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Brazilian Courts pushing back on preliminary injunctions in SEP infringement lawsuits

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 [Montaury Pimenta, Machado & Vieira de Mello](#)

 [Luiz Edgard Montaury Pimenta](#)  [Ana Paula Affonso Brito](#)  [Maria Eduarda Junqueira](#)

For some years now, the litigation scenario involving SEPs in Brazil has been gaining relevance and the number of lawsuits filed by entities holding patents, sometimes NPEs (non-practicing entities), and some other companies that both hold essential patents and implement them, has been growing exponentially.

Brazil is on the spotlight, being selected by patent holders to enforce their patents in Brazilian courts, mostly in the Rio de Janeiro business courts. Preliminary injunctions were being granted on an ex parte basis and without an independent report from a court-appointed expert, with the purpose of putting pressure on ongoing licensing negotiations worldwide.

Many of the companies involved in the Brazilian judicial disputes were already litigating outside Brazil as well, and the favorable scenario for patent holders in the country was seen as an invitation for the filing of such lawsuits. After all, the figures show that holding SEPs has become an attractive and increasingly profitable business: it is estimated that, in

2021, revenues from royalties from negotiations in this sector exceeded 20 billion dollars^[1].

The court of appeals of Rio de Janeiro has been confirming such preliminary injunctions once granted based on unilateral reports attesting that the technology covered by the patent was essential and infringement was a logical consequence thereof. Such preliminary injunctions were granted even before the production of unbiased technical evidence – which, in Brazil, is mandatory to be presented, as judges do not have a technical background.

Until very recently, specialized IP courts, with some exceptions, were not distinguishing essential and non-essential patents and were applying legal provisions that guarantee the possibility of granting ex parte preliminary injunctions.

This is how the situation has been developing so far.

Although neither the Brazilian Code of Civil Procedure, nor the Brazilian Industrial Property Law establish a distinction between essential and non-essential patents, it is unequivocal that the particularities of such microsystem and the way such lawsuits are developing in Brazil have attracted the attention of more and more patent owners. However, the growing number of preliminary injunctions granted without an independent court-appointed expert report on patent infringement lawsuits in the telecom/tech sectors has now taken heed at the Brazilian courts in view of two recent court decisions issued by judge Victor Augustin, now seated at the 6th Business Court of Rio de Janeiro, in which he established other criteria to grant a preliminary injunction in such type of lawsuits.

One of these cases concerns a lawsuit filed by a patent owner against a major worldwide player in the telecom sector, in which the prior judge granted a preliminary injunction without an independent court-appointed expert opinion. After almost two years, the new judge issued a decision not only revoking the preliminary injunction previously granted, but also

dismissing the lawsuit - now based on an independent court-appointed expert opinion, which confirmed the lack of patent infringement - and sentencing the Plaintiff to pay compensation for bad-faith litigation plus court and attorneys' fees.

As attorneys representing the Defendant in this lawsuit, the revocation of this preliminary injunction and the dismissal of the lawsuit show that whenever a preliminary injunction is obtained on a fragile basis, a more conservative line of handling the case is advisable. Therefore, the granting of a preliminary injunction should only be sought after submission of an independent court-appointed expert report attesting the infringement.

Another recent court decision issued by Hon. Judge Victor Augustin seated at the 6th business court^[2] of Rio de Janeiro established the following criteria for granting a preliminary injunction in a SEP patent infringement lawsuit :

1. In order to claim a preliminary injunction, the patentee must prove to have observed FRAND conditions for settlement, mainly the non-discriminatory aspect. Such FRAND designation stands for Fair, Reasonable and Non-Discriminatory terms - meaning that whoever claims to hold an essential patent for such a standard must license to third parties under the referred conditions.
2. Ex parte injunction will be conditioned upon a concise unbiased opinion, in which the expert will initially answer some queries submitted only by the judge to a skilled expert appointed by the court, regardless of a comprehensive expert report further on.
3. Confidentiality of the court files will be limited to documents that reveal trade secret information, to be identified by the interested party in a very clear way. Such provision has the purpose of allowing the case law to be clearly publicized, as the general civil procedure rule in Brazil sets forth that lawsuits must be public and fully disclosed to society.
4. A judicial bond has to be posted by the Plaintiff.

Such decisions now bring a clearer scenario on a highly technical and complex discussion that is only now being matured by the Brazilian judiciary.

These decisions duly observed that in IP courts, unlike in other branches of law, disputes involve business matters orbiting around economic interests. Thus, in such a sphere, judges must ensure that the parties play a leading role and emphasize negotiated solutions, balancing the exclusive patent rights while ensuring that FRAND terms were observed by the patentee during licensing negotiations.

After all, the Brazilian judiciary is trying to balance the rights of both parties through an equitable manner, striving efficiency, efficacy and effectiveness, without distorting the actions of economic agents or being used as a tool for other purposes.

(***)

[1] POHLMAN, Tim. How to Navigate the Risks of Standard Essential Patents (SEPs). Available at <https://www.linkedin.com/pulse/how-navigate-risks-standard-essential-patents-seps-tim-pohlmann/?trackingId=bb40VMsxSimaPt15Qe5X2Q%3D%3D>.

[2] Decision issued in DivX, LLC vs. Gorenje do Brasil Importação e Comercio de Eletrodomésticos Ltda., Toshiba Do Brasil Ltda. and Multilaser Industrial S.A.. Court files no. 0834763-49.2024.8.19.000, on May 17, 2024, 6th Business Court of Rio de Janeiro State Court.

Montaury Pimenta, Machado & Vieira de
Mello



Luiz Edgard Montauray Pimenta

Partner



Ana Paula Affonso Brito

Partner



Maria Eduarda Junqueira

Partner

maria.junqueira@montauray.com.br

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