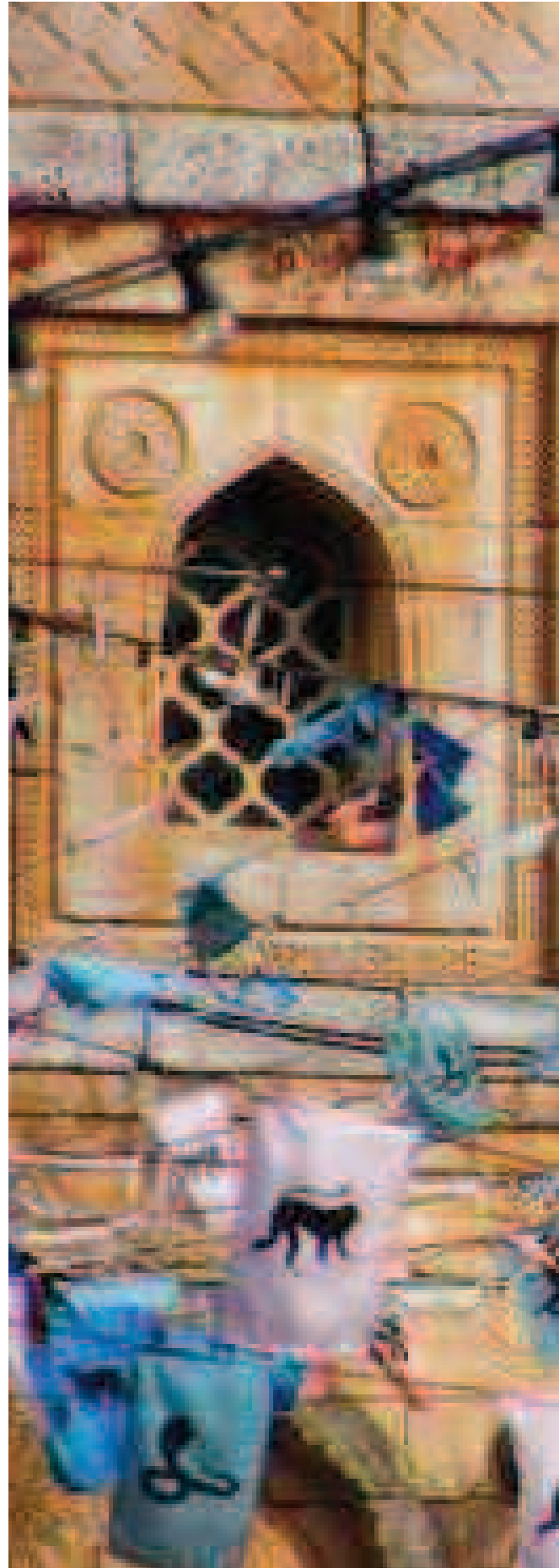


A new trend in infringement analysis

Deepak Srinivas of Lex Orbis asks if convenience should outweigh claim construction with an alleged infringing product

Effective IP enforcement is essential not just for ensuring and encouraging technological innovation but also for the overall development of any economy. After all, which investor would want to put money in a country that has scant regard for their IP portfolio, which has



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Inter-operability among complementary products has become a necessity

been developed over years at considerable cost? This is particularly true in the case of patents, which are the most important IP asset of any firm in today's technology-driven age. Effective patent enforcement is critical for scientific progress and long-term growth in India. India has been known for following a minimalist patent framework with a comparatively higher substantive threshold for patentability as seen in the Supreme Court's *Novartis* decision. Recently, however, the Indian judiciary has taken a rather liberal stand in matters involving standard essential patents. Though there has been no final decision in this regard, in some of the cases the Delhi High Court has granted injunctions on the basis of an alleged infringing product implementing a patented industry standard. Though the approach taken has not yet crystallised into a binding precedent, it is representative of a new trend in patent infringement analysis and necessitates a further probe into the area.

The role of standard essential patents

In this age of rapidly changing technologies, inter-operability among complementary products has become a necessity. An inter-operability standard not only paves the way for moving numerous important innovations into the marketplace and facilitating further technological advancement, but also enables consumers to combine and use the best available technology without worrying about the compatibility of different brands. This simply means that irrespective of which brand laptop we own, any USB may be used without being limited to a specific brand. Therefore, establishing industry standards to ensure inter-operability amongst different products and services offered by different vendors across different sectors, serve both consumer and innovator interests. These inter-operability standards are determined by a standard-setting organisation (SSO), which is usually an industry group that sets a common standard for a particular industry in order to ensure

inter-operability amongst products manufactured by different entities. Since more often than not, industry standards in technology-centric sectors such as telecommunications or IT include patented technologies, there emerges a new category of patents known as standard essential patents (SEPs).

