



Redacted Settlement Offers Are Admissible to Show Industry Practice for FRAND Negotiations

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In advance of a new trial to determine damages for patent infringement, a district court denied plaintiff's motion to preclude defendants from introducing the terms of plaintiff's settlement offers. The district court concluded that the licensing offers had probative value to show industry practice for negotiating licenses on fair, reasonable, and non-discriminatory (FRAND) terms.

Following a jury verdict of partial infringement, the court *sua sponte* ordered a new trial on damages in light of its concerns that the jury was confused about different forms of reasonable royalty damages. Plaintiff filed a motion requesting that the court prohibit defendants from introducing the terms of plaintiff's settlement offers during the new trial. The settlement offers were introduced in the original trial for the purpose of determining whether plaintiff breached its commitment to negotiate a license under FRAND terms. In the new trial, plaintiff contended that because the settlement offers could not be used to determine the amount of damages, the offers should not be admitted.

Defendants sought to admit the settlement offers to establish the industry practice for FRAND license negotiations. Specifically, defendants sought to introduce the offers as evidence of the parties' valuation of the asserted patents relative to plaintiff's broader portfolio. Defendants also argued that the valuation methodology contained in the offers is evidence of industry practice. According to defendants, the offers showed a lump sum structure for licensing the patents. Defendants stated that they were willing to prepare

redacted versions of the offers to remove numerical amounts, while preserving discussion of valuation, methodology, and license payments.

The court denied plaintiff's motion and ordered that the settlement offers be redacted as outlined by defendants. The court agreed with defendants that the offers had probative value for determining damages in the new trial. The court concluded that the offers could be used to show industry practice for FRAND licensing negotiations, including the specific practices of the parties. Further, the court stated that introducing the offers, once redacted, would not run afoul of Federal Rule of Evidence 408, which safeguards against the use of compromise negotiations to prove or disprove the validity or amount of a disputed claim.

Practice Tip: While settlement or licensing negotiations can serve as evidence of FRAND terms for patent damages, Federal Rule of Evidence 408 dictates that such negotiations cannot be used to prove or disprove the validity or amount of the infringement claim. Parties seeking to introduce evidence related to settlement in FRAND negotiations should consider whether introduction of such evidence in toto is necessary or desirable. For example, appropriate redactions can prevent consideration of compromise negotiations for an improper purpose while allowing the negotiations to serve as evidence of FRAND terms and industry practice.

G+ Commc'ns, LLC v. Samsung Elecs. Co., 2:22-cv-00078-JRG, D.I. 625 (E.D. Tex. Apr. 12, 2024).

Categories

Infringement

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