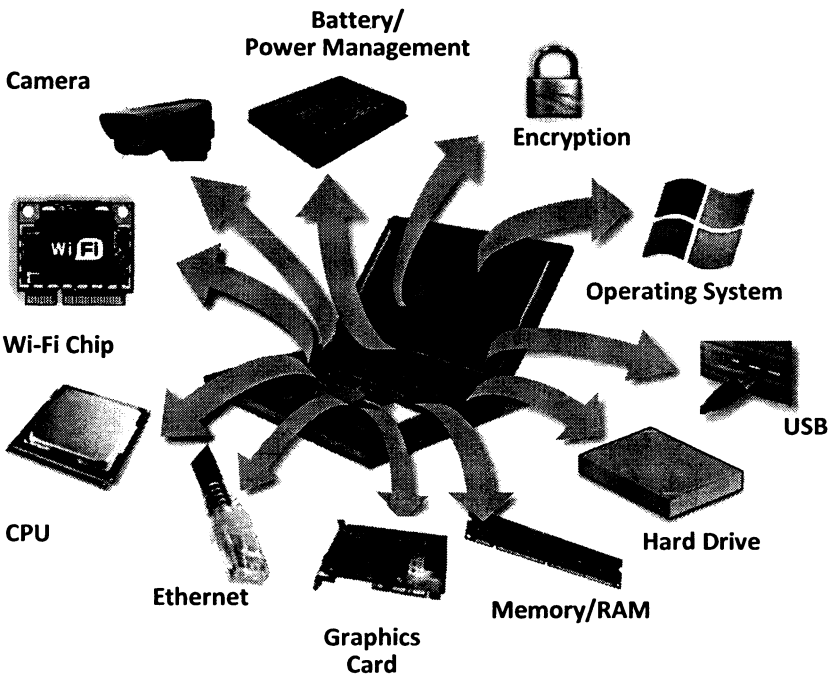

FIG. 7.2: Integration of multiple stand-alone devices into a Laptop (PR product)

As described earlier, Standard Essential Patents (SEPs) though bound by the FRAND policy, always relish a prevalent market privilege. SEP holders eye Injunctions as a tool to draw their own licensing policies for the SEP implementers. FIG. 7.3 depicts the disproportionate remedy in the form of injunctions in a patent infringement case, wherein (a) the instant patent(s) forms only a very small fraction (e.g., 6 patents out of 250000 patents) of the total number of patents (e.g., 250000 patents) embodied in the product; and/or (b) the business value (say X) of the instant patent(s) is substantially less (i.e., X is far less than Y) as compared to the total value (say 'Y') of the product itself. However, a grant of injunction implies that the value (which represents a small

fraction of the total value of the product) of instant patents is equated to 100% of the value of the product itself. This logic seems to be irrational.

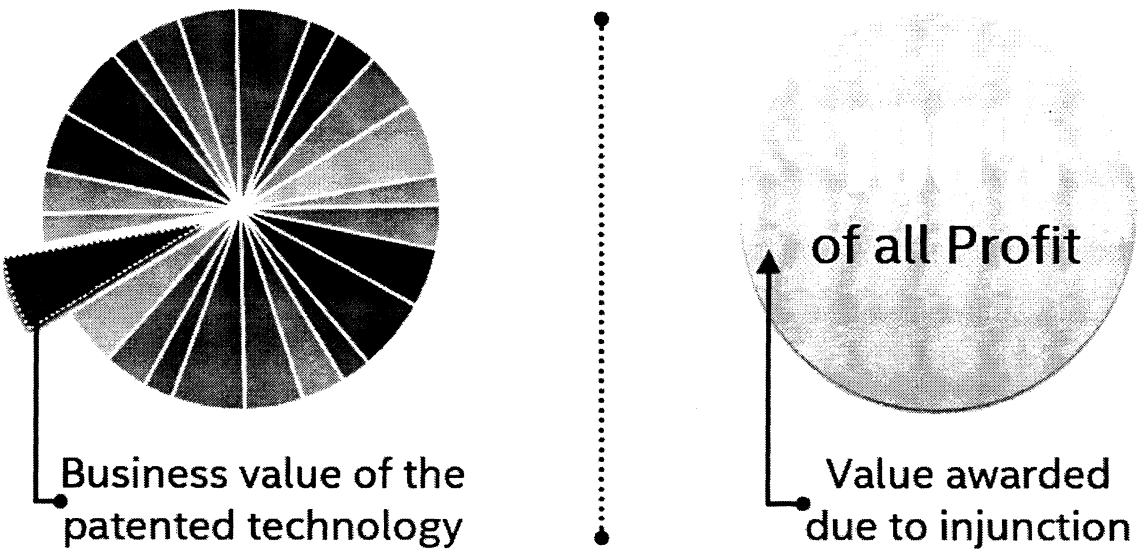

FIG. 7.3: Injunctions – An overly disproportionate remedy

7.2 Injunctions and Statutes

Injunction is a court order passed either refraining or requiring an individual from or to do a particular act[4]. Injunction is an extraordinary remedy granted in the rarest of rarest cases at the discretionary power of a court to prevent improper justice. Injunction is not a matter of right but its non-compliance seeks punishment from the court for contempt of court. There are mainly two types of Injunction, temporary and permanent. Temporary injunction or preliminary injunction is granted in cases where immediate action is necessary. It can be granted at any time of a suit. It is a provisional remedy to preserve the existing conditions. Temporary injunctions are in no way pointers to the final judgment or conclusive of the parties rights to the matter. It is granted as a precaution to prevent further damages or harm to the plaintiff and to preserve the prevailing conditions during the course of case. Permanent injunctions are the final relief granted in a matter based on the merits and demerits of a case as a

[4] Definition of an Injunction, available at http://legal-dictionary.thefreedictionary.com/injunction , last visited on April 14, 2016.

final judgment disposing of the suit. Permanent injunctions remain as long as the condition that caused the matter continues to prevail. Injunctions can be Preventive or Mandatory. Preventive injunctions are those in which a person is prevented or asked to refrain from doing any particular act. Mandatory injunctions are the ones in which a person is compelled to do a particular act in view of a positive effect to the society.

Under United States law, there are two main types of injunctions: preliminary and permanent. A preliminary injunction is entered by a court shortly after a lawsuit is filed and expires once the lawsuit has been decided on the merits. Its purpose is to ensure preserve the "*status quo*" (the state of affairs before the alleged wrongdoing began) and ensure that a plaintiff with a strong claim does not suffer irreparable harm while the case is being litigated. Courts consider four factors in deciding whether to issue a preliminary injunction:

1. Whether the plaintiff is likely to win the case on the merits.

2. Whether the plaintiff is likely to suffer irreparable harm before the case is decided.

3. Whether the hardship the plaintiff will suffer if an injunction is not granted is greater than the hardship the defendant will suffer if an injunction is granted.

4. Whether an injunction would serve or harm the public interest.

If a plaintiff obtains a preliminary injunction but then loses the lawsuit on the merits, he may have to pay the defendant for any harm caused by the injunction. If the plaintiff wins the case on the merits, he can then seek a permanent injunction. A permanent injunction can last for years or for as long as the defendant is alive (persons) or in existence (companies). The test for a permanent injunction is similar to the one for a preliminary injunction. The major difference is that the first factor described above is not relevant for a permanent injunction given that a plaintiff who applies for a permanent injunction has already won on the merits.

In the Indian legal system, the law relating to injunctions is provided in the Specific Relief Act, 1963 which recognizes two kinds of injunctions: Permanent Injunction and Temporary Injunction. Section 37 of Specific Relief Act, 1963 provides that "temporary injunctions are such as are to continue until a specified time, or until the further order of the court, and they may be granted at any stage of a suit..." The procedure for seeking temporary injunction is provided under Order XXXIX of the Code of Civil Procedure (CPC), 1908.

7.2.1 Grounds for granting Injunctions in India

Several cases decided by various courts in India, have shed some light on the interpretation of the grounds for granting injunctions. In the Agricultural Produce Market Committee (APMC) case[5], the court has placed emphasis on the concluded rights held by the seeker of injunctions. In another landmark case - Gujarat Bottling Co. Ltd case[6], and in Seema Arshad Zaheer Case[7], the court has laid down certain guidelines which courts may consider while considering an application for grant of temporary injunctions. The guidelines clearly identifies the following factors to be considered by the courts while granting Injunctions.

Thus, it is very clear that the Injunction seeker should establish that:

1. "a ***prima facie case***" to support his claim for temporary or interim injunctions.
2. "***balance of convenience***" is in his favor; and

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[5] In Agricultural Produce Market Committee Vs. Girdharbhai Ramjibhai Chhaniyara – AIR 1997 SC 2674, the court said "*a temporary injunction can be granted only if the person seeking injunction has a concluded right, capable of being enforced by way of injunction.*

[6] In Gujarat Bottling Co. Ltd. Vs. Coca Cola Co. – AIR 1995 SC 2372, the courts said "*The discretion of the court is exercised to grant a temporary injunction only when the following requirements are made out by the plaintiff: (i) existence of a prima facie case as pleaded, necessitating protection of the plaintiff's rights by issue of a temporary injunction; (ii) when the need for protection of the plaintiff's rights is compared with or weighed against the need for protection of the defendant's rights or likely infringement of the defendant's rights, the balance of convenience tilting in favor of the plaintiff; and (iii) clear possibility of irreparable injury being caused to the plaintiff if the temporary injunction is not granted. In addition, temporary injunction being an equitable relief, the discretion to grant such relief will be exercised only when the plaintiff's conduct is free from blame and he approaches the court with clean hands.*"

[7] Seema Arshad Zaheer & Ors. Vs, Municipal Corporation of Greater Mumbai & Ors. – (2006) 5 Scale 263

3. "***irreparable injury***" will be caused to the injunction seeker if an injunction is not granted.

(i) Prima Facie

For the purpose of establishing "prima facie case", the injunction seeker has to establish the allegations or averments made in the application are credible. The expression "prima facie" means at the first sight or on the first appearance or on the face of it, or so far as it can be judged from the first disclosure. Prima facie case means that evidence brought on record would reasonably allow the conclusion that the plaintiff seeks. The prima facie case would mean that a case which has proceeded upon sufficient proof to that stage where it would support finding if evidence to contrary is disregarded". Different courts in India have provided their interpretation on the prima facie case and a common inference appears to that the courts should exercise discretion in granting injunctions and have placed quite a bit of emphasis on the plaintiff to prove that the prima facie evidence should be a substantially established before considering an injunction. The cases decided by several courts in India allude to the efforts that has to be made by the plaintiff in establishing prima facie evidence such that the probable outcome of a full trail is in favor of the plaintiff. In a patent case, it may not be merely necessary to state that a patent is granted by the Indian patent office to establish prima facie evidence as the patent law in Sec 13(4) clearly indicates that there is "no-presumption of validity" of a patent. Presented below are some cases in support of the points made here. The Supreme Court in Martin Burn Ltd. v. R.N. Banerjee[8] placed emphasis on whether (a) based on the evidence would it be possible to arrive at a conclusion; and (b) would that be the only conclusion which would be arrived based on the conclusion. In Gujarat Electricity Board, Gandhinagar v. Maheshkumar and Co.,

[8] In Martin Burn Ltd. v. R.N. Banerjee[8] 1958-I L.L.J. 247, the courts said *'A prima facie case does not mean a case proved to the hilt but a case which can be said to be established if the evidence which is led in support of the same were believed. While determining whether a prima facie case had been made out, the relevant consideration is whether on the evidence led it was possible to arrive at the conclusion in question and as to whether that was the only conclusion which could be arrived at on that evidence.'*

Ahmedabad,[9] placed emphasis on whether the prima facie case would (a) establish the presence of a serious question to be tried; and (b) help a plaintiff to obtain a relief at the conclusion of the trail." Since the patent act itself explicitly states that there is no "presumption of validity" of a patent, would merely relying on the fact that the plaintiff is granted a patent meet the grounds of whether the grant of a patent by itself provide a serious enough question for trail and/or would it be possible to probably arrive at a conclusion at the end of the trail based on the prima facie evidence.? Also, since the patent matters are so technical intensive it is a substantially difficult proposition to rely on the mere grant of a patent to establish prima facie evidence. In fact, under Indian patent law it is even harder to rely on the mere grant as a prima facie case because of a large number of inventions[10] are kept out of the ambit of patents and the provisions therein may act as grounds for invalidating a patent. Further, the grounds for revocation[11] are quite expansive and the threat to a patent revoked are thus high if litigated. Also, the provisions under Sec 8[12] of India Patent Act can be used as a ground for revoking the patent. In Chemtura Corporation case[13] and Tata Chemicals Limited case[14], provisions of Sec 8 were held as a ground for revocation (or invalidation) of a patent. There are so many grounds available to

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[9] In Gujarat Electricity Board, Gandhinagar v. Maheshkumar and Co., Ahmedabad (1995(5) SCC 545), the court was of the opinion that wherein it was held that "Prima facie case" means *that the Court should be satisfied that there is a serious question to be tried at the hearing, and there is a probability of Plaintiff obtaining the relief at the conclusion of the trial on the basis of the material placed before the Court. "Prima facie case" is a substantial question raised bonafide which needs investigation and a decision on merits. The Court, at the initial stage, cannot insist upon a full proof case warranting an eventual decree. If a fair question is raised for determination, it should be taken that a prima facie case is established. The real thing to be seen is that the Plaintiff's claim is not frivolous or vexatious.*

[10] Section 3 of The Patent Act 1970, "what are not inventions" available at http://ipindia.nic.in/ipr/patent/eversion_actrules/sections/ps3.html, last visited on May 29, 2016.

