Borges Barbosa, Denis , Patents, Technical Standards and Frand License Offerings Under Brazilian Law (March 11, 2015). Available at SSRN:http://ssrn.com/abstract=2576956

# Patents, technical standards and FRAND license offerings under Brazilian law

Denis Borges Barbosa (2014[1])



In a very typical phenomenon of *network economies*[2], it is common today that different economic agents come together to develop common technology standards, which in some cases allow for the creation of *new markets*.

So, among multiple companies in different stages of the production and circulation system, conditions are established for the integration and complement of products and services to the so-called *interoperability standards*[3]:

1 This text was originally written in Portuguese. Its translation was done by Paula Ferreira Machado, paulamachado1@hotmail.com. On the same subject of this study, see BARBOSA, Denis Borges, "Patentes, padrões técnicos e Ofertas de licença FRAND em direito brasileiro" [Patents, technical standards and FRAND license offerings in the Brazilian law] (April 2014), available at http://www.denisbarbosa.addr.com/arquivos/200/propriedade/patentes_padros_ofertas.pdf (A fair amount of this study will be transcribed below). See also BARBOSA, Patents and Standards in Brazil, in "Patent challenges for standard-setting in the global economy: lessons from information and communications technology", found at http://sites.nationalacademies.org/cs/groups/pgasite/documents/webpage/pga_072297.pdf, visited March 11. 2015..

2 See PARK, Jae Hun, Patents and Industry Standards, Edward Elgar, 2010. Networks, for the purposes of this notion, are the contexts in which the utility that a user derives from the consumption of the good increases with the number of other consumers of the same goods, according to KATZ, Michael L.; and SHAPIRO, Carl: Network Externalities, Competition, and Compatibility, The American Economic Review, Vol. 75, No. 3. (Jun., 1985), pp. 424-440. As pointed out by PARK, p. 9: "e.g., for example, the value of being connected to a telephone network increases in direct proportion to the increase in the number of network participants, as each additional participant creates positive network effects for all the other participants".

3 "(...) so-called "interoperability standards" enable products and services offered by different vendors to work together invisibly to the consumer (e.g., WiFi, USB, and the pervasive 3G and 4G telecommunications

thus occurred with DVDs, in mobile phone systems, and with several other situations[4].

On a DVD, or a mobile phone, the fact that there are multiple devices to run the standard, and there is portability and ubiquity of technical solutions, can increase the usefulness of such good for each user. The creation of compatibility standards provides this environment.

**Collective creation of technical standards and patterns.**

We speak here without misleading of an instrument of technology, which has been the subject of some legal study in the chapter of technical standard-setting[5]. As Fabíola Zibetti[6] says:

> "(...) Seeking to promote the use of high quality and efficiency and environmentally friendly technologies, standard-setting is considered a key to combat many challenges of global society and promote innovation, technology transfer and sustainable development of nations. Moreover, with increasing degree of global economic interdependence, the importance of technical standards for international trade has also increased considerably. By encouraging the adoption of common technology standards in different countries, a major facilitator of the international flow of goods, services, investment and technology is established."

Although it is clearly distinguishable the *technical regulations*, *mandatory* standards made by the public authority (in the case of Brazil, INMETRO and other organs of your system), and the others, those elected by economic agents as a means of cooperation, in both cases there is a collective elaboration and seeks of consensus, resulting in a transindividual legislative body.

These *voluntary* and collective activities, in international practice, are made in specific entities, public or privates, frequently having this last characteristic. They are entities of technical standards creation, designated herein as *Organizations* (or SSO, to pacify us with the international nomenclature). The

standards).CONTRERAS, Jorge L., SO THAT'S WHAT "RAND" MEANS?: A Brief Report on the Findings of Fact and Conclusions of Law in Microsoft v. Motorola. Apr 27, 2013. http://patentlyo.com/patent/2013/so-thats-what-rand-means-a-brief-report-on-thefindings-of-fact-and-conclusions-of-law-in-microsoft-v-motorola.html.

4 See PARK, p. 1, defining net market: consumers do not buy a unique product, but a system that is composed of various compatible products.

5 The complex nomenclature to describe the phenomenon we describe, in this study we chose to adopt the term "standard" to translate the English voice standard, as a generic of "technical standard", "technical specifications", "codes of practice", "technical regulations "(which are the standards imposed by an authority with enforcement), etc., are species; the standard would be the document approved by recognized entity, created by consensus, based on recognized rules of technology, and available to the public (Zibetti). PARK, however, p. 8, notices that it is not a worst standard the one implanted by just one economic agent, even outside of SSOs, offering as a standard definition "a set of technical specifications that attaches a producer, either tacitly or as a result of a formal agreement".

6 Zibetti, Fabiola Wüst, Relationship between technical standardization and intellectual property rights in the legal order of international business trade. Thesis presented at the Faculty of Law, University of São Paulo, as a partial requirement to obtain the title of Doctor of Laws 2012

national Brazilian example of this is the Brazilian Association of Technical Standards (ABNT)[7].

Even if - in our view - mistakenly, TJ-SP recently emphasized the collective nature[8] and transparency of the activity of technical cooperation:

> However, it seems evident that the activity of coordinating and supervising the preparation of technical standards process does not have the privately held by the plaintiff. Rather, the purpose of preparing a group of rules for life in society has public purpose, since it seeks organized and specific regulations of the enterprise system, technical, scientific and environment in our country.
>
> Interesting to see how these rules are edited through the committee of diversified studies meeting and prepared by technical and knowledgeable of the normalized matter, all to enhance the understanding of rules of collective scope and binding, and even expressly adopted as a parameter by the current legislation, for example, Article 39 of the Consumer Protection Code.
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> TJSP, AC 9220380-29.2008.8.26.0000,10ª Private Law Panel – Court of São Paulo – Hon. Coelho Mendes, March 11, 2014.

