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Recent Indian Case Law on Standard Essential Patents

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In the past few years, India has produced significant case law on Standard Essential Patents (‘SEPs’), with the High Court of Delhi being the venue of several high-profile disputes. An important SEP decision in India – *InterDigital v Xiaomi* – was released by this court in early May 2021. The case relates to litigation occurring in different countries. In this piece we outline the major cases that have arisen since 2018, focusing on the most recent one – Interdigital v. Xiaomi.

Previous Indian case law

In July 2018 India’s first ever SEP decision was issued by the High Court of Delhi in two joined (identical) disputes, *Koninklijke Philips v. Rajesh Bansal* and *Koninklijke Philips v. Bhagirathi Electronics*.

In both cases, the defendants were importers and assemblers of DVD players in India. The plaintiff, Philips, filed patent infringement cases against both of them, claiming that they had imported DVD player components that were manufactured using its patented technology and had then assembled them in India without obtaining licenses. The patent in question covers the ‘Channel (De)coding technology’ responsible for video playback function in the DVD player. The implementers argued that they had not infringed Philips’ patent as they acquired the components from authorized licensees of Philips.

The Delhi High Court ruled in favour of Philips. It held that the plaintiff’s patent was essential for the DVD standard, accepting the company’s US and European patents’ essentiality certificates. As for the infringement, the court held that the defendants failed to prove that the components were imported from Philips’ authorized licensees. Furthermore, the court held that the defendants’ failure to obtain a licence from Philips to use its SEP *prima facie* led to the finding of infringement, as the defendants’ products complied with the standard. Regarding the applicable licence fee, the defendants were unable to prove that the fee charged by Philips was not on FRAND terms. Therefore, the court fixed the royalty charges as proposed by Philips.

This decision, though path-breaking, was a relatively straightforward one, focusing entirely on domestic issues. The situation is far more complex in the recent InterDigital v. Xiaomi case.

InterDigital v Xiaomi (2020-21)

In July 2020, the US tech company InterDigital filed suit against the Chinese consumer electronics maker Xiaomi, claiming infringement of its 3G and 4G patents, as the latter had used its technology without authorisation. InterDigital sought a remedy in the form of either a permanent injunction or royalties. InterDigital had previously issued licenses of its SEPs to third parties and invited Xiaomi to do the same. However, the rate proposed by Xiaomi was rejected, as InterDigital believed that it did not comply with FRAND terms. For determining a FRAND royalty, Xiaomi claimed it needed information regarding the identity of the third-party licensees, the exact area and scope of the license granted to such licensees, and other information e.g. from comparable license agreements.

InterDigital did not grant Xiaomi access to comparable license agreements to preserve confidential commercial information, which it argued could not be disclosed to a competitor such as Xiaomi. Therefore, InterDigital proposed to form a confidential club where information could be shared at two tiers: an 'outer tier' where the information would be accessible to the advocates for both sides, experts appointed by them, as well as representatives of both parties; and an 'inner tier' which would receive documents accessible to all of the above, except the parties' representatives. This proposed solution implied that advocates and technical experts would end up negotiating the royalty rates without consulting with Xiaomi's representatives.

Keeping in mind the interests of both the parties, the court rejected the two-tier system proposed by Interdigital on two grounds – (i) fair play, where it is essential for each party to be aware of the case of the other party that it is supposed to counter; and (ii) the nature of lawyer-client relationship, which requires the lawyer to act in accordance to the client's instructions and not "substitute their judgement for that of the client".

On 3 June 2020, Xiaomi filed a complaint against InterDigital in the Wuhan Intermediate People's Court for determining royalty rates that comply with the FRAND terms payable for InterDigital's 3G and 4G SEPs. In retaliation, InterDigital filed a suit against Xiaomi in the Delhi High Court in part to garner leverage regarding the situation before the Wuhan Court. On 23 September 2020, the Wuhan Court issued an anti-suit injunction against InterDigital from pursuing matters in the Delhi High Court. In a 'tit-for-tat' response, on 29 September 2020, InterDigital filed an anti-anti-suit injunction application at the Delhi High Court.

On 3 May 2021, the Delhi High Court issued the first Indian anti-anti-suit injunction. This judgment confirms its 9 October 2020 order whereby it granted an *ad interim* anti-anti-suit injunction against Xiaomi, directing it not to pursue or enforce the injunction it had secured from the Wuhan Court. The Delhi High Court held that a court of one state (i.e. the Wuhan Court) cannot bar the parties from pursuing the dispute at a forum in another state (i.e. the Delhi court), when this foreign forum has the competent jurisdiction to hear the case. The court also clarified that exceptions can apply only when the foreign forum is 'vexatious or oppressive' to the state's court. Moreover, the court ordered Xiaomi to remunerate InterDigital for the penalties imposed by the Wuhan court.

Conclusion

This decision is a bitter pill to swallow for Xiaomi. Generally, an anti-suit injunction is an urgent remedy ordered by judges in one jurisdiction that prevents a party to a dispute from starting a parallel action in another jurisdiction. While controversial, such injunctions have the merit of reducing both the costs associated with defending cases in court, and the risk that conflicting judicial decisions will occur in parallel jurisdictions. The remedy is particularly useful to SEP implementers when patent holders disrespect their commitment to license their patents on a FRAND basis. For example, a judge who is in the process of assessing whether the SEP owner complies with FRAND terms, may at the same time grant an anti-suit injunction to stop the patentee taking patent infringement actions in other jurisdictions until the FRAND litigation has been concluded (see Jorge Contreras – Michael Eixenberger, '*The Anti-Suit Injunction – A Transitional Remedy for Multi- Jurisdictional SEP Litigation*', in Jorge Contreras (ed) '*The Cambridge Handbook of Technical Standardization Law – Antitrust, Competition and Patent Law*', Cambridge University Press 2017).

While patent owners' right to enforce their monopolies against alleged infringers is no doubt the *raison d'e?tre* of the patent system, it cannot be denied that – when it comes to SEP disputes – making it more difficult (perhaps impossible?) to obtain anti-suit injunctions greatly jeopardises the possibility for implementers to fight unfairness related to forum shopping across different countries (see again Contreras – Eixenberger, *ibidem*). Anti-anti-suit injunctions deprive SEP owners' competitors of a legal tool for neutralising patent holders' rent-seeking behaviours – actions that can not only cause harm to prospective implementers, but also have the potential to affect negatively the interests of final consumers.

At present, the High Court of Delhi seems to weigh the rights of SEP owners more highly than other concerns. As is well-known, in this area of patent law, a careful balance is often needed between two different (and often) clashing interests, i.e. those of SEP owners who make investments in developing new useful technologies and those of implementers who need access to such technologies. An ITC market which is as competitive as possible is more capable of guaranteeing cheaper products for consumers. Now that the path has been broken for SEP cases to arise in India, it is likely that such concerns will be raised more and more. Time will tell whether future Indian SEP disputes will change this recent case law trajectory, and reach a more balanced equilibrium between the interests of SEP owners and those of implementers.

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