[11] Section 64, of The Patent Act 1970, "Revocation of patents" available at http://ipindia.nic.in/ipr/patent/eversion_actrules/sections/ps64.html, last visited on May 29, 2016.

[12] Section 8 of The Patent Act 1970, "Information and undertaking regarding foreign applications" available at http://ipindia.nic.in/ipr/patent/eversion_actrules/sections/ps8.html, last visited on May 29, 2016.

[13] In Chemtura Corporation v Union of India [CS(OS)No. 930 of 2009, the High Court held that the status of prosecution of a patent application in other jurisdictions abroad must be provided in detail including regarding searches conducted and objections raised.

[14] In Tata Chemicals Limited v Hindustan Unilever Limited (Order No. 166 of 2012), IPAB noted that "once the Controller has called upon the Applicant to furnish details under Sec 8(2), it becomes the duty of the applicant to furnish those details that are required u/s 8(2).

the defendants to seek invalidity or revocation of a patent and as such relying on grant of a patent as a prima facie case appears to un-realistic.

(ii) Balance of Inconvenience and Irreparable Harm

The court has to examine the balance of convenience i.e. the balance of comparative loss caused to the applicant and the respondent in the case of not passing the order. The court will first of all examine what is the extent of loss that would be caused to the applicant if the order is not passed and also whether it is reparable by monetary compensation i.e. by payment of cost. Then it will examine the loss suffered by respondent if the order is passed and thereupon it has to see which loss will be greater and irreparable. The party who would suffer greater loss would be said to be having balance of convenience in his favor and accordingly, the court will pass or refuse to pass the order. The court has the power also to ask the party to deposit security for compensation or to give an undertaking for the payment of the compensation, if ordered.

In Best Sellers Retail India (P) Ltd. Case[15], the Honorable Supreme Court observed the importance of irreparable harm in addition to the prima case. In case of a patents and more specifically SEPs the irreparable harm is mostly in favor of the implementers rather than the SEP holders. Based on the FRAND promise made by the SEP holder to the SSO, the SEP implementer would have made investments and the implementers have relied on the fact that the question to be determined is only the quantum of royalty. However, when the SEP holders seek injunctions and if the courts grant injunctions, it is implementer who will suffer an irreparable harm when royalty is an appropriate remedy. The investments made by the implementers, logistics, channel partners and distributors selected to

[15] In Best Sellers Retail India (P) Ltd. vs. Aditya Nirla Nuvo Ltd. – (2012) 6 SCC 792, the Honorable Supreme Court observed *that prima facie case alone is not sufficient to grant injunction* and held that *"Yet, the settled principle of law is that even where prima facie case is in favor of the plaintiff, the Court will refuse temporary injunction if the injury suffered by the plaintiff on account of refusal of temporary injunction was not irreparable."*

make the sale, several employees employed by the implementer and the eco-system partners are all put to a high risk with the grant of injunctions. Further, if there are 3 players in the market place and one of them is injuncted from making and selling, the consumers will be left with only two choices and such as situation may lead to (a) non-availability of such products in adequate quantities; (b) may cause increase in the price of such products due to demand-supply theory and the market effects. Such injunctions reduce competition and thus motivation to innovate. As a whole, the completion, innovation, and the consumers would be affected adversely. Thus, it is the implementer who is more likely to suffer the irreparable harm more than a SEP holder. The prime focus of the SEP holder is to get royalties and injunctions should not be used as a means to reach that goal. It is understood that SEP holders may suffer too if the royalties are not paid to the SEP holders and the judiciary has an important and critical role in quickly determining the royalties that need to be paid to SEP holders and enforce such royalty payment orders without delay such that the balance between the interests of the SEP holders and the implementers is achieved.

Order XXXIX Rule 3 of the Code of Civil Procedure, 1908 provides *for ex-parte temporary injunction in the cases of extreme urgency*. However, Rule 3 does not stipulate a separate application for ex-parte injunction rather such an application should be a part of an application for a bi-parte temporary injunction and in such application urgency shall be shown by the applicant so as to warrant the passing of an ex-parte injunction/order. However, such an order has to be temporary. The essential safeguards in this regard are briefly stated as under:

- The matter should be urgent and overwhelming.
- The other elements for the grant of temporary injunction order as explained in the Gujarat Bottling case shall exist.
- The court shall record reasons for the grant of ex-parte order.
- It is the duty of the applicant to serve a notice to the other party after

the order has been passed and such notice shall be coupled with a copy of the application, the plaint, the affidavit and any other document which were filed in support of the application. Upon serving such notice, the applicant shall on the same day of the order or on the next day file an affidavit of his having served such a notice.

- Under Order XXXIX Rule 3A of the Code of Civil Procedure, 1908, it is a mandate for the Court that after passing such an ex-parte order, it shall continue with the bi-parte proceedings and shall dispose of the application within 30 days. However, the said 30 days period is not the upper limit for ex-parte orders i.e. the ex-parte order will not get automatically vacated upon the lapse of 30 days rather it can further be extended beyond 30 days in extreme cases.

The Honorable Supreme Court in Morgan Stanley Case[16] observed that ex-parte injunctions should be passed only if there is an extremely serious injury caused to the patent holder (or SEP holder). However, it can only be imagined that in rarest of the rare cases would an SEP holder suffer extremely serious injury of the injunction is not granted. Thus, the irreparable injury is mostly non-present in SEP litigation and the SEP holders should not be granted ex-parte injunctions. In fact, the focus of the legal system has to be on quickly determining the reasonable royalties and having it paid out to the SEP holders.

It is where there is doubt as to the adequacy of the respective remedies in damages available to either party or to both, that the question of balance of convenience arises. In Bikash Chandra Deb vs Vijaya Minerals Pvt. Ltd[17]., the

[16] In Morgan Stanley Mutual Fund Vs. Kartick Das- 1994 SCC (4) 225, JT 1994 (3) 654, the Supreme Case inter alia observed the under mentioned guidelines for grant of temporary injunction besides others: (a) Where irreparable or extremely serious injury will be caused to the applicant, ex-parte order can be passed; (b)The court shall examine the time when the plaintiff got notice of the act complained; (c) If the plaintiff has acquiesced to the conduct of the respondent then ex-parte temporary injunction shall not be passed; (d) The applicant shall be acting in utmost good faith; and (e) Such an order shall be for a temporary period.

[17] In Bikash Chandra Deb vs Vijaya Minerals Pvt. Ltd.: 2005 (1) CHN 582, the Court observed that "the Court shall lean in favour of introduction of the concept of balance of convenience, but

Hon'ble Calcutta High Court observed that there should be proper balance between the parties and should not be one-sided affair. In Antaryami Dalabehera vs Bishnu Charan Dalabehera[18] and in the case of Orissa State Commercial Transport Corporation Ltd. v. Satyanarayan Singh[19], the court pointed out to the *comparative mischief for inconvenience to the parties* and in Anwar Elahi vs Vinod Misra And Anr.[20] that the court pointed out the inconvenience caused if an injunction is not granted. Based on all these cases and observation of the courts it is the SEP implementers who would be inconvenienced if an injunction is granted as the remedy for using a FRAND encumbered SEPs is in royalties and not is injunctions.

The Court must *be satisfied that non-grant of ad interim injunction to the plaintiffs would result in irreparable loss to the plaintiffs.* An ***irreparable loss is a loss which cannot be compensated in terms of money.*** A ***loss which can be calculable in terms of money or for which money can be adequately compensated can never be said to be an irreparable loss***. In the case of Orissa State Commercial Transport Corporation Ltd. v. Satyanarayan Singh, observed: ***'Irreparable injury' means such injury which cannot be adequately remedied by damages***. The remedy by damages would *be inadequate if the compensation ultimately payable to the plaintiff in case of success in the suit* ***would not place him in the position in which he was before injunction*** *was*

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does not mean and imply that the balance would be on one side and not in favour of the other. *There must be proper balance between the parties and the balance cannot be a one-sided affair.*

[18] Antaryami Dalabehera vs Bishnu Charan Dalabehera: 2002 I OLR 531, the court observed that balance of convenience which means, *comparative mischief for inconvenience to the parties*. The inconvenience to the petitioner if temporary Injunction is refused would be balanced and compared with that of the opposite party, if it is granted.

[19] Orissa State Commercial Transport Corporation Ltd. v. Satyanarayan Singh, (1974) 40 Cut LT 336, the court observed that "If ***the scale of inconvenience leans to the side of the plaintiff, then alone interlocutory injunction should be granted.***"

[20] In Anwar Elahi vs Vinod Misra And Anr. 1995 IVAD Delhi 576, 60 (1995) DLT 752, 1995 (35) DRJ 341, the court held that ' Balance of convenience means that comparative mischief or inconvenience which is likely to issue *from withholding the injunction will be greater than that which is likely to arise from granting it.* In applying this principle, the Court has to weigh the amount of substantial mischief that *is likely to be done to the applicant if the injunction is refused and compare it with that which is likely to be caused to the other side if the injunction is granted.*'

refused. In the case of H. Bevis and Company v. Ram Behari[21], the court emphasized that greatest care has to be taken while considering grant of ex-parte injunctions. As regards relief of temporary injunction, in the case of Delhi Municipality v. Suresh Chandra[22], while dealing with the question of grant of interim or temporary injunction, that when there *is a discretionary equitable relief, injunctions cannot be granted when an equally efficacious relief is obtainable in any* ***other usual mode or proceeding except in cases of breach of trust*** . In case of SEPs, the equitable relief is undoubtable, which is the royalties and thus, injunction in whichever form should not be generally available to the SEP holder.

In view of the aforesaid, it can be concluded that grant of temporary injunction cannot be claimed by the party as a matter of right nor can be denied by the Court arbitrarily. However, the discretion to be exercised by the Court is guided by the principles mentioned hereinabove and depends on the facts and circumstances of each case. The *party seeking relief not only has to establish prima facie case but also the irreparable loss that would be caused in case of denial to grant relief and that the balance of convenience lies in his favor.* This is the same rational behind the provision of Order XXXIX of the Code of Civil Procedure, 1908 as laid down by Honorable Supreme Court in the case of M. Gurudas and Others[23],

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[21] H. BEVIS AND COMPANY v. RAM BEHARI, AIR 1951 Allahabad, the court referred to Woodroffe's Law relating to Injunction and quoted the following observations:- "The power to issue *an ex-parte injunction no doubt exists* ***but the greatest care should be employed in its exercise***, There may be instances where the injury is so great that an ex-parte injunction is necessary; but the Court should if possible always require notice, however, short, to be given. *Such an injunction on the application of one party, and without previously giving to the person to be affected by it the opportunity of contesting the propriety of its issuing, is a deviation from the ordinary course of justice, which nothing, - but the existence of some imminent danger to property if it be not so granted - can justify.* A case, therefore of irremediable mischief impending must be made out."

[22] DELHI MUNICIPALITY v. SURESH CHANDRA AIR 1976 SC 2621, their Lordships of the Supreme Court observed: "that it also seems that the attention of the learned Judge was not directed towards Section 41(h) of the Specific Relief Act, 1963 which lays down *that an injunction, which is a discretionary equitable relief, cannot be granted when an equally efficacious relief is obtainable in any* ***other usual mode or proceeding except in cases of breach of trust.***"

[23] M. Gurudas and Others (2006) 8 SCC 367, the courts observation can be summarized as "While considering an application for injunction, *the Court would pass an order thereupon having regard to prima facie, balance of convenience and irreparable injury*".

Thus, while considering an application for injunction, it is well-settled, the courts would pass an order thereupon having regard to: (i) Prima facie (ii) Balance of convenience; and (iii) Irreparable injury. A finding *on 'prima facie case' would be a finding of fact. However, while arriving at such finding of fact, the court not only must arrive at a conclusion that a case for trial has been made out but also other factors requisite for grant of injunction exist* (Vishal vs Kataria decided on 27 January, 2010; Gujarat High Court). The Supreme Court in Shanti Kumar Panda v. Shakuntala Devi[24], where the court held thus: 'At the stage of passing an interlocutory order such as on an application for the grant of ad interim injunction under Rule 1 or 2 of Order 39 of the CPC, the competent *Court shall have to form its opinion on the availability of a prima facie case, the balance of convenience and the irreparable injury - the three pillars on which rests the foundation of any order of injunction.*' In Colgate Palmolive (India) Ltd. Vs. Hindustan Lever Ltd[25].,the Honourable Supreme Court observed that the other considerations which ought to weigh with the Court hearing the application or petition for the grant of injunctions are as below: (i) Extent of damages being an adequate remedy; (ii) Protect the plaintiff's interest for violation of his rights though however having regard to the injury that may be suffered by the defendants by reason therefor; (iii) The court while dealing with the matter ought not to ignore the factum of strength of one party's case being stronger than the others; (iv) No fixed rules or notions ought to be had in the matter of grant of injunction but on the facts and circumstances of each case- the relief being kept flexible; (v) The issue is to be looked from the point of view as to whether on refusal of the injunction the plaintiff would suffer irreparable loss and injury keeping in view the strength of the parties' case; (vi) Balance of convenience or inconvenience ought to be considered as an important requirement even if there is a serious question or prima facie case in support of the grant; (vii) Whether the grant or refusal of injunction will adversely affect the interest of general public

[24] Shanti Kumar Panda v. Shakuntala Devi 2004(1) SCC 438
[25] Colgate Palmolive (India) Ltd. Vs. Hindustan Lever Ltd., AIR 1999 SC 3105

which can or cannot be compensated otherwise." Grant of temporary injunction is governed by three basic principles, i.e. prima facie case; balance of convenience; and irreparable injury, which are required to be considered in a proper perspective in the facts and circumstances of a particular case.

