

The Secretary,
DOT,
New Delhi

Dear Sir,

Re: Make in India suffering from DOT accepting standards made by foreign standard setting organizations without knowledge of patents involved and royalties payable on the same

Sir, this letter is to bring the sufferings faced by Indian manufacturers for Make in India due to excessive royalties demand made by some patent holders relying on the fact that DOT/ Government has accepted the standards formed by Standard Setting Organizations (SSO) without their disclosure of patents or Standard Essential Patents (SEP) involved and royalties payable on them and need to address this issue.

Sir, Delhi High Court in its order dated 30.3.2016 (copy attached) in the matter Telefonaktiebolaget LM Ericsson (PUBL) versus CCI W.P.(C) 464/2014 & CM Nos.911/2014 & 915/2014 while upholding the authority of CCI in case of patents has made some observations as below relating to standards.

Sir in this behalf we beg to submit:

1. We in DOT has accepted the standards as informed to us by ETSI etc. without any knowledge of patents or SEP involved and no information that royalties are payable. This has created a situation where the standards cannot be met without following the SEP. And CCI has formed a prima facie view that the patent holder enjoys complete dominance.
2. It is obligatory patent holder to inform ETSI of the patent, as would be seen from paras below. We request DOT to find out from records if ETSI informed DOT of the patents and SEPs. If not a formal protest need to be taken to ETSI even now and a policy to be cautious in future.
3. We request to please find out from records if while accepting standards DOT was told of the patents and royalties and if so, then reasons for holding back this information from public at large.
4. We request please find out form records as to why TEC was not mandated to see the standards before they were accepted for India.
5. We request that necessary care need to be taken in future while accepting any standards by SSO to collect information about SEP and royalties, so that decision making is informed of the consequences of accepting the standard.
6. It has been observed by CCI that Ericsson holder of SEP was a member of ETSI, who formed the standards. In view of this, there is need to ascertain at the time of accepting

the standards, as to which SEP holders were member of the Committee/ETSI while forming the standards. This will help decision makers to have a view of the interested parties in standard making by ETSI or other SSO.

7. It would be seen from the paras below that Competition Act provides for a statutory authority to make a reference to the CCI if it proposes to take a decision which may be contrary to the provisions of the Competition Act. We request DOT to find out from records the view taken for not making reference to CCI. We also request that it be mandated in future that a reference be made to CCI while accepting a SEP for standards that may have affect contrary to Competition Act ie. Dominance or anticompetitive.
8. The SEP has been widely used in telecom technologies in India. Whereas one company has raised demand for royalties from mobile manufacturers Micromax, Intex, we request that information be called for as to how much royalties have been paid on patented technologies by others and service tax/sales tax paid on that. If not paid, then what are consequential actions needed.
9. A reference is made to para 194 of Delhi High Court Judgment dated 30.3.2016, which says: *“In recent times, there has been much advancement in the telecommunication sector and technology. Companies - such as Ericsson -have acquired a large portfolio of patents which have been accepted as a part of the standards established by various SSOs. Enforcement of these SEPs has become a major area of dispute between the technology company holding the SEPs and mobile phone manufacturers.”*
10. We would also like to bring it to the notice of DOT/TEC to be cautious in following what SSO like ETSI etc. says. At times it is argued that ETSI determines the FRAND and SEP. It is not correct. ETSI determines standards. ETSI has no role in determining FRAND. This would be clear from following:

Uniloc v. Microsoft (2011):

It has been mentioned in above that the standards setting bodies like European Telecommunications Standards Institute (ETSI) ETSI, do not play role in determining FRAND. The observations are as under:-

“It is important to note that standards setting bodies, and in particular the European Telecommunications Standards Institute (ETSI) ETSI, do not dictate the terms of template licenses nor do they give guidance on what FRAND might be. Further they do not set a royalty rate, which may be considered FRAND, and they do not check or scrutinize the purported essentiality of any patent notified to them. Consequently, there is scope for uncertainty, debate and, potentially, litigation.”

11. Such other action as DOT may feel necessary to protect the interest of Indian manufacturers and to promote Make in India.

Reference to CCI Orders dated 12.11.2013

i) A reference is made here to para 14 of CCI order dated 12.11.2013 Case No. 50/2013, vide which CCI observed:

Ericsson's patents having been accepted by Department of Telecommunication, India and every telecom service provider in India is required to enter into a "Unified Access Service License Agreement with Department of Telecommunication (Dot). As per letter dated 03.10.2008, DoT has directed that All GSM/CDMA network equipment imported into India should also meet the standards of international telecommunication technology, as set by International Telecommunication Union, Telecommunication Engineering Center and International Standardization bodies such as 3GPP, 3GPP-2, ETSI, IETF, ANSI, EIA, TIA, IS.

ii) CCI in its orders dated 12.11.2013 and 16.1.2014 has "expressed a prima facie view that the patent holder enjoys complete dominance over its present and prospective licensees. The CCI concluded that the requested royalties 'had no linkage to the patented product' and were thus 'discriminatory as well as contrary to FRAND terms'. CCI ordered directing the DG CCI to investigate the matter regarding violations of the provisions of the Competition Act by Ericsson, as SEP holders."

