

WORLD INTELLECTUAL PROPERTY REPORT >>>

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International Information for International Business

VOLUME 29, NUMBER 10 >>> OCTOBER 2015

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Patents

Indian Court Issues Injunction in Ericsson Standard Essential Patent Infringement Suit

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The Delhi High Court on Sept. 2 issued an injunction against Indian electronics maker and importer Best IT World India Pvt Ltd — also known as iBall — preventing it from importing and selling mobile handsets and other devices that allegedly infringe standard essential patents (SEPs) owned by Swedish multinational Telefonaktiebolaget LM Ericsson.

The interim order came into effect on Sept. 9 and will remain operative until the next date of hearing, Oct. 12.

The eight patents in question involve 2G, 3G and EDGE technologies, which are essential for mobile devices such as handsets, tablets and dongles to interoperate with network equipment, and are the standards prescribed by international standardization bodies as well as the Department of Telecommunications of India. These are the same patents over which Ericsson has sued other Indian and Chinese handset makers and importers in the Delhi High Court over the last few years.

Ericsson v. iBall

Ericsson sued iBall on Aug. 21 for not agreeing to sign a licensing agreement for the forementioned SEPs. iBall, for its part, said Ericsson had not provided details of which patents its products had infringed, and had not satisfied iBall that the patents in question were, in fact, SEPs and that iBall had infringed them in its devices.

iBall further said it is only an importer of the products in question, and only the Chinese manufacturers could verify the claims of patent infringement.

Ericsson countered that iBall had admitted to the essentiality of the patents in previous antitrust proceedings it had filed against Ericsson at the Competition Commission of India, alleging that Ericsson had a dominant position in the market by virtue of being the owner of SEPs required by anyone manufacturing or selling telecommunications devices, and that it was using that position to dictate unreasonable licensing terms.

The court agreed that prima facie it appeared that the

defendant was aware of Ericsson's SEP claims, that Ericsson had made out a case for infringement and that the balance of convenience also lay in Ericsson's favor. "In case the defendant is not infringing the patent, the interim order would not harm the business of the defendant if the technology of the defendant is distinct and not amounting to infringement of plaintiff's rights," he said.

Litigation Spree

This is only the latest in a series of infringement suits that Ericsson has filed at the Delhi High Court against a number of Indian and Chinese handset makers and sellers including Intex, Micromax and Xiaomi. The court has frequently issued injunctions, some *ex parte* (see "Indian Court Stops Xiaomi from Selling Mobiles on Ericsson Infringement Charges" [29 WIPR 12, 1/1/15]), in some cases eventually allowing the defendant to continue selling devices while depositing interim payments at a specified rate pending a final decision in the case.

Some of the defendants have hit back — Intex filed revocation proceedings at the Intellectual Property Appellate Board against Ericsson's patents, and, along with Micromax, approached the Competition Commission of India with charges of abuse of dominant position against Ericsson (see "Delhi High Court Orders Antitrust Agency to Stay Judgment in Ericsson Probe" [28 WIPR 7, 2/1/14]).

iBall had also filed a complaint at the Competition Commission accusing Ericsson of dictating unreasonable licensing terms including:

- 10 years' confidentiality in relation to disclosure of any information by either party;
- All disputes to be settled by arbitration in Stockholm, Sweden;
- Licensing agreement to cover not only future sales but past sales (so liable for payment of royalty);
- Insistence on signing "global patent licensing agreement" for bundling all its patents together.

In all these cases, the Commission has ordered detailed investigations into the allegations, but has been restrained by the Delhi High Court from making public the results of its investigations until the court decides the relevant cases.

Lava, another defendant, has hit back saying not only that Ericsson has not proven any infringement, but also alleging that it has committed fraud. Its strategic consultant, New Delhi-based lawyer Rajiv K. Choudhry told Bloomberg BNA via email on Sept. 7 that Ericsson's complaint discloses certain standards and patents related to those standards. However, he says, on checking with the European Telecommunications Standards Institute (ETSI), the standard-setting organization to which Ericsson declared its patents, Lava found that these patents were "simply not there".

None of these cases has proceeded to trial yet.

Injunctions Problematic

The frequency with which injunctions have been issued in the Ericsson cases has fueled a debate among practitioners and academics on whether Indian courts are making a clear distinction between cases of infringement simpliciter as opposed to those involving infringement of SEPs, particularly when it comes to grant of injunctive relief.

Rachna Bakhru, partner at IP law firm RNA, told Bloomberg BNA via email on Sept. 8 that the debate arises out of the fact that while a patent is a monopoly right, the right owner in case of an SEP *suo moto* offers its patent(s) to become a standard for which they would be willing to offer licenses in lieu of fair, reasonable and non-discriminatory (FRAND) royalty payments. "Therefore, the objective of an SEP is not to create a monopoly right but a robust set of licensing agreements that will get the SEP owner adequate royalty payments," she said, so that one school of thought is that instead of granting injunctive relief against the defendants, it would be better to grant damages as direct substitutes for lost royalty. This would adequately compensate the SEP owner, meeting the ultimate objective of such a suit for infringement, in contrast to a patent infringement suit where it is the prerogative of the patent owner to decide whether or not to license their patent in the first place.

Yet, given the huge backlog of cases and how long trials take to conclude in India, not granting injunctive relief is itself problematic. Pankaj Soni, partner at Remfry & Sagar, told Bloomberg BNA via email on Sept. 8 that to say that the obligations of the SEP holder and the non-substitution of patents give sufficient basis for courts to treat such cases as "damages only", would relegate courts to playing "guardians to business".

Other practitioners believe damages or interim payments in escrow are a better option. Abhishek Pandurangi, partner at Khurana and Khurana, a pan-India IP and commercial law firm, told Bloomberg BNA via email on Sept. 7 that his personal opinion is that "with the current scheme and spirit of SEPs and fair and reasonable (FRAND) terms, injunctions can be alternated by a win-win situation if amicable compensations/license fees can be pronounced."

Pandurangi added that although Indian courts are not making a clear enough distinction between infringement simpliciter and SEP infringement cases, "in time courts will have to play a much larger role in addressing the underlying issues in such infringement suits. SEPs and FRANDs need a lot more discussion, debate, formation of guidelines in consultation with all stakeholders. The courts can only do so much in making this implementable in the business ecosystem." Citing the example of *Huawei v. ZTE* at the CJEU (see "CJEU Reins in Mobile Phone Patent Battles" [29 WIPR 11, 8/1/15]), he said it is time for the authorities to formalize policies for FRAND terms and SEPs in consultation with the government and other stakeholders, which the courts can then implement.

Bakhru of RNA said the patent law may also be amended to regulate the terms and conditions for SEPs and

FRAND, wherein an SEP holder should have a liability under law to comply with FRAND terms. This view found many detractors — Soni of Remfry & Sagar said this would amount to an overreach from a business perspective.

Another issue that some analysts have raised involves the doctrine of privity — under the Indian Contract Act, 1872, a third party cannot seek enforcement of a contract between the signatory parties. As such, companies like iBall cannot approach standard-setting organizations such as ETSI to make SEP holders like Ericsson fulfill their contractual obligations to license SEPs on

FRAND terms. Practitioners said it is only a matter of time before a change in law to adapt to such problems.

The High Court's iBall order can be found at <http://src.bna.com/gR>.

The Competition Commission's ruling in the iBall case can be found at <http://src.bna.com/gO>.

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