7.3. Injunctions and Patents

The harshest remedy a company may face in a lawsuit is an injunction—a court order requiring that a corporation stops all or part of its business. Outside of patent cases, United States courts have issued injunctions only in exceptional circumstances. Generally, a plaintiff who wins a lawsuit can only get monetary damages. Courts typically will not issue an injunction unless money damages cannot adequately compensate the plaintiff for his injury. And even then, courts will not grant an injunction if doing so would cause disproportionate harm to the defendant or impair the public interest.

In patent cases, however, the rules historically have been different. Although courts have long been reluctant to grant **preliminary** injunctions in patent cases, they routinely issued **permanent** injunctions. Indeed, while in other cases, permanent injunctions were the exception, in patent cases, they were the rule. Courts issued permanent injunctions almost automatically to enjoin the sale of products found to infringe a patent—regardless of whether the defendant or the public would be harmed by an injunction or whether monetary damages would compensate a patent owner if no injunction were issued.

The Supreme Court recently held that this unique injunction approach in patent cases makes no sense. Earlier this year, the Supreme Court ruled in ***eBay Inc. v. MercExchange***[26], that courts should apply the same specific criteria in patent cases that they use in deciding whether to issue a permanent injunction in other types of lawsuits. In doing so, the Supreme Court has promoted two important policies. First, it has brought consistency to the legal system because

[26] ***eBay Inc. v. MercExchange***, 126 S.Ct. 1837 (2006)

requests for injunctions in patent cases will be treated the same way they are in all other types of cases. Second, by rejecting the prior practice of automatically enjoining any product that has been found to infringe, the *eBay* decision recognizes that the public has an interest in whether an injunction is entered in a particular case.

7.3.1. The Prior Standard for Injunctions in Patent Cases

Preliminary Injunctions

As in other types of lawsuits, preliminary injunctions have always been rare in patent cases. Courts apply the same four-factor test in patent cases that they do in other types of cases. The first factor—which requires that they show a likelihood of success on the merits—is particularly difficult to satisfy in patent cases. The plaintiff must show both a likelihood of infringement and a likelihood that the patent is valid.

To establish that the patent will likely be found valid, a plaintiff must normally show either (1) that the patent has already been found to be valid in another lawsuit where its validity was challenged using the same arguments used by the defendant in the present case or (2) that other members of the relevant industry have long avoided practicing the invention or have paid to license it, thereby implying that they believe the patent has merit. A plaintiff who owns a recently issued patent cannot meet either of those requirements and thus is unlikely to obtain a preliminary injunction.

In evaluating the second factor—whether the plaintiff will suffer irreparable harm—courts consider whether and how the plaintiff practices or license the patent. Normally, monetary damages will be sufficient to compensate a plaintiff who has licensed his patent, and thus a court is unlikely to grant a preliminary injunction. Likewise, where the parties are not competitors, the plaintiff does not need a preliminary injunction to prevent lost sales.

Permanent Injunctions

Until recently, the standard for issuing a permanent injunction in patent

cases was inconsistent with **both** the standard used for permanent injunctions in other cases **and** the standard used for preliminary injunctions in patent cases. Permanent injunctions in patent suits were not limited to rare cases. Rather, the "general rule" in patent law was that courts would issue permanent injunctions unless there were "exceptional circumstances." *eBay*, 126 S.Ct. at 1839. In practice, this "general rule" meant that courts almost automatically entered injunctions when the defendant was found liable for infringement. The Federal Circuit—the court that hears all patent appeals—had not refused to enter a permanent injunction against an infringing defendant in more than twenty years. Brief Amici Curiae of 35 Intellectual Property Professors in Support of the Petition for Certiorari, 2005 WL 2381070 at 2 n.2 (Sept. 28, 2005).

Under this rule, courts entered permanent injunctions almost automatically after a finding of infringement—regardless of whether the patent holder could show irreparable injury and regardless of the harm to the defendant and the general public. The risk that a crippling injunction would shut down an entire product line routinely forced defendants to surrender and settle on bad terms even when they had strong defenses on the merits. The certainty of an injunction in the event of a finding of liability made it too dangerous for many defendants to go to trial. Funds that otherwise could have been used for productive research and development were instead siphoned off to pay license fees for weak patents.

In the *BlackBerry* Case, this problem was particularly pernicious in cases where the patent owner did not even make a product that practiced the patented invention but rather was in the business of licensing the patent to those that did. In reality, that type of patent owner did not actually want the defendant to stop selling the infringing product. To the contrary, he wanted the defendant to continue practicing the patent and pay him royalties. An injunction served his interests only as a weapon to force the defendant to pay a higher price for a license by instilling fear of having a product line shut down, squandering millions

of dollars in investment and causing massive layoffs.

Although the mainstream press rarely takes notice of patent law, the recent infamous *BlackBerry* case[27] brought widespread scrutiny this past year to this issue. In that case, a court ruled that Research In Motion Ltd. ("RIM"), the maker of BlackBerry email devices, had infringed patents owned by a company called NTP Inc. Although the jury had found that RIM should pay $23.1 million to compensate NTP, RIM eventually agreed to pay more than ***twenty-five*** times that amount ($612.5 million) to settle the case. The reason that RIM paid so much was simple: it stood to lose billions of dollars if the court entered an injunction. The *BlackBerry* case was what Americans call a "perfect storm" in which all of the problems underlying the rule for patent injunctions joined to create a crisis of national proportions:

- NTP did not make or sell products; it was in the business of licensing patents. Monetary damages would have fully compensated NTP for any harm caused by the continued sale of BlackBerry devices. In truth, NTP wanted an injunction for one reason only--to gain extra leverage over RIM in their licensing negotiations.
- An injunction would have been grossly disproportionate to the alleged infringement. The technology described in the patents plays only a minor role in BlackBerry devices, yet an injunction would have shut down all BlackBerry sales.
- RIM would have suffered billions of dollars in damages if an injunction had entered. A major technology consulting firm, Gartner Inc., recommended that people stop buying BlackBerries given the possibility of an injunction.
- Millions of people would be unable to use the BlackBerries that they already owned—making their purchases worthless, leaving them without remote email service and forcing them to spend hundreds of dollars each on alternative devices.

[27] *NTP, Inc. v. Research in Motion, Ltd.* 418 F.3d 1282 (2005)

All of these facts would have been considered by the court if the *BlackBerry* case had been anything other than a patent dispute. Under the "general rule" for patent cases, however, none of that mattered. Faced with the almost certain prospect of a permanent injunction that would shut down its business, RIM had no choice but to settle the case by paying NTP hundreds of millions of dollars more than the jury had awarded.

The view that patent infringers should almost always be enjoined had its genesis in the Industrial Revolution of the 19th and early 20th centuries. During that era, the patented invention and the product were usually the same thing. The patent covered the entire product, not merely a component of it. Thus, a product that infringed a patent normally had no non-infringing uses, technology or innovations. In those circumstances, the public interest would rarely be harmed by enjoining the infringing product. The world has changed. Most innovation is incremental improvement that builds on a significant body of prior work. High-technology products are not based on a single invention or patent. Rather, such products are developed through a process of cumulative innovation. A single product may use hundreds, even thousands, of patents. Moreover, many patents cover products or processes that are already in widespread use when the patent issues. The sellers of these products face infringement actions even though they had no knowledge of the patents at the time the products were introduced to the market.

Thus, an injunction on a single patent for a minor component could keep from the public a major advancement in computing, networking or information technology. The automatic issuance of injunctions acted as a disincentive for people to develop innovations that build on another's patent: the inventor could not use his innovation until the earlier patent had expired. Inventors faced the choice of either avoiding innovation or risking injunctions. The development of the radio industry illustrates how this disincentive could restrain innovation. Four

companies held patents in radio technology that could be practiced only in conjunction with patents owned by the others. A stalemate ensued, and progress in radio technology was impeded. Moreover, patents are increasingly being acquired by companies that do not actually make products that practice the patents. Rather, these companies seek to make their fortune by selling licenses to those that do make products that practice the patents. That type of patent owner does not need an injunction to protect his interests because he is not using his patent to protect the uniqueness of a product that he is selling in the market. Monetary damages can fully compensate someone who is exploiting his patent merely to obtain licensing fees. They use the threat of an injunction simply for undue leverage in licensing negotiations. It was against this background that the United States Supreme Court issued its decision in the *eBay* case rejecting the automatic issuance of permanent injunctions in patent lawsuits.

In eBay, the well-known internet auction website, had been found liable for infringing a patent owned by MercExchange, L.L.C[28]. The patent at issue was a business method patent for an electronic market designed to facilitate the sale of goods by establishing a central authority to promote trust among the participants. MercExchange did not actually use the patent—it did not operate an electronic market. Rather, it was in the business of licensing patents that it owned. Applying the "general rule" that required injunctions for patent infringement unless there were "exceptional circumstances," the Federal Circuit held that MercExchange was entitled to an injunction. The nine members of the Supreme Court unanimously reversed that ruling. They held that "the traditional four-factor framework that governs the award of injunctive relief" applies to patent cases. The Supreme Court sent the case back to the lower courts to determine whether MercExchange was entitled to an injunction under that four-factor test.

[28] EBAY INC. v. MERC EXCHANGE, LLC 126 S.Ct. 1841

In a concurring opinion, four of the nine justices specifically discussed how patents had changed over the past 100 years and stated that the four-factor test allows courts "to adapt to the rapid technological and legal developments in the patent system." *Id.* at 1842. They explained that "in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases." *Id.* Patent owners often do not actually make products that practice their inventions but instead, like MercExchange, use their patents to obtain licensing fees from those that do. The concurring opinion also noted that an injunction may be inappropriate where the patented invention is only a minor part of the product:

When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, though legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.

Post-*eBay in many several* Cases, Several courts have ruled on requests for injunctions in patent cases in the few months since the Supreme Court decided *eBay*. These cases suggest that, under the four-factor test, injunctions in patent cases will be limited to situations in which the patent owner competes with the defendant's infringing product. Since *eBay* was decided, courts in patent cases have issued injunctions only where the patent owner and the defendants were direct competitors. An injunction was entered in *Tivo v. Echostar Communications*[29], where the patent owner and the defendants sold competing digital video recorders. The patent owner also obtained an injunction in *Wald v. Mudhopper Oilfield Services*[30], where he sold patented products for oil wells that directly competed with the defendant's infringing products. In *Tivo* and *Wald*, the courts found that (1) the patent owners would suffer irreparable harm because they would lose market share as a result of infringing sales by the defendants; (2)

[29] *Tivo v. Echostar Communications*, 2:04-CV-1-DF (E.D. Tex. Aug. 17, 2006),
[30] *Wald v. Mudhopper Oilfield Services*, CIV-04-1693-C (W.D. Okla. Jul. 27, 2006),

monetary damages could not compensate them for that harm; (3) those hardships were greater than the difficulties that the defendants would face if an injunction issued because the defendants' harm would be a consequence of their own wrongful infringement; and (4) an injunction would serve the public's interest in a strong patent system, and barring the sale of defendants' infringing products would not affect public health or any other similar important public interest.

In contrast, courts have refused to enter injunctions in cases in which the parties were not direct competitors. The patents at issue in *Paice LLC v. Toyota Motor Corporation*[31], related to Toyota's hybrid vehicles. The patent owner did not actually make or sell hybrid cars. Rather, it was in the business of licensing its patents, and it was unable to show that the absence of an injunction would have made it unable to continue to license its technology. In refusing to enjoin Toyota's sales of its hybrid vehicles, the court further noted that the infringed claims affected only a small aspect of the cars, and that an injunction would cause serious harm not only to Toyota, but also to its dealers and suppliers.

An injunction was also denied in *z4 Technologies v. Microsoft Corporation*[32]. Although z4 had attempted to commercialize software that used the patented invention that software did not directly compete with Microsoft's infringing Windows and Office software. The court therefore found that, because Microsoft's continued sale of its infringing products would not cause z4 to lose sales or market share, z4 would not be irreparably harmed. Moreover, an injunction on sales of the Microsoft software would harm the public interest given "the public's undisputed and enormous reliance on these products."

The Supreme Court's decision in *eBay* has brought consistency to the law on injunctions by requiring courts to apply the same test for permanent injunctions in patent cases that they do in all other types of cases. And as with

[31] *Paice LLC v. Toyota Motor Corporation*, 2:04-CV-211-DF (E.D. Tex. Aug. 16, 2006)
[32] *z4 Technologies v. Microsoft Corporation*, 434 F. Supp. 2d 437 (E.D. Tex. 2006)

other cases, the Court brought consistency to the standards for both preliminary and permanent injunction. a. The Court's ruling recognizes that the nature of innovation and technology has changed since the early days of patent law and ensures that, in deciding whether to issue an injunction, courts will consider the public interest and the relative hardships that the plaintiff and defendant would suffer. The first cases decided in the aftermath of *eBay* indicate that parties will be able to accurately predict whether a court will issue an injunction: if the parties directly compete, an injunction is probable; if the parties do not, then an injunction is unlikely.

