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STANDARD ESSENTIAL PATENT (SEP) LITIGATION IN BRAZIL: THE EMERGING LANDSCAPE

The litigation of Standard Essential Patents (SEPs) is rapidly evolving in Brazil, mirroring a global dispute trend. Over the past few years, the country has witnessed a surge in infringement lawsuits, particularly in the Rio de Janeiro State Courts, which have emerged as the preferred jurisdiction for SEP disputes. Despite its growing relevance, SEP litigation in Brazil still lacks specialized legal frameworks distinguishing essential from non-essential patents in an in-depth manner. As a result, courts tend to handle SEP cases similarly to conventional patent disputes, creating complexities for both patent holders and implementers.

This article provides an overview of the SEP litigation landscape in Brazil, covering key issues such as forum shopping, litigation transparency, injunctions, damages, NPE and implementer risks, foreign-entity considerations, and the role of invalidity claims.

Brazilian SEP Litigation Hubs

Many companies involved in Brazilian judicial disputes are concurrently litigating in other jurisdictions. The favorable landscape for patent holders in the country has been perceived as an invitation to file infringement lawsuits as a means of exerting pressure in ongoing negotiations abroad. Patent holders, typically filing such lawsuits before the Rio de Janeiro State Court venue, often request ex parte preliminary injunctions to enjoin defendants from allegedly using their patented technology before any impartial technical evidence has been produced. These orders are frequently accompanied by substantial fines for non-compliance, strengthening the patentee's position in global licensing negotiations.

Although neither the Brazilian Code of Civil Procedure nor the Brazilian Industrial Property Law distinguishes between essential and non-essential patents, the peculiarities of this framework and the way these lawsuits are unfolding have drawn increasing attention. Courts, relying on Article 42 of the Brazilian IP Law—which grants patent owners the right to prevent unauthorized commer-

cial practices without differentiating between essential and non-essential patents—have frequently granted preliminary injunctions before defendants can present arguments on non-infringement or non-essentiality. Allowing such arguments at the outset could better balance the rights of both parties and give judges a broader perspective when assessing injunction requests.

Decisions granting injunctions typically hinge on two key elements: proof of patent ownership and evidence the patent has been declared essential to a specific standard (e.g., 5G). This leads to aggressive rulings, often without considering broader international FRAND negotiations, hold-up or hold-out practices, nor the impact on parallel disputes in other jurisdictions.

As the Rio de Janeiro State Court establishes itself as a favorable venue, other key practices in these suits are emerging:

Coordinated NPE Litigation: Non-Practicing Entities (NPEs) often work with litigation-oriented firms, leveraging precedents in SEP enforcement.

Validity Lawsuits in Brasília Federal Court: To avoid stay of infringement cases due to validity challenges, some litigants initiate parallel validity suits in Brasília.

As ICT and IoT developments advance, it is crucial for Brazilian courts to consider this microsystem's particularities to prevent technological lock-in.

Litigation Transparency Challenges

One of the major hurdles stems from the lack of transparency due to confidential court proceedings. Unlike in common-law jurisdictions where case law is widely accessible, in Brazil:

- Courts do not mandate full disclosure of all interested parties in SEP disputes.
- Many lawsuits remain sealed, preventing industry players from analyzing precedents.
- Defendants often lack access to critical case-law information, making it difficult to predict litigation trends or formulate defense strategies.

This opacity creates significant challenges for telecom companies, as they struggle to anticipate legal risks tied to SEPs.

Injunctions and Damages in SEP Cases

SEP holders frequently seek preliminary injunctions as a mechanism to compel implementers into licensing agreements, since Brazilian courts allow Ex Parte Injunctions (granted without hearing the defendant). Preliminary injunctions can generally be classified into two categories:

i. Conditional Injunctions: contingent on confirmation of infringement by an unbiased court-appointed expert, imposing retroactive daily fines once infringement is established but lacking immediate practical effects.
ii. Unconditional Injunctions: taking immediate effect by ordering the defendant to cease the alleged infringement and withdraw products from the market without awaiting further technical assessment.

These injunctions can disrupt commercial activities, forcing quick settlements. Damages awards for SEP infringement follow methodologies established by Article 210 of the Brazilian IP Act:

Lost Profits (compensating patentees for potential market losses).

Infringer's Profits (disgorging unlawful gains).

Reasonable Royalty (calculated based on FRAND principles or expert assessments).

While most disputes have been settled prior to expert technical assessment, others remain in evidentiary or appeal phases, yet to reach quantification.

Defense Strategies for Defendant Companies

Companies facing SEP litigation must consider key defense strategies, including challenging essentiality, since Brazilian courts do not routinely differentiate between essential and non-essential patents. As essentiality declarations are self-certified, defendants may argue a patent is not truly essential, weakening the plaintiff's case. Additionally, initiating a patent invalidity lawsuit before a Federal Court—with the Brazilian Patent Office as co-defendant—is a key strategy. Many telecom patents in Brazil have undergone limited substantive examination, and such challenges have led to partial or full invalidations in several cases.

Best Practices When Requesting Preliminary Injunctions: The FRAND Importance

Although Brazilian courts have yet to comprehensively address FRAND terms, a recent ruling by Hon. Judge Victor Agustin Torres highlights evolving trends. In his decision, the judge recognized inconsistencies in SEP-related injunctions, noting:

"There has been a lack of uniformity regarding urgent relief measures, some being granted without prior expert evaluation, others requiring simplified expert hearings."

Judge Torres stressed the importance of predictability and legal stability, emphasizing courts should serve as forums for negotiation and rebalancing of commercial conditions, rather than imposing immediate prohibitions. His ruling signals a trend toward minimizing judicial intervention and promoting structured FRAND negotiations before extreme legal measures.

In this evolving context, companies negotiating FRAND licenses in Brazil should adopt these strategic approaches:

- Meticulously document all negotiations (emails, licensing history, rate discussions) to demonstrate FRAND compliance in litigation.
- Ensure transparency in FRAND offers to mitigate litigation risks, especially given Brazil's increasing scrutiny over licensing practices.

WIPO's 2024–2026 Strategy and Its Implications for Brazil

The World Intellectual Property Office (WIPO) has outlined a three-year strategic plan in SEPs for 2024–2026 aimed at improving global SEP frameworks. WIPO's strategy focuses on:

- Enhancing dispute resolution mechanisms to reduce litigation.
- Tracking SEP enforcement trends to identify emerging risks.
- Promoting greater transparency in SEP cases.

Brazil's judiciary is gradually aligning with these goals, introducing stricter requirements for injunctions and FRAND assessments. However, challenges persist—particularly regarding case transparency, as confidential lawsuits prevent tracking SEP enforcement trends to identify risks.