

Judge Gilstrap: For Implementers of SEPs, the Penitent Will Pass

A photograph of a modern building with a curved glass facade, showing multiple floors and windows, set against a light blue sky.

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By: Brian P. Johnson

According to Judge Gilstrap in the Eastern District of Texas, obligations to negotiate under fair, reasonable, and non-discriminatory (FRAND) terms apply not only to standard essential patent (SEP) holders but to implementers of those standards as well. If an implementer does not act in good faith, then the SEP-holder's obligations to do so might even be suspended, according to a recent opinion.

In the past few years, multiple jurisdictions outside the United States have found that implementers not only have an obligation to negotiate in good faith, but when implementers fail to do so, they may waive their FRAND defenses. For instance, in certain European countries, a SEP holder might be able to seek royalties that are not reasonable when faced with a bad-faith implementer. Yet, in the United States, this law is still in development. Opinions on FRAND obligations have grown rare because since the Federal Circuit's decision in *TCL v. Ericsson*, juries are generally empowered to determine the fate of FRAND defenses, rather than judges. So, the question remained: Do SEP implementers need to negotiate in good faith?

According to a January 22, 2024 decision in *G+ Communications v. Samsung Electronics*, the answer is yes. At least, eventually. Judge Gilstrap found that a SEP-holder's FRAND obligations are irrevocable but may be suspended when an implementer is acting in bad faith. But that suspension is only temporary. According to the opinion, "[i]f the bad faith actor ceases its bad faith and begins acting in good faith, the good faith negotiations must also resume." However, if

that bad faith actor does not change its ways, then it might be liable for damages in excess of a FRAND royalty rate, including “attorney’s fees and the cost of litigation.” A penitent company, therefore, may still reach the holy grail of a FRAND license.

It is both practical and logical that the obligations of a party acting in good faith be suspended when a counterparty to a negotiation for a FRAND license is acting in bad faith.

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