7.3.2. Injunctions, Standard Essential Patents, and FRAND

Inventions that conform to the patent requirements materialize into Patent grants. Theoretically, Conventional patent holders rule out others and enjoy the market share with the monopolistic rights they own through selling, manufacturing, importing, licensing etc. In real world, the patent holders always have the risk of competing with enormous number of competitors in the market and their share depends on the strength of the patent in hand. But the theory is practically possible when a patent attains the title "Standard" and accords to be a "Standard essential patent". Standards are specific requirements or specifications set out to be followed by a specific material, item, process, system etc in each particular related field. Standards are accepted to create a unique consistent way to obtain an invariable performance in the intended manner. Standards are created either *de facto* or *de jure* i.e., by its widespread use in the market or when set by a standard setting organization (SOS) such as the European Telecommunications Standards Institute (ETSI), the International Telecommunication Union (ITU), Institute of Electrical and Electronics Engineers (IEEE) etc respectively. When a patent claims an invention that is acquired and set as a standard, it turns out to be a Standard essential patent. It becomes mandatory in a way for anyone in the market to adopt the SEP when manufacturing a standard compliant product. In other words, all other patents which claim alternate solutions or inventions become worthless with the SEP

being accepted as a mandate and SEP non-compliant products manufactured turns out to be commercial failures at most times. Thus SEP holders rule the market with the dominance sweeping away other players and enjoy the monopoly grandly, though not an absolute right. SEP mandates those in the field or acquiring SEP standard to obtain license from the SEP holder irrespective of whether the standard forms a minor or major part of his product. But to appreciate, SEP holders are always under the obligation to disclose and grant licenses for the SEPs to the SEP implementers under FRAND (Fair, Reasonable and Non-Discriminatory) terms as required by the SSOs from their members. This requirement favors the promotion of standards avoiding unnecessary competitions. Standard development processes of the SSOs rests on the FRAND policy foundation. FRAND policy is introduced with the intention to ensure that SEP holders do not abuse the market dominance with the widespread adoption of standard.

Though all these are set forth for ensuring smooth processes throughout the adoption and licensing, everything doesn't land up in track in the whole runway. The major issue is the decision as to what constitutes to be a Fair, Reasonable and Non-Discriminatory terms for licensors and license seekers. Most of the times the situations worsen and gear up to drag the scenes to Courts where the SEP dominance either ends up the life of the non-licensed implementer or injunction threat hangs as a sword on the SEP implementers forcing them to bow down before the SEP holder's demands.

7.3.3. Threat of Using SEPs to seek Injunctions

One of the critical tools used by SEP holders to coerce potential licensees to agree to excessive royalties and other unreasonable licensing terms is the threat of an injunction. Injunctive relief is a remedy that is available only where a patent holder cannot be adequately compensated for his injury by monetary

relief.[33] By contrast, a SEP holder that makes a FRAND commitment has already agreed that monetary compensation is an adequate remuneration for its SEPs. By voluntarily agreeing to license its SEP's, a SEP holder has clearly agreed that he or she is expecting a monetary compensation for use of its FRAND and has willingly and impliedly accepted that injunctions are not a remedy expected as a result of licensing. However, it is a rampant strategy adapted by the SEP holders to seek an injunction if the SEP implementers do not agree to pay excessive (and non-FRAND) royalty rates demanded by the SEP holders. SEP implementers under the threat of being injuncted out of business tend to agree to a higher royalty rate, which may be non-FRAND rates. Thus, SEP holders have and are using injunction as a tool to bargain for higher royalty rates, which may be non-FRAND rates.

The flowchart below (FIG. 7.4) depicts a picture of the current unbalanced FRAND negotiation scenario in the SEP licensing and how the real or truly balanced FRAND negotiation (FIG. 7.5) in the SEP licensing should be. In FIG. 7.4, it may be seen that there are the outcome (i.e., reasonable royalty determination) will not be actually reasonable if there is a threat of injunction. If the licensee does not agree to the royalty rate proposed by the licensor, the licensee will be injuncted out and the entire business built based on a FRAND promise (made the SEP holder) will come to a grinding halt. This grinding halt has a huge negative impact on SEP implementers, competition, consumers, and innovation. Like-wise if the licensee agrees to higher royalty (i.e., non-FRAND or unreasonable royalty) under the threat of injunction and if the licensee transfers (it has to be transferred as licensee cannot absorb those costs) there is a huge negative impact on SEP implementers, competition, consumers, and innovation.

In contrast, as in FIG. 7.5, if the negotiation fails the parties can approach the courts seeking ***only*** to determine reasonable royalty and ***without seeking an***

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[33] *Nokia OYJ v. IPCom GmbH*, [2012] EWHC 1446 (Ch.), No. HC10 C01233, 18 May 2012 ("*Nokia v. IPCom*")

Leon B. Greenfield, Hartmutschneider, & Joseph J. Mueller, SEP Enforcement *Beyond the Water's Edge: A Survey of Recent Non-U.S. Decisions*, http://www.wilmerhale.com/uploadedFiles/WilmerHale_Shared_Content/Files/PDFs/Sum13-GreenfieldC.PDF, 27 ANTITRUST 3, 53 (2013); last visited Mar 05,2016

injunction, the outcome is a very balanced one and is arrived without the threat of injunctions. SEP holders can approach the courts if the SEP implementers are non-compliant in paying the court determined royalty rate.

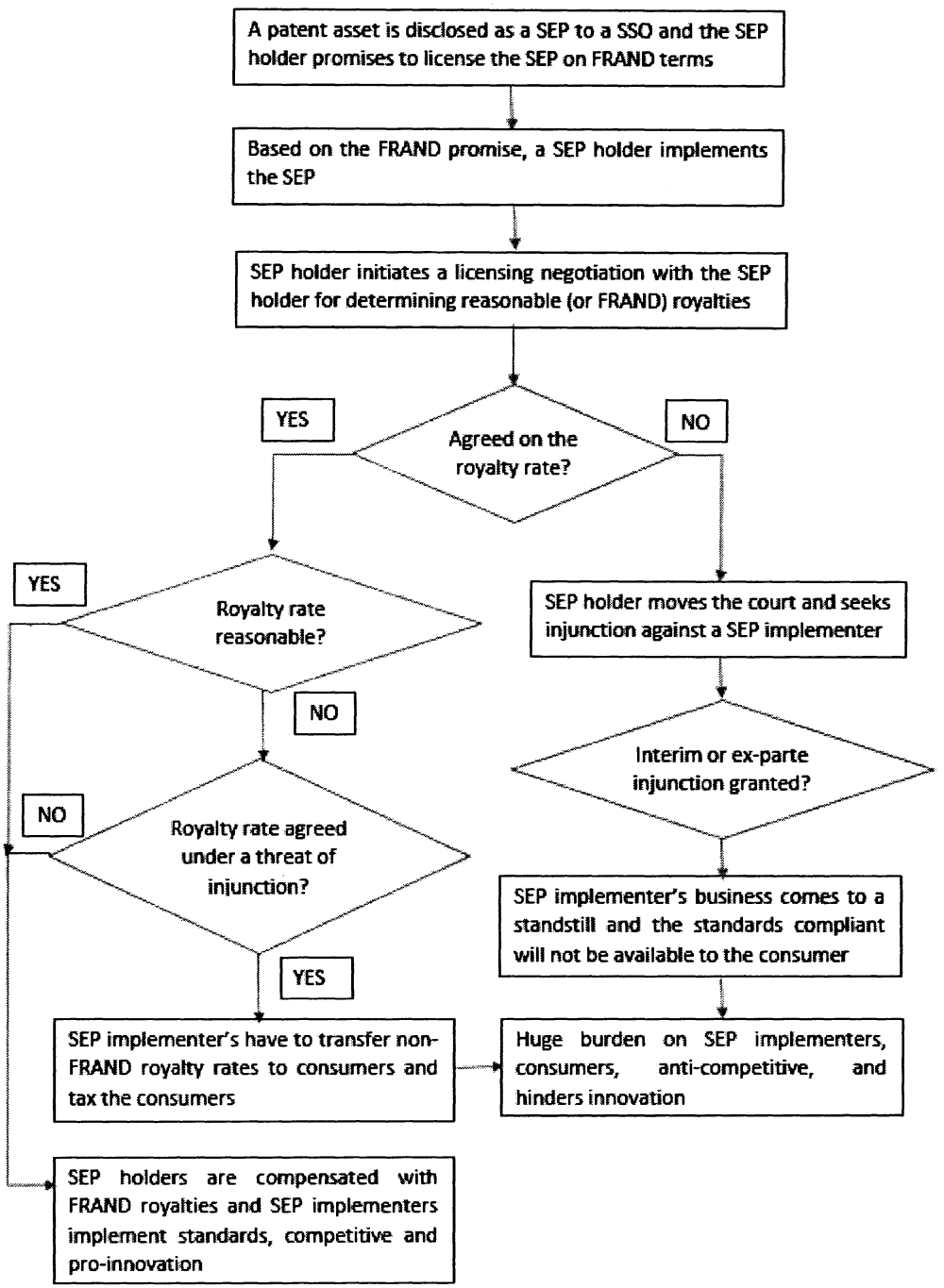

FIG. 7.4: Imbalanced FRAND Negotiation

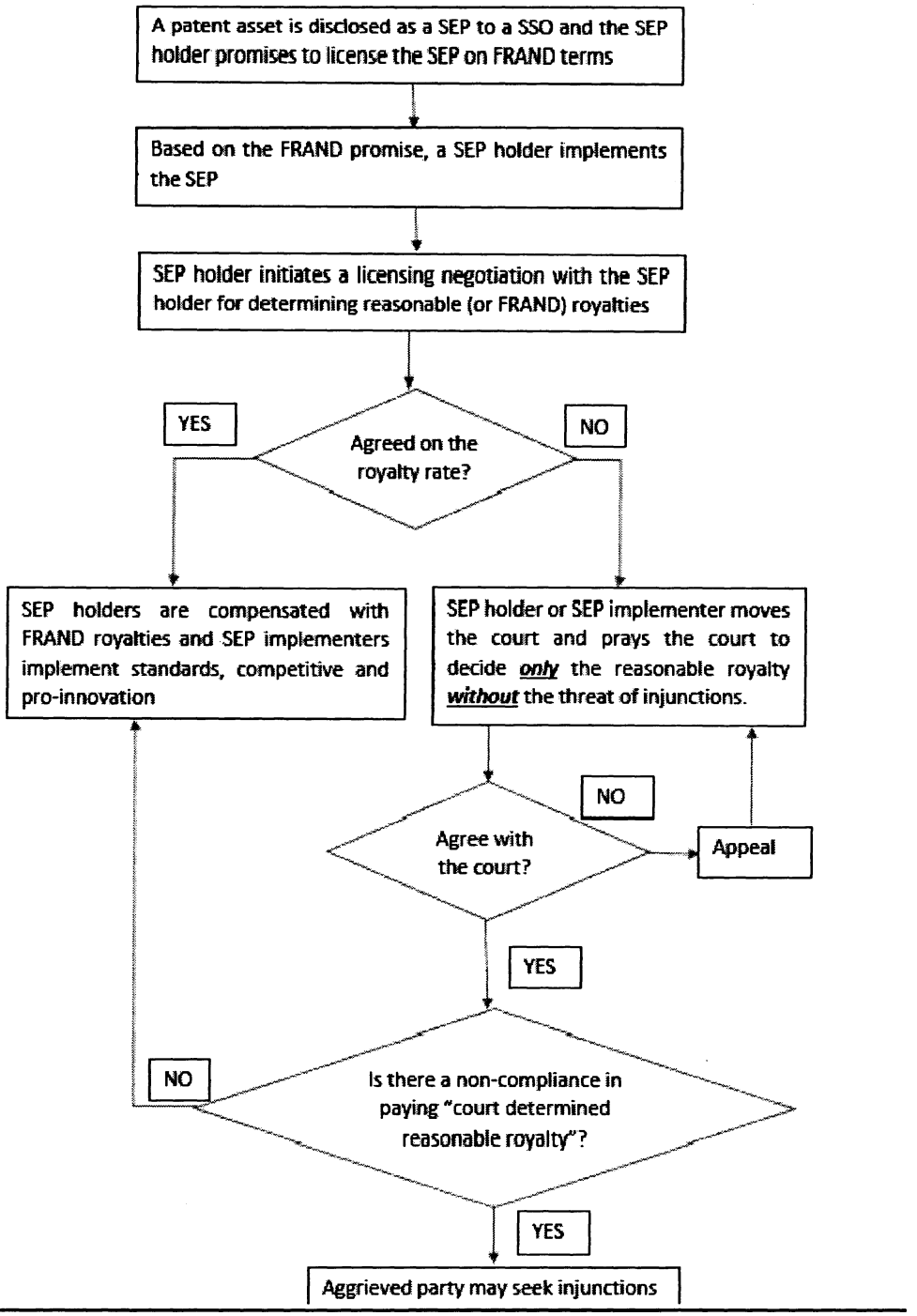

FIG. 7.5: A Truly balanced FRAND negotiation

7.4. A PROBE INTO SEP CASES IN INDIA

Two SEP infringement cases brought about in India by Vringo Infrastructure Inc., are presented here as examples to analyze the basis for granting *ex-parte* or interim injunctions for SEPs in India. There are many such

cases pending in Indian courts currently.