References to Delhi High Court Judgment dated 30.3.2016:

1. Para 20 Referring to CCI orders dated 12,11.2013 (Ericsson a member of ETSI who formed standard ... standard accepted by DOT)

*Para 20.The CCI took note of the fact that **Ericsson was a member of ETSI and held several SEPs which were recognized as standard by ETSI.** The CCI also noted that as per clause 6 of ETSI IPR policy, the IPR holder/owner is required to give an irrevocable written undertaking that it would grant irrevocable licence on **FRAND terms to be applied fairly and uniformly to similarly placed parties.** The CCI noted that **Ericsson had declared that it had standard patents in respect of 2G, 3G and EDGE technologies, which were also accepted by the Department of Telecommunications, Ministry of Communications and Information Technology, Government of India. The 'Unified Access Service License' granted by the Government of India also required all GSM/CDMA network and equipments imported into India to meet the international standards of international telecommunication technology.** In view of the fact that in case of SEPs,*

there is no possibility of using a non-infringing technology, CCI formed a prima facie view that Ericsson enjoyed complete dominance over its present and prospective licensees in the relevant product market.

2. Para 21:

CCI noted that the royalty rates charged by Ericsson had no link to the patented product and that was contrary to what was expected of a patentee holding SEPs; *CCI was of the prima facie view that **royalties linked with the cost of the end product were contrary to the FRAND obligations.***

3. Para 164:

164. It is apparent from the above that the Competition Act also contemplates a situation where an order by CCI may be contrary to another statute being administered by another authority. Similarly, Section 21 of the Competition Act provides for a statutory authority to make a reference to the CCI if it proposes to take a decision which may be contrary to the provisions of the Competition Act. Section 21 of the Competition Act is reproduced as under;

Reference by statutory authority

*21. (1) Where in the course of a proceeding before any statutory authority an issue is raised by any party that any decision which such statutory authority has taken **or proposes to take is or would be, contrary to any of the provisions of this Act, then such statutory authority may make a reference in respect of such issue to the Commission:***

Provided that any statutory authority, may, suo motu, make such a reference to the Commission

(2) On receipt of a reference under sub-section (1), the Commission shall give its opinion, within sixty days of receipt of such reference, to such statutory authority which shall consider the opinion of the Commission and thereafter, give its findings recording reasons therefor on the issues referred to in the said opinion."

4. Para 184:

*184: Universal Mobile Telecommunication System (hereafter 'UMTS') standard which has been set by ETSI, has also been accepted in various other countries including by TRAI in India. **Clearly, an inclusion of a patented technology in a***

standard such as UMTS could place the patent holder in a position of substantial market power. Clearly, an SEP holder such as Ericsson would be in a position to demand supra-competitive royalties from all implementers of the standard (entities dealing in products using the patented technology accepted as SEP). Ericsson claims to hold a large number of SEPs including the eight, which are the subject matter of litigation between Ericsson and Micromax/Intex. **It is indisputable that as an SEP holder, Ericsson is in a position of dominance and significant bargaining power in relation to the other implementers of that technology who have no other option but to conform to the standards which include technologies patented by Ericsson. It is also well recognised that a patent holder of a technology accepted in a standard would be in a position to hold up the other market participants implementing the said technology.**

5. Para 9 and 10

Para 9.....any technology accepted as a standard would have to be mandatorily followed by all enterprises involved in the particular industry In order to accept and lay down standards, various Standard Setting Organizations' (SSOs) have been established. European Telecommunication Standard Institute (ETSI) is one such body, which has been set up to lay down the standards for the telecommunication industry and particularly 2G (GSM, GPRS, EDGE), 3G (UMTS, WCDMA, HSPA) and 4G (LTE) standards. **In cases where the technology adopted as a part of an essential standard is patented, the technology/patent is referred to as a Standard Essential Patent (hereafter 'SEP').** The implication of accepting a patented technology as a standard is that **all devices/equipments compliant with the established standard would require to use the patented technology and its manufacture would necessarily require a licence from the patentee holding the SEP**

Para 10: In order to ensure that a patentee cannot prevent access to SEP, clause 6.1 6.1 of the "ETSI Intellectual Property Rights Policy" expressly provides that:

When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory ("FRAND") terms and conditions under such IPR

6. Para 47,94,95,96 (Reference IPR as Goods)

Para 47: Mr Kathpalia (Sr. Advocate appearing on behalf of CCI) also controverted the contention that the SEPs were not 'goods'. He submitted that intellectual property rights also fell within the expression 'goods' under the Sales of Goods Act and referred to the decision in the case of Tata Consultancy Services v. State of AP: AIR 2005 SC 371 in support of his contention.

Para 94: This brings us to the question whether patent are “goods” as defined in the Sale of Goods Act, 1930. Sub- Section 7 of Section 2 of the Sale of Goods Act, 1930 defines 'goods' as under:-

(7) "goods" means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under contact of sale"

Para 95: As is apparent from the above, the definition of goods is extremely wide and takes within its fold every kind of movable property.....

Para 96:Thus, plainly, the word 'goods' would encompass all kinds of property other than land,

Thanking you,

Yours faithfully,

(Prof NK Goyal)
Chairman Emeritus, TEMA