It is the patent in standardised technologies that lies at the heart of the spate of infringement suits that have been filed across jurisdictions by owners of SEPs, especially in the smart phone industry. While generally the owners of SEPs are required to license these patents on fair, reasonable and non-discriminatory terms (popularly known as Frand terms) market players often differ in their interpretation of what constitutes fair and reasonable, leading to disputes that culminate in patent wars. In fact, licensing SEPs is one of the most contentious issues of contemporary patent regimes and involves issues pertaining to abuse of dominance by owners of large numbers of SEPs. After all, the more widely standards are adopted, the more difficult and costly it becomes to switch over to different technologies, leading to a lock-in of the market. Further, in the event of disagreement over Frand terms and consequent denial of the licence by the owner of SEP products, the product implementing the standard may become completely non-functional. This often gives the owners of such patents a higher bargaining power once the standard has been already implemented and the producer or manufacturer has no choice but to get the patent. This results in the fixing of high royalty rates and other onerous conditions for the grant of licence by the patentee, which may again make the product implementing the standard unprofitable, a situation seen in the case of patent hold-ups.

Parameters of infringement

While all these are critical issues, our focus here is to evaluate which parameters should be considered in a patent infringement analysis when an SEP owner approaches Indian courts over infringement of the SEP. Should it be open to the patentee to argue that because his patent is an industry standard, the defendant by merely complying with the standard has infringed the asserted patent? Should the threshold of burden of proof, which the plaintiff needs to fulfil in case he claims infringement of a product patent, be reduced if the patent has been adopted as an industry standard? And, should the issues discussed above such as patent hold-up, and royalty stacking be considered by the courts while determining the injunction? For instance, if the alleged infringer had initially approached the patentee for a licence but was rejected or asked to pay an exorbitantly high royalty, wouldn't it be more appropriate for the adjudicating body to mandate Frand terms for the grant of the licence rather than restraining the

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defendant from using the patent, which may result in patent hold-up.

Traditional patent infringement analysis involves detailed patent claim mapping of the product, by comparing claims of the product to specific features of the target products. This analysis based on claim construction not only entails understanding the full scope of the patented product but also makes it mandatory for the patentee to map each of his claims to the target product's claims. If all the claims of the patentee product cannot be mapped successfully, a determination of infringement may not be possible. No doubt an analysis of this nature would consume significant amount of time and may become too technical in case of technology-centred devices, turning patent litigations into costly, time-consuming, detested affairs. Using industry standards as the basis of the infringement analysis solves the problems associated with traditional patent litigation. However, it does have certain omissions which makes claim construction with the targeted infringing product essential before relying on industry standard as the basis of patent infringement. For instance, although a claim construction with the industry standard may indicate that the plaintiff's claim includes the devices, it may still not determine that the defendant's product practicing that standard is infringing. In many cases, an industry standard does not provide the level of specificity required to establish that practicing that standard would always result in infringement. Also, it may be possible that the alleged infringing product implements the standard in a manner which may not be infringing, or the standard is optional and the defendant has locked the infringing feature or has taken steps to ensure that users of the product do not have access to the infringing feature. Moreover, claim-to-standard comparison instead of claim-to-accused-product comparison would lead to an automatic conclusion of infringement against all future products implementing the standard and may prove detrimental to technological advancement. If courts start accepting industry



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standards as the basis of patent infringement, SEP owners may start charging incredibly high royalty rates for the grant of licences, which would lead to non-compliance with the standard, and affect consumer interests. All these issues must be considered in detail before the granting of injunctions based on industry standards crystallises into an established rule of procedure by the courts.

Judicial viewpoint

A detailed legal analysis on the subject has been provided by the US Court of Appeals for the Federal Circuit decision in *Fujitsu v Netgear*. Here it was held that a district court may rely on the standard in analysing infringement instead of requiring proof of infringement for each individually accused device. However, the court limited this analysis to the facts of the case and held that such patent infringement analysis must be limited to situations where a patent covers every possible implementation of the standard.

In India, there has been string of law suits involving infringement of SEPs, mostly before Delhi High Court. The plaintiffs, predictably, have been major industry players in the field of telecommunications, and IT among others. Ericsson, which owns the largest number of SEPs in the mobile technology area sued both Micromax and Intex for infringing its SEPs, and

Licensing SEPs is one of the most contentious issues of contemporary patent regimes

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Indian courts have slowly started accepting industry standard as the basis of infringement

Vringo Corporation sued ZTE. One of the interesting facets common to all these suits is that they were filed as a result of the failure or refusal of the parties to arrive at fair and reasonable licensing terms. While ZTE Corporation did not respond to a letter from Vringo asking if it wished to take a global licence for Vringo's SEPs, Ericsson filed both the suits after its negotiations with Micromax and Intex did not yield any solution. As of now, none of these matters has been finally decided.

However, Delhi High Court has granted ex-parte injunctions against both ZTE and Micromax in the very first hearing, while the injunction against Intex was refused.

None of these injunction orders were directly premised on the infringement of industry standards. However, considering they were granted in relation to SEPs and on the basis of analyses establishing that the patent claims incorporated the scope of the industry standard rather than on the basis of mapping with the targeted defendant's product, it does lead to an inference that Indian courts have slowly started accepting industry standard as the basis of infringement .

All these matters are still sub-judice. It is expected that the Indian judiciary will comprehensively consider all the relevant factors before coming to a conclusive determination of infringement in suits pertaining to SEPs, taking into account the interests of all categories of stakeholders. It is not just the patentee, but all the stakeholders in the patent litigation who wish for infringement proceedings to be uncomplicated, affordable, simple affairs that may be decided within a reasonable time limit. Whether this can be done at the expense of a fair, reasonable trial remains the question.



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