Viringo – ZTE SEP litigation

Viringo Infrastructure Inc., a non-performing entity ("NPE") filed lawsuits seeking *ex parte* and permanent injunctions, the rendition of accounts, and damages against ZTE for infringement of its SEPs in India. On Nov. 7, 2013, Viringo filed a suit against ZTE Corp and ZTE Telecom India Pvt. Ltd in the Delhi HC alleging infringement of its Indian patent 243980. ***On Nov. 8, 2013, the Delhi HC granted an ex parte ad-interim injunction. ZTE appealed the decision and on Dec. 12, 2013, the Injunction was lifted and ZTE was asked to pay a bond for 800K USD.*** However, a little more than a month had passed by before the *ex parte* injunction was lifted.

In Jan 2014, in another SEP case[34], Vringo filed a suit against ZTE in the Delhi High Court alleging infringement of its Indian patent 200572. In Feb 2014, the Delhi HC granted an *ex parte* preliminary injunction restraining ZTE from using, manufacturing, selling, offering to sell, importing or advertising any allegedly infringing products. In March 2014, ZTE appealed against the injunction and in August 2014, the injunction was lifted. However, in both the cases ZTE's business was affected and the damages incurred were irreparable.

In the first case against ZTE, the court granted an *ex parte* interim injunction against ZTE restraining ZTE from using, manufacturing, selling, offering to sell, importing or advertising any allegedly infringing products and appointed local commissioners to inspect its books of accounts and obtain sales records of various infringing equipment. Further, the court granted the enforcement of border measures: ZTE consignments carrying the alleged infringing device would not be released by Customs at any port or airport without giving written notice to Viringo, enabling inspection and assessment of whether

[34] A Blog titled: Vringo v. ZTE: DHC vacates injunction against ZTE, available at http://spicyip.com/2014/08/vringo-v-zte-dhc-vacates-injunction-against-zte.html, last visited on April 14, 2016.

the units were infringing. However, following appeal by ZTE, a two-judge bench varied the injunction by allowing domestic sales of affected products subject to ZTE furnishing a bank guarantee for Rs. 50 million (approximately $850,000). In contrast to the Micromax[35] and Intex[36] and iball's[37] positions alleging that Ericsson's practice is anti-competitive[38] in other SEP cases, one of ZTE's primary arguments was that the Viringo patents are not worked in India, and therefore Viringo – an NPE – is merely seeking to enforce the right to exclude use through the forceful negotiation of licenses and threats of litigation.

In the above cases, granting an *ex parte* injunction seems to have become a norm. However, how can an injunction be granted in a case involving a standard essential patent (SEP), when the dispute is always about money/royalties? When the owner of a standard essential patent (SEP) is agreeing to license it out on FRAND rates (and the only dispute is around the quantum of royalties), how can the injury be said to be "*irreparable*"? Isn't the patent owner effectively conceding that the injury is compensable through monetary means? And, yet in the above cases, *ex parte* injunctions were issued very liberally and too quickly. Many cases of SEPs are pending suits in the Indian courts, where the courts have directed the fixed royalty rate to be paid till the final adjudication in the matters.

Related cases in India

Telefonaktiebolaget LM Ericsson V/s Micromax Informatics Limited:

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[35] In Re Micromax Informatics Limited and Telefonakitebolaget LM Ericsson, Competition Commission of India, Case No. 50/2013, available at http://www.cci.gov.in/sites/default/files/502013_0.pdf, last visited on April 14, 2016.

[36] In Re Intex Technologies (India) limited and Telefonakitebolaget LM Ericsson, Competition Commission of India, Case No. 76/2013, available at http://www.cci.gov.in/sites/default/files/762013_0.pdf, last visited on April 14, 2016.

[37] In Re M/s Best IT World (India) Pvt. Ltd (iBall) and Telefonakitebolaget LM Ericsson, Competition Commission of India, Case No. 04/2015, available at http://www.cci.gov.in/sites/default/files/042015_0.pdf, last visited on April 14, 2016.

[38] Micromax Informatics Limited and Telefonaktiebolaget LM Ericsson (Publ), Competition Commission of India, Case No. 50/2013, http://www.cci.gov.in/May2011/OrderOfCommission/261/502013.pdf, last visited on April 14, 2016.

Ericsson filed a suit against Micromax seeking permanent injunctions to refrain the respondents from manufacturing, selling and importing products which used the technology standards claimed in their 8 Indian Patents along with decree of damages in the sum of Rs. 100 crores. Ericsson owned a huge portfolio of patents especially in 2G and 3G technologies and claimed to hold 1/3rd of the patents essential for 2G technology (standards) and 25% of the patents essential for 3G technology (standards). Ericsson alleged that Micromax, one of the largest domestic smart phone manufacturer in the country, despite of being informed of the infringement and 3 yrs of negotiation on offer of license under FRAND terms, avoided agreement on an acceptable license fee. To the same, the Delhi High Court granted an interim ex-parte injunction restraining Micromax from manufacturing, selling and importing products that implemented the technology standards of Ericsson. The court also directed the customs to inform Ericsson of any consignment of Micromax being imported with objections of the plaintiff being decided under IPR Enforcement Rules, 2007. And later on both parties agreed to an interim arrangement by which Micromax/ Customs would intimate the Ericsson of any consignments and Micromax had to pay an interim royalty. On failure of mediation, the court later revised and fixed new interim royalty agreed upon by both parties, which Micromax had to pay to Ericsson till the pendency of the suit, and Micromax had to deposit INR 29.45 crores towards royalty payment. The suit is still pending final adjudication.

In **November 2013,** Micromax filed a complaint with the Competition Commission of India (CCI) alleging that Ericsson demanded exorbitant royalty rates for its SEPs without disclosing the patent details as against the FRAND terms hence abusing its dominant position in the market. It was claimed that Ericsson being the sole licensors of the SEP left the implementers with no alternate technology for their products and the royalty rates were fixed based on the cost of the phone and not on the product used as standard in the phone. The CCI ordered for an investigation by DG on the findings that *prima facie* Micromax's claim was valid and Ericsson abused market dominance. The CCI's

order was challenged by Ericsson in the Delhi High Court. The court declared that the CCI cannot interfere in an ongoing patent infringement lawsuit and that a final order cannot be passed by CCI. Days ago, Delhi High court passed an order refusing the stay of CCI's investigation on a writ petition[39] filed by Ericsson challenging the CCI investigation.

Micromax has challenged the validity of the 8 suit patents held by Ericsson. Micromax contends that while Section 13(4) of the Indian Patents Act allows the patent holder to file a suit in case of infringement, it is not proof of the validity of such a patent. Ericsson, on the other hand, has claimed that the burden of proving invalidity of patents lies on Micromax. In addition, Ericsson filed a suit for contempt claiming that Micromax failed to provide the statement of sales and also failed to pay the royalty on sale of its Yureka and YU brands and devices. In response, the court ordered Micromax to submit the statements for the sales of these products along with a response to the contempt proceedings within four weeks time. On the question of royalty that ought to have been paid to Ericsson since November 2014, the court rejected Micromax's contention that the payment should be stayed till Intex's appeal on the same issues was decided. It directed Micromax to pay the royalty due to Ericsson.

Ericsson v/s Gionee

Gionee, another budgeted smartphone manufacturer, was sued by Ericsson alleging for infringement of the same 8 patents for which Micromax was sued earlier. The Delhi High court[40] directed Gionee to pay the fixed interim royalty for one month calculated based on the sales of its devices in India. The royalty rates were on the basis of the interim royalties determined in the Micromax case. Later the parties reached an agreement on the royalty payments which Ericsson claims to be on FRAND terms.

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[39] Ericsson v. CCI and others, http://lobis.nic.in/ddir/dhc/VIB/judgement/30-03-016/VIB30032016CW4642014.pdf, last visited on April 14, 2016.

[40] In the High Court of New Delhi, CS(OS) 2010/2013, Telefonaktiebolaget LM Ericsson (Publ) vs. Gionee Communication Equipment Co. Ltd. and Anr, http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=211053&yr=2013, last visited on April 14, 2016.

Ericsson v/s Intex

Intex, another manufacturer of smartphones and featured phones, filed validity suit at IPAB for Ericsson's 8 patents, the same patents for which Micromax was sued by Ericsson for infringement. Unable to negotiate on an acceptable Patent licensing agreement (PLA) with Ericsson, Intex lodged a complaint before CCI alleging that Ericsson was abusing its dominant position during negotiations to finalize on a higher royalty rate as against the FRAND terms for SEPs. The CCI ordered investigation in the matter clubbing the same with similar Micromax anti-trust case against Ericsson. Ericsson appealed against the order at the Delhi High Court challenging the CCI's jurisdiction. The judge directed DG not to pass any final order in the matter and that no foreign officials should be called upon for investigation, but the latter order was later repealed with Ericsson having an option to approach the court if not satisfied with the summons. Following this, the Ericsson filed a suit of infringement against Intex[41], a one similar to that filed against Micromax for the same 8 SEPs, seeking permanent injunction along with Rs. 56 crores (560 million) in damages/ rendition of accounts and delivery up etc.. The court in the matter directed Intex to pay 50% amount of royalty from the date of filing of suit till 1st March, 2015 to the plaintiff directly by way of bank draft within four weeks from the order and to furnish the bank guarantee for the remaining 50% amount with the Registrar General of the Court. The court also ordered that the same terms would apply for every six months till the disposal of the suit. The royalty was fixed based on the royalty determined in the Micromax case. The court also directed that an affidavit shall be submitted by the defendant within two weeks stating the acceptance of the said royalty, non-compliance of which would lead to a permanent injunction in the matter as the balance of convenience was more in favor of the plaintiff compared to the defendant. In this case, the court placed the defendant as an "unwilling licensee" owing to its aversion to license negotiations despite the

[41] In the High Court of New Delhi, CS(OS) 1045/2014, Telefonaktiebolaget LM Ericsson vs.Intex Technologies (India), Indiankanoon.org, http://indiankanoon.org/doc/74163100, last visited April 14, 2016.

continued efforts of plaintiff and as at no stage there was a sign on the defendant's part of serious intention to enter into an agreement. The court even highlighted the double-faced character of Intex, shown by challenging the validity of Ericsson's patents at IPAB and complaining before CCI of its abuse of market dominance, while the negotiation talks were on. The court questioned why one would seek license and respond to their negotiation talks when the essentiality and validity of the SEPs are being challenged at the back. The irony in the matter as observed by the court was that while claiming the plaintiff's patents as invalid and non-essential at the court, the same patents were highlighted as essential in front of CCI, being a standard for all the standard compliant products that use the relevant technology without which the survival of a similar product would be uncertain. The court concluded that a inference on the plaintiff's patent being *prima facie* valid can be easily drawn from the complete procedure and unless the revocation suits declare the patents invalid, the defendant who is unwilling to execute a license cannot be allowed to infringe the patents.

Ericsson v/s Kingtech

This was the first of its kind to flag off the SEP litigation in India. Ericsson notified the Commissioner of Customs requesting to object the clearance grant to consignments imported by Kingtech Electronics claiming that 18 models of G'Five brand infringed 5 of its AMR patents. These were the same lot of patents; Ericsson employed to sue various other budget mobile phone manufacturers in India. Based on the notice, Customs Authorities detained the consignments of Kingtech. In the matter, Kingtech approached the Delhi High court[42] requesting the release of goods bagged by the Dy. Commissioner of Customs without adequate proof of patent infringement and asserted that the Dy. Commissioner of Customs was not the competent authority to determine the same. The Court ordered the release of goods, setting aside the order of Dy. Commissioner of Customs and conveyed that Ericsson was to approach the court to determine the

[42] In the High Court of New Delhi, CS(OS) 68/2012, Telefonaktiebolaget LM vs. Kingtech Electronics (India) Pvt. Ltd and Others, April 27, 2012, http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=90935&yr=2012, last visited March 26, 2016.

validity of its patents. Ericsson appealed to this order and court directed Dy. Commissioner of Customs to pass fresh orders with adequate reasons to believe the involvement of infringement.

Ericsson thereafter filed a suit for patent infringement against Kingtech, seeking injunction barring all its business involving the patented technology. Kingtech was directed to refrain from importing any devices that incorporated the patented technology, by an order passed by the High court.

Ericsson v/s iball

Ericsson filed a similar infringement suit[43], as that filed for Micromax, Intex etc., against iball alleging infringement of the same 8 SEPs which formed the basis in the other SEP infringement cases. Ericsson sought permanent injunction restraining infringement of patents, damages, rendition of accounts, delivery up etc. against the defendant. The court granted an interim injunction in the matter, restraining the defendant and its agents from importing of mobiles, handsets, devices, tablets etc. including the models infringing the patents, which would be in effect till the next date of hearing. The court was of the view that the prima facie and balance of inconvenience lied in favor of the plaintiff and that the plaintiff would suffer irreparable loss in the absence of an interim injunction. The court stated that the defendant has not taken sufficient steps or interest in executing a license agreement on FRAND terms. While passing the order, the court highlighted that the defendant while pleading that there occurred no infringement in the matter to its knowledge, have admitted the rights of plaintiff in the complaints filed before CCI.

iball, prior to being sued, had lodged a complaint against Ericsson before CCI alleging that Ericsson abused the dominant position in the market with

[43] In the High Court of New Delhi, I.A. No.17351/2015 in CS (OS) 2501/2015, Telefonaktiebolaget LM Ericsson (PUBL) v M/S Best IT World (India) Private Limited (iBall), http://lobis.nic.in/ddir/dhc/MAN/judgement/03-09-2015/MAN02092015S25012015.pdf, last visited on March 23, 2016.

refusal to identify the standard essential patents so infringed by the Informant; threat of patent infringement proceedings; coaxing the Informant to enter into one sided and onerous NDA; demanding unreasonably high royalties by way of a certain percentage value of handset as opposed to the cost of actual patent technology used etc. The CCI ordered for an investigation by DG on the findings that *prima facie* Ericsson abused market dominance. The CCI's order was challenged by Ericsson in the Delhi High Court. The court declared that a final order cannot be passed by CCI in the case.

Ericsson v/s Xiaomi

In yet another row of infringement suits, Ericsson sued Xiaomi[44] a Chinese budgeted smartphone manufacturer alleging infringement of its SEPs used in mobile phone technologies and that Xiaomi would require license for the SEPs to operate its business in India. The Delhi high court directed Xiaomi to refrain from sale and import of all the mobile devices in India, granting interim injunction in the matter making out prima facie case in favor of the plaintiff.

Xiaomi appealed against the injunction asserting that not all of its devices infringed the patents as claimed by Ericsson. Xiaomi contended that they also sold devices that had Qualcomm chipsets which did not infringe their patents as Qualcomm had secured the license for the same technology from Ericsson. The court in the subsequent temporary order directed Xiaomi to sell and import devices with Qualcomm chipsets with the continuation of ban on other devices till the pendency of the infringement suits.

In the light of all the above cases, one can conclude that the Indian courts, generally in interim injunction cases, tend to look at the matter from a perspective of whether the SEPs in question are valid and whether there is an infringement involved. It overlooks the FRAND policy compliance which is a mandate

[44] In the High Court of New Delhi, CS(OS) 3775/2014, Telefonaktiebolaget LM Ericsson (Publ) vs. Xiaomi Technology and Others, http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=250092&yr=2014, last visited March 17, 2016.

obligation on which the whole concept of SEP is built upon. It is therefore imperative to examine the cardinal principles for granting injunctions and to what degree such principles are applicable to SEPs. The following section examines the applicability of such principles grant injunctions in favor of SEP holders.

It is well understood that the patent is a right granted after the patent application is supposedly thoroughly examined by the patent office. However, section 13 (4) of the Indian patent act clearly calls out that the "...***shall NOT be deemed in any way to warrant the validity of any patent,...*" *(emphasis added).* Thus, it is prudent on the courts to start with a premise ***that a grant of a patent does not automatically guarantee the validity patent***, especially, when considering to grant an injunction. It may be even more valuable factor while granting injunctions in case of a standard essential patent (SEP). As discussed above

(a) there will not be a feasible alternative to SEPs because a winning solution and thus the patent(s) protecting such winning solution will be irreplaceable with alternatives. Thus, it becomes inevitable to practice such SEPs while building standard compliant products;

(b) by voluntarily contributing the patent to a standard, the SEP holder has unambiguously agreed to receive a reasonable royalty and has thus impliedly waived off his rights to seek injunction (either temporary or ex-parte or intermediate injunctions). Rightfully, the SEP holder seeks monetary compensation in the form of reasonable royalties and by all means it is his right to seek reasonable royalties and it is a primary function of the society to monetarily compensate (or reward) the SEP holder for his hard labor and inventiveness.

Considering that there is (a) no presumption of validity of patent on grant; and (b) the impact in terms of not having "feasible alternatives", it is imperative that granting injunctions, automatically, will tilt the balance too much in favor of

the SEP holder and it may adversely impact the benefits that standards have on the innovation and consumers. Thus, it is only prudent to exercise abundant discretion while granting injunctions. In fact, the courts may start with a premise that injunctions will not be granted to the SEP holder unless the SEP holder proves that in the absence of an injunction, it becomes almost impossible to receive reasonable royalty (or monetary compensation) for his patented invention(s).

Further, the grant of injunction based even on the presence of a "prima facie" evidence is not automatic. The courts in India have already decided on this question. In Best Sellers Retail India (P) Ltd. Case[7], the Honorable Supreme Court observed ***that prima facie case alone is not sufficient to grant injunction*** and held that -

"Yet, the settled principle of law is that even where prima facie case is in favour of the plaintiff, the Court will refuse temporary injunction if the injury suffered by the plaintiff on account of refusal of temporary injunction was not irreparable."(emphasis added).

Especially, in patent cases related to standards this requirement of "not relying on prima facie case alone" should be exercised even more stringently as SEPs have huge impact on standardization and therefore on the competition.

In case of SEPs, the courts seem to have considered that the grant of a patent by itself serves as *prima facie* and conclusive evidence and have not looked beyond it. However, in reality, the fact of a grant of a patent, which later may become a SEP, by itself may not be sufficient to consider it is a *prima facie*. Further, standard implementers ***have to*** practice SEPs to manufacture standard compliant products and there is no alternative to SEPs. However, for a proprietary patent, alternatives can be developed and practiced. Also, due to less relevance of alternatives and huge adoption of SEP based winning technology,

the interoperability between ICT products and their impact on innovation and increased convenience and decreased cost to consumers is a huge advantage. Thus, the courts may be pleased to consider the validity and essentiality of SEPs. There is every possibility that a patent may be granted by unintentional and non-malaise errors in the patent examination process in the first place. An indication to a possibility of occurrence of such errors is the statics on revocation of patents by the Intellectual Property Appellate Board ("IPAB").

Prima facie case should be evidence on record, which would reasonably allow the courts to arrive at the conclusion that the plaintiff seeks. According to one of the studies only 12% of SEPs contested on the grounds of validity were finally held to be valid by the courts or appellate boards[45]. The outcome of the study makes it even more evident that the grant of a patent itself cannot be concluded to a positive evidence on record to allow courts to arrive at the conclusion that the "grant of a patent by itself is a strong ground for grant of ex-parte or interim injunction". On the contrary, the outcome of the study appears to be a strong ground to arrive at a conclusion that "grant of a patent by itself should NOT be considered as a strong ground for granting ex-parte or interim injunctions". Extending the argument a step further, in fact, granting of injunctions (ex-parte or temporary or interim) in case of SEPs should not be held as an indicator to strong enforcement of IPRs (or patents) in any country. There needs to a be a detailed analysis before granting such injunctions and such an approach would prove to a strong and balanced IPR enforcement regime of a country like India.

Thus, proving a "Prima facie case" should not be viewed as a plaintiff providing a certified copy of a grant of patent. It is much more substantial than mere production of a certificate of a patent grant and courts should delve deeply on the topic of validity of patents. In fact, courts may summon neutrally

[45] "Standard Essential Patents – How do they fare?", available at https://www.rpxcorp.com/wp-content/uploads/2014/01/Standard-Essential-Patents-How-Do-They-Fare.pdf, last visited on Mar 31, 2016.

is a clear and unambiguous proof that the interest of SEP holders is to license their SEPs to as many Standard implementers to allow wide adoption of standards and then maximize their inflow of licensing royalties. On the other hand, if SEP holders seek injunctions it will contradict their voluntary commitment to license SEPs. The main intent is money and consequently, monetary damages and not injunctions is the suitable remedy. Further, the standards implementers business activities come to a grinding halt (i.e, injunctions are sweeping orders) if injunctions are granted in favor of SEP holders. The standards implementers would have already made investments to manufacture, sell, offer to sell, and import the standards complaint products based on the voluntary FRAND commitment made by SEP holders and bringing the business to a grinding halt in spite of the voluntary commitment made by SEP holders to license their SEPs is a comparatively significant and higher inconvenience to Standards implementers as compared to SEP holders. This affects competition. Further, there may be an imbalance in supply-demand levels in the market place if a few standards implementers are driven out of the market by injunctions granted to SEP holders and this in turn would cause rise in the prices impacting the consumers. Also, SEP holders may use injunctions as 'a gun on the table' during the negotiation of royalties with the standards implementers and the standards implementers may unwillingly agree to higher royalty rates (which may not be representative of the actual reasonable royalty envisaged by the FRAND obligations) to avoid injunctions. Such increased royalty rates will be undoubtedly passed on to the consumers and such an act would increase the cost to the consumers. Thus, in case of SEPs, balance of convenience is in favour of Standards implementers and not the SEP holders. Therefore, a substantial mischief *is likely to be done to the standards implementer if the injunction is granted as compared to the convenience done to the SEP holder if the injunction is granted.* The 'balance of convenience' is mostly tilted in favor of standards implementers rather than the SEP holders.

In case of Vringo v. ZTE, under this factor, the Court considered that the

'572 patent had been assigned to Vringo by Nokia Telecommunication in 2006, but curiously enough Nokia, despite having known the fact that their patent was being allegedly infringed by ZTE, did not chose to seek any damages from them as no suit or proceeding was ever filed by them before the assignment of this patent in favour of the Vringo. The Court referred to the decision of Franz Xaver Huemer vs. New Yash Engineers[46]; stating that a foreigner, who has registered patents in India and who has not kept them in use in India, thereby seriously affecting market and economy in India, cannot, in equity, seek temporary injunction against others from registering the use of patented device. Vringo tried to rebut this argument that a patent may be commercially exploited either by the patentee or by its licensee as held under N.R.D. Corporation of India vs. D.C. & G. Mills Co[47].

The Court took a strong view to the fact that the averments regarding use and commercial exploitation was made in the rejoinder rather than in the pleadings itself.

"A party cannot be permitted to raise an argument which is not even pleaded. Rejoinder is an opportunity given to Vringo for explanation, refutation, implication and not to set up a new case. In any case, even if these averments of Vringo are taken on their face value, it becomes a debatable issue which needs to be adjudicated by the court but prima facie the balance of convenience does not turn out to be in favour of Vringo or rather it turns out to be in favour of ZTE as any restraint on ZTE from manufacturing, selling or distributing the product which they are doing and which according to Vringo is infringement of their patent, would cause harm to them."

The Court looked at Section 109, 110 of the Patents Act and found that since Vringo averred that Nokia, Samsung, Alcatel etc. were licensees of the patents, how come that these licensees did not object to the non-licensed sales

[46] Franz Xaver Huemer vs. New Yash Engineers; AIR 1997 Delhi 79
[47] N.R.D. Corporation of India vs. D.C. & G. Mills Co.; AIR 1980 DEL 132

by ZTE as their sales would have been negatively impacted by the sales from ZTE."While as the fact of the matter is that there is no complaint from the licensee to the original patentee regarding infringement. If there is no complaint made by the licensee to the original patentee and similarly, no action was brought by the original patentee before assignment to the plaintiffs, it becomes an important fact which cannot be ignored".

In case of SEPs, the SEP holder voluntarily agrees to grant licenses to all the standards implementers to SEPs on FRAND basis and the SEP holder has accepted that money and/or reciprocity is an adequate compensation for licensing out the SEPs. After a SEP holder voluntarily accepts money or reciprocity based compensation is adequate, the standards implementer will make investments and develop business by believing that SEP holders will seek only royalties and not seek injunctions. However, when the SEP holder seeks an injunction and when it gets granted, the standards implementers business will come to a standstill and the standards implementer will suffer irreparable injury in terms of loss of revenue. On the other hand, the SEP holder gets an injunction against the standards implementer in addition to the interim relief through compensation. While defending a SEP infringement case, defendants may have been asked to deposit monies to provide the monetary interim relief to the plaintiff. However, an *ex parte* injunction brought against the defendants may bring their business to a grinding halt. An injunction granted in favour of a SEP holder in addition to monetary compensation only underlines that the balance is heavily tilted in favour of SEP holders and there is an urgent need to restore the right balance. When the SEP holder voluntarily accepted that monetary compensation is adequate, why grant an *ex parte* or temporary injunction? It is patently clear that under the directions of the court, the SEP holder can obtain monetary compensation and any remedy above and beyond the monetary compensation creates an imbalance between the rights of the SEP holder and the standards implementer. And, as mentioned above, standards implementer implementing ICT standards compliant products will suffer an irreparable injury if

their business is brought to a grinding halt as they lose out sales and revenues. Further, in ICT related markets, losing out on sales (therefore the market segment share) even for a quarter would be detrimental to business. Also, in a smart phone market the supply-demand equation will be affected substantially if one of the major players in the market place is not able to sell due to injunctions and such a situation would result in increase in the price to consumers. Thus, it is an irreparable injury to the consumers as well. Also, there is no ground to claim that the SEP holder's property i.e., SEP would not be preserved in status quo if an injunction is not granted. In fact, more sales of the product, which embodies an SEP would increase either the licensing royalties or the monetary compensation to be paid to SEP holder based on the book of accounts. Thus, even in the absence of an injunction, the SEP holder will not incur an irreparable injury as monetary compensation (even if interim) will take care of the requirements of a SEP holder.

In Vringo v. ZTE, the Court looked at Section 48 of the Patents Act (Rights of a patentee) and various judgments cited by Vringo but held that prima facie Vringo was not able to make out a case. The main judgments referred to were: Micromax Informatics Limited vs. Telefonaktiebolaget LM Ericsson (PUBL)[48]; Strix Limited vs. Maharaja Appliances Limited[49]; Hindustan Lever Limited vs. Eureka Forbes[50]; Bayer Corporation & Ors. vs. Union of India & Ors[51].; etc. The Court also referred to the directions given by the Division Bench in respect of the case filed qua infringement of the '980 patent that had held that the Customs authorities intimate Vringo of ZTEs consignments, and that Vringo inspect the goods. After inspection, the products could be released to ZTE or the concerned importer. ZTE would then deposit a bank guarantee of 5 crores or bank guarantee of 2.5 crores and remaining as security before the Registrar. ZTE would also by way of affidavit disclose all sales of CDMA products for any future

[48] Micromax Informatics Limited vs. Telefonaktiebolaget LM Ericsson (PUBL); 2013 (56) PTC 592 (Del),
[49] Strix Limited vs. Maharaja Appliances Limited; MIPR 2010 (1) 0181
[50] Hindustan Lever Limited vs. Eureka Forbes; ILR (2008) Supp. 6 Delhi 1
[51] Bayer Corporation & Ors. vs. Union of India & Ors.; 2009 (41) PTC 634 (Del.)

imports, accompanied by quarterly statement of accounts etc. Accordingly, the injunction granted to Vringo was vacated as there was no prima facie case. The balance of convenience was in ZTE's favour and as Vringo could be compensated, there was no irreparable injury. However, the conditions of bank guarantee etc., were imposed on ZTE's future sales.

7.5. SEP HOLDERS' RIGHT TO SEEK INJUNCTION

Patent damages laws have developed and been refined over hundreds of years. Although they vary country-to-country in approach and effectiveness, they seek to strike a fair and coherent balance between patent holders and licensees, and between patent holders and companies that refuse to agree to licenses or pay royalties for valid and infringed patents. According to India's patent legislation, "the reliefs which a court may grant in any suit for infringements include an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff either damages or an account of profits."[52] The existing law already adequately protects SEP holders. Patent laws allow all patent holders—including SEP holders—to bring infringement actions and seek monetary damages. No additional safeguards or rights are needed for SEP holders, which have committed to accept money (FRAND royalties) as compensation.

Given the performance of companies that have focused on SEP licensing and have disclosed licensing revenues, there is no evidence that additional measures are required to protect their royalty revenue streams or incentives. Qualcomm's Technology Licensing segment generated revenues of over $7.5 billion (approximately Rs. 497 billion) in 2013 and 2014 and has consistently accounted for nearly 90% of Qualcomm's total corporate-wide earnings before taxes. In fact, the benefits of SEP ownership can be considerably greater than owning an ordinary patent because of the widespread adoption of standards and the licensing opportunities that brings. But with those benefits comes a

[52] Patent Act, 1970 § 108(1),

voluntary relinquishment—through the FRAND promise—of some rights by a SEP holder, including a commitment to be prepared to negotiate with and license any interested implementer on FRAND terms and limiting the ability to seek injunctions.

As described above, in India the granting of injunction is conditioned upon the satisfaction of an additional prerequisite of Public interest would not be disserviced by the grant of the injunction. If the above criteria be considered in the case of SEP holders, it would be seen that they are not satisfied. The IPR policies that SSOs have adopted require SEP holders that have made FRAND commitments to negotiate FRAND licenses. If an implementer does not pay what the SEP holder demands—*e.g.*, because it believes an asserted SEP is not actually essential—then the SEP holder can approach the court to prove its case on the merits and, if successful, obtain FRAND royalties. Obtaining FRAND royalties puts the SEP holder in exactly the position that it agreed to be in when it willingly made a FRAND commitment. Thus there can be no irreparable loss that is caused to the SEP holder and that balance of convenience does not lie in favour of the plaintiff. The Supreme Court of India in the case of *Zenit Mataplast v. State of Maharashtra and others,*[53] had clearly stated that injunctions are to *'protect the plaintiff against injury by violation of his right for which he could not be adequately compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial.'*

The Supreme Court of India in the case of *Shree Vardhman Rice Gen Mills v. Amar Singh Chawalwala*[54] had observed that injunction could be done away in matters of intellectual property rights and observed as follows: Without going into the merits of the controversy, we are of the opinion that the matters relating to trademarks, copyrights and patents should be finally decided very expeditiously by the Trial Court instead of merely granting or refusing to grant injunction. In a

[53] *Zenit Mataplast v. State of Maharashtra and others*, Special Leave Petition (Civil) No. 18934 of 2008.
[54] Shree Vardhman Rice v. Amar Singh Chawalwala, (2009) 10 S.C.C. 257.

subsequent case, the Court again observed that "experience has shown that in our country, suits relating to the matters of patents, trademarks and copyrights are pending for years and years and litigation is mainly fought between the parties about the temporary injunction. This is a very unsatisfactory state of affairs, and hence we had passed the [earlier] order to ... serve the ends of justice."[55] The approach of dispensing with the interim phase and moving directly to trial was endorsed again by the Supreme Court of India in *Cipla*, where it declined to interfere with the interim ruling of the lower court and requested the learned single judge dealing with the civil suit to conclude the trial as expeditiously as possible.[56]

A recent judgment of the High Court of Delhi has also observed the harmful consequences of injunctions related to SEP cases and noted as follows[57]: There is good ground to hold that seeking injunctive reliefs by an SEP holder in certain circumstances may amount to abuse of its dominant position. The rationale for this is that the risk of suffering injunctions would in certain circumstances, clearly exert undue pressure on an implementer and thus, place him in a disadvantageous bargaining position *vis-a-vis* an SEP holder. A patent holder has a statutory right to file a suit for infringement; but as stated earlier, the Competition Act is not concerned with rights of a person or an enterprise but the exercise of such rights. The position of a proprietor of an SEP cannot be equated with a proprietor of a patent which is not essential to an industry standard. While in the former case, a non-infringing patent is not available to a dealer/manufacturer; in the latter case, the dealer/manufacturer may have other non-infringing options. It is, thus, essential that bargaining power of a dealer/manufacturer implementing the standard be protected and preserved. *Potential licensees should be protected from SEP holders seeking injunctions to*

[55] Bajaj Auto Ltd. v. TVS Motor Co. Ltd., (2009) 41 P.T.C. 398 (S.C.).
[56] Hoffman-La Roche Ltd. v. Cipla Limited, Petition for Special Leave to Appeal (Civil) No. 20111/2009.
[57] W.P.(C) 464/2014 and CM Nos. 911/2014 and 915/2014, *Telefonaktiebolaget Lm Ericsson v Competition Commission of India and others* available at http://lobis.nic.in/ddir/dhc/VIB/judgement/30-03-2016/VIB30032016CW4642014.pdf, last visited on Apr 14, 2016

obtain non-FRAND terms and conditions.

While the interests of SEP holders are protected through their ability to obtain damages for any valid and infringed patents, the availability of injunctions to SEP holders leaves potential licensees uniquely susceptible to SEP holders abusing the market power that they may gain through having their patents become part of an industry standard. That potential abuse can lead to higher royalties, the imposition of other disadvantageous licensing terms, and increased costs for potential licensees. Although it is a common refrain of aggressive SEP licensors that hold-up is merely theoretical, that is not the case and there are adjudicated examples of hold-up on FRAND-committed SEPs.

The European Commission brought a competition law case against Motorola for obtaining an injunction on a FRAND-committed patent against Apple[58], which the Commission concluded had been a "willing licensee." The Commission addressed in detail how obtaining an injunction in Germany had allowed Motorola to impose unfavourable licensing conditions on Apple, which had no choice but to accept them: In the exceptional circumstances of this case . . . Motorola's seeking and enforcement of an injunction against Apple in Germany on the basis of the Cudak GPRS SEP amounts to an abuse of a dominant position under Article 102 TFEU as of Apple's Second Orange Book Offer of 4 October 2011, which constituted a clear indication that Apple was not unwilling to enter into a licence agreement on FRAND terms and conditions. ***Motorola's conduct resulted in a temporary ban on the online sale of Apple's GPRS-compatible products in Germany . . . and in the acceptance by Apple in the Settlement Agreement of a number of licensing terms capable of having anticompetitive effects*** . . . . In addition, Motorola's conduct is capable of having a negative impact on standard-setting process. Faced with the enforcement of the injunction, Apple had the choice of either having its products

[58]CASE AT.39985 - MOTOROLA - ENFORCEMENT OF GPRS STANDARD ESSENTIAL PATENT, http://ec.europa.eu/competition/antitrust/cases/dec_docs/39985/39985_928_16.pdf, last visited on Apr 14, 2016.

excluded from the market or accepting the disadvantageous licensing terms requested by Motorola as a condition for not enforcing the injunction. On the same day that Motorola enforced the injunction, Apple chose, via its Sixth Orange Book Offer, to accept the disadvantageous licensing conditions. The short duration of the ban on Apple's products was therefore precisely because the enforcement of the injunction by Motorola led Apple to accept the disadvantageous licensing terms requested by Motorola. Had Apple not accepted these terms, the injunction and the ban would have remained in force.

The Commission went on to explain that the economics of the injunction created a situation in which it was less costly for Apple to forego the opportunity to challenge patents than suffer the consequences of an injunction. Motorola has succeeded with its aim as the right to terminate the Settlement Agreement limits Apple's incentive to initiate invalidity actions. As the running royalties demanded by Motorola correspond to 2.25% of the net sales revenues of the licensed products, the possible gains of reduced royalties after successfully invalidating an individual patent licensed under the Settlement Agreement cannot amount to more than such royalties, i.e. 2.25% of net sales revenues. As the foregone profits from not being able to sell standard-compliant products in Germany are thus much larger than any possible gain from reduced royalties, the termination clause effectively leads Apple to refrain from validity challenges for patents under the Settlement Agreement, even in the case of patents where it considers the chances of invalidation to be high.

Moreover, the Commission concluded that Motorola's pursuit of an injunction against Apple in Germany for an SEP claimed to be essential to a 3G cellular standard was a "disproportionate interference with the freedom of Apple to conduct its business" because the SEP was claimed to cover only a "small component of the relevant end-product". As the technology covered by the Cudak GPRS SEP in Germany relates only to the baseband chipset, a small component of the relevant end-product whose selling price amounts to only a fraction of the final mobile device, the seeking and enforcement of an injunction

by Motorola against Apple in Germany on the basis of the Cudak GPRS SEP, as of Apple's Second Orange Book Offer, constitutes a disproportionate interference with the freedom of Apple to conduct its business.

The European Commission's Motorola case is a clear example of hold-up occurring through the threat of an injunction. Indeed, the Commission concluded that "contemporaneous evidence confirms that it was the result of the seeking and enforcing of an injunction by Motorola that Apple agreed to licensing terms" that were disadvantageous. The Commission further described its decision as "promoting the proper functioning of standard-setting by ensuring the accessibility of the technology included in the GPRS standard and by preventing hold-up."

Another example is Motorola's pursuit of an injunction against Microsoft[59] in Germany for SEPs claimed to be essential to the H.264 standard. In concurrent litigation in the United States, the District Court for the Western District of Washington recognized the disruption Microsoft would face upon an injunction in Germany. A German injunction would force Microsoft to alter its business relationships with such multinational companies, providing software licenses to offices outside of Germany and ceasing support to offices within Germany. For a multinational company seeking a unified information technology environment across all corporate offices, such an arrangement will be undesirable. According to Microsoft, this arrangement will damage its reputation for providing broad information technology solutions that successfully operate across international borders.

In fact, to avoid the impact of a potential injunction in Germany, Microsoft ultimately moved its European distribution facility from Germany to the Netherlands. Microsoft's 330,000 square-feet facility in Germany had handled

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[59] MICROSOFT CORP. V. MOTOROLA, INC; http://cdn.ca9.uscourts.gov/datastore/opinions/2015/07/30/14-35393.pdf, Last visited on Apr 14, 2016.

shipments of over 25 million units of products annually. Upon the threat of a potential injunction, Microsoft had to go through "a very rushed process" and disruption of moving the entire facility in less than two months, where moving a facility of that size would typically take 12 to 18 months. Ultimately, Motorola was found liable at trial for damages to Microsoft for breach of its RAND commitments in the amount of $14.52 for Microsoft's costs of relocation ($11.49 million) and its attorney's fees in litigating against Motorola ($3.03). The costs of such conduct go beyond the private parties. Germany not only lost the jobs from the distribution centre closing, but the corporate tax revenues, the road tax for transportation, income tax from employees, housing and regional/local taxes; and the surrounding community lost a significant employer. This case illustrates the extensive harm that can be caused to the local economy on account of abuse of the SEP power; in a developing economy such as India, the harm can be significantly greater.

In view of this ability to hold up potential licensees and the nature of the FRAND commitment, other regulators beyond the European Commission and courts have widely recognized that injunctions on FRAND-committed patents should issue only in exceptional circumstances. The European Court of Justice recently held that in order for the owner of a FRAND-committed SEP to seek an injunction without violating European competition law, the patent holder must "comply with specific requirements when bringing actions against alleged infringers for a prohibitory injunction or for the recall of products." Specifically, the SEP holder must first "alert the alleged infringer of the infringement complained about by designating that SEP and specifying the way in which it has been infringed." The SEP holder must then be prepared "to present to that alleged infringer a specific written offer for a license on FRAND terms, in accordance with the undertaking given to the standardization body, specifying, in particular, the amount of the royalty and the way in which that royalty is to be calculated." These requirements are intended to avoid a refusal to license by the SEP holder in form of an injunction, which may "constitute an abuse" of

European Competition law.

In the United Kingdom, in the case of *Nokia GmbH v IPCom GmbH & Co. KG*[60], the judge noted that IPCom was bound by the FRAND undertaking and stated: I am very uncertain, to put it mildly, to see why a permanent injunction should be granted in this case at all or indeed any injunction. You are willing to give a license. Nokia wants to get a license. You cannot agree on the terms. They will be determined. There will then be a license. In those circumstances, to get an injunction seems to me quite extraordinary.

Competition regulators and courts in the United States have reached similar conclusions. The FTC took formal action against (and ultimately, entered into consent decrees with) both Bosch and Google for their pursuit of injunctive remedies using SEPs. In the *Bosch* matter, the FTC emphasized that "seeking injunctions against willing licensees is a form of FRAND evasion and can reinstate the risk of patent hold-up that FRAND commitments are intended to ameliorate". Indeed, for this reason the U.S. Trade Representative overturned the exclusion order (similar in effect to an injunction) granted to Samsung against Apple by the International Trade Commission based on a declared-essential cellular SEP. He concluded that the exclusion order conflicted with "policy considerations relating to the effect on competitive conditions in the U.S. economy and the effect on U.S. consumers."

The Federal Circuit considered whether an injunction should be issued for a Motorola SEP asserted against Apple. The court declined to adopt a new *per se* rule that an injunction could never issue for a SEP, but applying the U.S. *eBay* standard for injunctions determined that sufficient rules already existed to address whether injunctions are appropriate for SEPs, and concluded that "a patentee subject to FRAND commitments may have difficulty establishing

[60] Nokia GmbH v IPCom GmbH & Co. KG, High Court, 20 February 2012, Case No. HC09C04868, Neutral Citation Number: [2012] EWHC 225 (Pat)

irreparable harm," which is a prerequisite for obtaining an injunction. The court went on to explain that Motorola's FRAND commitment was strong evidence that an injunction was unwarranted because Motorola could obtain FRAND royalties from Apple through litigation and would not be harmed by doing so. Motorola's FRAND commitments, which have yielded many license agreements encompassing the '898 patent, strongly suggest that money damages are adequate to fully compensate Motorola for any infringement. Similarly, Motorola has not demonstrated that Apple's infringement has caused it irreparable harm. Considering the large number of industry participants that are already using the system claimed in the '898 patent, including competitors, Motorola has not provided any evidence that adding one more user would create such harm. Again, Motorola has agreed to add as many market participants as are willing to pay a FRAND royalty.

Whether an injunction should be awarded should not only depend on a licensee's "willingness". The designation of a licensee as being "willing" or "unwilling" to take a license on FRAND terms is central to whether a SEP holder violates competition law by seeking an injunction for alleged infringement of a SEP. However, as described above, this competition law enquiry is different from whether injunctions should actually be granted under normal patent law principles.

Under patent laws—and more generally under courts' authority to weigh all the circumstances before granting discretionary remedies—courts should consider the totality of the factual circumstances before deciding if an injunction is appropriate in a specific case. Even in legal systems that do not require a weighing of equitable considerations (as is the case in the United States), there can be a recognition that an injunction on a single SEP is a disproportionate outcome. Injunctions that require that a product be withdrawn from the market (even only for a short time) are a severe remedy, and in most cases, it will be more appropriate to award damages to the SEP holder if there is a finding that its

SEPs have been infringed.

As described more fully below, a potential licensee should be free to challenge the patent merits without being labeled "unwilling." Likewise, a potential licensee should be free to disagree with the proposed royalty rate and instead propose an alternative rate, unwillingness should not be presumed. If such proposals and counter-proposals continue over a period of time, the licensee should still be considered a willing licensee if it agrees to a court or an arbitrator setting the royalty rate for any valid and infringed SEPs. Indeed, the outcomes of cases in which courts have determined FRAND rates demonstrate that the initial demands of SEP holders often fall far outside what constitutes a truly FRAND rate and that the potential licensees were correct to resist acceding to those non-FRAND demands.

By a contrast, an injunction may be appropriate where FRAND remedies are simply unavailable because of the conduct of the potential licensee. If a party refused to pay a court-ordered (or otherwise adjudicated, *e.g.*, by a jointly selected arbitrator) and non-appealable FRAND royalty; or is not subject to the jurisdiction of a national court that could award FRAND royalties; or is bankrupt; then the SEP holder can be justified in seeking an injunction. That is because in those circumstances the SEP holder has no prospect of obtaining a monetary remedy, leaving only injunctive relief. But where FRAND remedies can be obtained, including as damages in an infringement action, the SEP holder should be held to its FRAND bargain and should not be allowed to exploit the hold-up power of its SEP against a potential licensee.

A recent judgment of the High Court of Delhi throws some light on who is a willing licensee and has made the following observations[61]: A potential licensee

[61] W.P.(C) 464/2014 and CM Nos. 911/2014 and 915/2014, *Telefonaktiebolaget Lm Ericsson v Competition Commission of India and others* available at http://lobis.nic.in/ddir/dhc/VIB/judgement/30-03-2016/VIB30032016CW4642014.pdf, Last visited on Apr 14, 2016.

cannot be precluded from challenging the validity of the patents in question. The expression "willing licensee" only means a potential licensee who is willing to accept license of valid patents on FRAND terms. This does not mean that he is willing to accept a license for invalid patents and he has to waive his rights to challenge the patents in question. Any person, notwithstanding that he has entered into a license agreement for a patent, would have a right to challenge the validity of the patents. This is also clear from clause (d) of Section 140(1) of the Patents Act, which was introduced with effect from 20th May, 2003. The said clause expressly provides that it would not be lawful to insert in any contract in relation to sale or lease of a patented article or in a license to manufacture or use of patented article or in a license to work any process protected by a patent, a condition the effect of which may be to prevent challenges to validity of a patent. Thus, a licensee could always reserve its right to challenge the validity of a patent and cannot be precluded from doing so.

SEP disputes must take into account the patent merits, just as in any other patent dispute. Patent systems are designed to reward true innovation, not invalid patents, and only those implementers who are actually practicing the claims of a valid patent should have to pay royalties to the patent holder. Under the patent laws, courts must maintain these safeguards to ensure that patent assertions protect and fairly award true innovation and that alleged infringers have the right to challenge the alleged infringement and validity of asserted patents in courts, under traditional burdens of proof. The same principles and safeguards apply equally to SEPs—only the contributors of actually valid and infringed SEPs, not those who merely declare their patents "essential," should receive FRAND royalties for innovation that is essential to implementing the standard.

Resolutions of SEP litigations must take into account the patent merits, just like any other patent infringement litigation. SEP holders should not be able to avoid the traditional burdens of patent holders and short circuit the safeguards

in the patent system merely because they have unilaterally declared patents "essential" and/or have amassed many declared-essential patents. Allowing such a short cut for SEPs would not only put the implementers of standards at a competitive disadvantage (especially small or medium-sized entities that can ill afford litigation expenses), it would also create opportunities for unscrupulous SEP holders to engage in abusive behaviors without fear of oversight. FRAND licensing commitments are intended as a constraint on traditional patent remedies to protect implementers of standards and in turn foster innovation that benefits consumers, not an expansion of those remedies to reward a self-proclaimed SEP holder special, unwarranted rights.

The European Commission has clearly recognized that licensees should be able to challenge SEPs. In a press release on the subject of its SEP enforcements the Commission stated:

Is a potential licensee who challenges validity, essentiality or infringement of SEPs unwilling? No. Potential licensees of SEPs should remain free to challenge the validity, essentiality or infringement of SEPs. It is in the public interest that potentially invalid patents can be challenged in court and those companies and ultimately consumers are not obliged to pay for patents that are not infringed.

Likewise, the European Court of Justice recognized in its recent *Huawei* decision that "an alleged infringer cannot be criticized either for challenging, in parallel to the negotiations relating to the grant of licenses, the validity of those patents and/or the essential nature of those patents to the standard in which they are included and/or their actual use, or for reserving the right to do so in the future."

This view is consistent with competition law principles that apply to patents generally and encourage challenges to invalid patents. The European Commission's Block Exemption Regulation creates an exemption from antitrust scrutiny for some patent license agreements, but specifically excludes from that exemption "any direct or indirect obligation of a party not to challenge the validity

of intellectual property rights which the other party holds in the Union". As the Commission explains, this non-exemption of "no-challenge" clauses stems from the concern that to foster "undistorted competition, invalid intellectual property rights should be eliminated" because "invalid intellectual property stifles innovation rather than promoting it."

Similarly, in the settlement of its investigation of Motorola Mobility for its SEP licensing practices, the FTC confirmed the right of potential licensees to challenge infringement and validity. Motorola can seek an injunction against a Potential Licensee who has stated in writing or in sworn testimony that it will not license the FRAND Patent on any terms; PROVIDED THAT challenging the validity, value, Infringement or Essentiality of an alleged infringing FRAND Patent does not constitute a statement that a Potential Licensee will not license such FRAND Patent.

The FTC's decision and order also requires Motorola to offer to potential licensees the option of arbitration, but specifically notes (like the European Commission's settlement with Samsung) that it "does not restrict either party from making arguments in Binding Arbitration regarding the validity, Essentiality, Infringement or value of the patents at issue in such proceeding, or the ability of the arbitrator to consider these arguments, or to follow existing legal standards and burdens of proof." The FTC later commented: It is important to highlight that the Order, including the arbitration provision, does not negate or alter traditional burdens of proof, or deprive implementers of their rights to seek judicial review, challenge infringement, or raise defenses such as validity, exhaustion, and essentiality. Moreover, the Order does not presume infringement by the implementer, and leaves Google with the same burdens of proof it would have in any court proceeding.

As in Europe, the FTC's SEP determinations are consistent with broader competition principles for patent assertions. The FTC has recognized the risk

that a "questionable patent" can "deter market entry and follow-on innovation by competitors and increase the potential for the holder of a questionable patent to suppress competition." The FTC, together with the DOJ, has confirmed that "invalid patents impair competition, and as a matter of patent policy, challenges to their validity are encouraged."

The patent system can only work if it rewards innovators but at the same time allows challenges to patents that may have been incorrectly granted or, in the case of SEPs, may have been inappropriately declared as standard-essential. The societal interest in patent challenges is particularly strong in the case of SEPs. As outlined, studies on declared-essential patents and SEP litigations show that many patents that have been declared "essential" to industry standards are not in fact essential and, more importantly, generally fail to result in findings of infringement of a valid patent if asserted. Those studies found that SEPs succeeded in only 12% and 16% of cases. Notably, non-SEPs in the study finding a 16% success rate were found to succeed more than twice as often as SEPs—34% of the time. Safeguarding the right of potential licensees to challenge the patent merits and maintaining the traditional burdens on patent holders for SEP holders will also more broadly benefit other potential licensees and licensors. By clearing the patent thicket, all potential licensees benefit from not being subjected to requests for royalties for claimed SEPs shown not to be essential and/or invalid. Other licensors with essential and valid SEPs also benefit from a reduction in the patent thicket because it reduces competing royalty demands that are made for claimed SEPs that are not actually essential and/or are invalid.

Accordingly, adjudication of a SEP dispute should not be assumed to be a matter of simply setting a FRAND rate based on an automatic assumption of essentiality, infringement, or validity. Rather, as with any other patent, a SEP holder must prove its position on the merits if challenged by a prospective licensee. Patent holders worldwide have long understood that with the significant

benefits they receive comes the responsibility of proving their positions on the merits if challenged.

Conclusion:

In all the cases (100%) discussed above, the SEP holders have sought injunctions as a threat to extract higher royalties. The apprehension that the injunctions are being used as a threat to extract higher royalties is real. Standard Essential Patents (SEPs) are a special group of patents as they give the enormous market power to the SEPs holders. Due to the enormous market power for SEPs, the alternative technologies other than that covered by SEPs become less or non-relevant. Also, the SEP holders ***voluntarily*** disclose their patents to SSO and promise to license their SEPs on FRAND terms. The SEP holders promise is in return of an access to wide market and therefore the royalties. Definitely, SEP holders should be compensated by paying reasonable royalties, however, Injunctions should not be sought by SEP holders or should not be easily and quickly available to SEP holders. Further, generally, the grounds of granting injunctions viz. prima-facie case, balance of convenience, and irreparable injury is in favor of a standards implementer as compared to that of the SEP holder. Thus, injunctions (including ex-parte or temporary) should not be granted to SEP holders and in fact, Indian courts may consider the EU position, which says that SEP holders seeking injunctions should be viewed as anti-competitive. Thus, it may be concluded that at least for SEPs, the grant of a patent by itself should not be considered as a conclusive proof to prove prima-facie aspect. In fact, the Courts are humbly requested to go beyond the fact that the patent is granted and convince itself that the SEP is valid and essential. Thus, for gathering such preliminary information, the honourable courts would need time and, liberally, granting ex-parte or temporary injunctions for SEPs may in fact hurt innovation, competition, and consumers while tilting the balance too much in favour of a SEP holder. The parties to FRAND licensing disputes should be free to negotiate and agree to pursue alternative dispute resolution (ADR) through arbitration or mediation, but that the choice to do so should be voluntary

and proper safeguards must be built into the process for both sides.

On the critical issue of injunction, that in most circumstances an SEP holder should not be entitled to an injunction against a willing licensee for an SEP that it has committed to license on FRAND terms as this allows the SEP holder to exploit the hold-up/market power conferred by its SEP and contravene the purpose of the FRAND commitment and infringes competition law. A growing number of courts and competition authorities around the world as also Indian courts have recognized that a SEP holder should not be entitled to an injunction. Moreover, granting an injunction is inconsistent with the commitment of the SEP holder to the SSO to be prepared to grant licenses on FRAND terms. Intel believes that in its prima facie decisions in certain cases, the Competition Commission of India has correctly captured this view. A potential licensee should not be regarded as "unwilling" merely if it challenges the patent merits, disagrees with the proposed royalty rate and instead proposes an alternative rate, and if it agrees to a court or arbitrator setting the royalty rate.