And even more recently, indicating how the question under consideration is fully susceptible of judicial resolution:

> "IV. Procedure of drafting techniques in ABNT is marked by the participation of experts in the covered area, which will utilize the expertise available in the market to meet the demand of voluntary standardization."
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> TRF3, AC 0010071-65.2006.4.03.6100/SP 2006.61.00.010071-0/SP, 5th CLASS, Hon. Antonio Cedenho, April 2, 2014.

Thus, cooperatively, economic agents and public and private entities prepare technical as *collective technical work*, specifications, standards and technical

7 According to official information from INMETRO: "The area of standardization in Sinmetro is under the responsibility of the Brazilian Association of Technical Standards (ABNT), which has the authority to credit Standardization Bodies Sector (ONS) to perform those tasks. ABNT is a non-governmental organization, maintained with funds from contributions of its members and the Federal Government. ABNT represents Brazil in ISO / IEC and regional jurisdiction for standardization, aided by government and private entities. ABNT participates in various technical committees such as ISO TC 176 (Quality), ISO TC 207 (environment) and ISO / CASCO, and also ISO / TMB (Technical Management Board). "Found in http://www.inmetro.gov.br/inmetro/sinmetro.asp, played on August 04, 2014.

8 Apart from the fact that the counsel in the Lawsuit is a partner of this author, I understand that the activity is collective and transparent, not necessarily public, something that only occurs when the result of the activity is accepted by the government and enforced through a technical regulation. Our understanding on the subject of the decision is contained in a brief note, Protection of technical standards by Intellectual Property, intervention in the Standards and Technical Standards Seminar held in Brasilia on June 25, 2008, found at http://denisbarbosa.addr.com /abnt.pdf.

standards to allow, without prejudice to the freedom of initiative and competition, so enables the *network economy* we are living.

## The exclusive patent and the standard accepted by the Market

The consensus is a **technical** standard, technological installment which several economic agents have to commonly practice, or interfacing, to obtain the typical result of the net economy. For the DVD purchased at Saraiva be used in a multitude of manufactured devices by different economic agents, and speakers, connectors, and everything work so that the technology is not imprisoned by a single economic agent, you must set a **collective technological environment**.

As the complexity of the technological field, and the participation of numerous agents, it is not uncommon that a standard is built in a field covered by dozens, hundreds, or thousands of patents, of many holders.

Patents or other rights, essential to perform the standard should be mapped with all possible precision. With the multiple innovation streams that exist with multifarious agents obtaining patents, industrial designs, software, etc.., to the elaboration of this standard is usual that participants in the group indicate what are the essentials (borrowing the Anglophone indicator, "SEP") for the standard working[9].

Indeed, to prevent the standard to be captured in an ambush by any group member, or third party, many specialized entities in the elaboration process of standards put in their statutes the duty to declare what are the real essentials to perform the standard[10]. There are institutional instruments to confirm the essentiality of these titles[11].

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9 "After discussing essentiality with industry members, we posit that there are three primary possible types of essentiality. A patent that is relevant to a standard may be viewed as essential in three main ways: 1) core essential, where the patent is technologically essential to a core function of the standard; 2) non-core essential, where the patent is technologically essential to an optional function of the standard; and 3) commercially essential, where the patent's claims cover an option that is not technologically essential to the standard, but other factors exist making the patent commercially essential. A standard may also discuss technologies covered by "nonessential" patents, where the patent claims of a single patent may describe one of several alternatives for implementing the core or non-core features described by the standard". KESAN, Jay P. and HAYES, Carol M., FRAND's Forever: Standards, Patent Transfers, and Licensing Commitments (February 28, 2013). 89 Indiana Law Journal, 231 (2014); Illinois Public Law Research Paper No. 13-31; Illinois Program in Law, Behavior and Social Science Paper No. LBSS13-21. Available at SSRN: http://ssrn.com/abstract=2226533 or http://dx.doi.org/10.2139/ssrn.2226533

10 The declaration of essentiality has favorable consequences, such as the possibility of receiving royalties, and unfavorable consequences, such as having to be willing to grant licenses to the other members of the pool. If there is no such initial commitment to license, on the part of the party making said declaration, the Organizations usually, as a policy, exclude the object of the patent from the standard: in which case another technology is sought. Refer to ZIBETTI.

11 Refer to SILVA, Denise Freitas, Pools de patents: impactos no interesse público e interface com problemas de qualidade do sistema de patentes (2012). Thesis presented to the faculty of Institute of Economics of the Federal University of Rio de Janeiro, as part of the requirements for obtaining a Doctorate in Science, in Strategic Public Policy and Development. Advisor: Prof. Dr. Denis Borges Barbosa. (This text is being published as a book: Denise Freitas Silva, Pools De Patentes: Riscos ao Interesse Público e Qualidade do Sistema de Patentes, Editora Prismas, Curitiba, 2015, but

Once a standard is established, and especially when it creates a market circumscribed by standardized technology, there is a potential *technological closure*[12], that the instruments of law must actively treat[13].

The establishment of such cooperative technological standards may be, theoretically, beneficial for the society and the economy[14]. But this gathering of holders of exclusive rights, agreeing privately on reciprocal obligations, in regards to a market which, often, is *established* from an agreement, has obvious repercussions in the economy[15].

The impact occurs in the Public Competition Law [16], as well as national or international public policy, and in this case beyond the competitive field: telecommunications policy, innovation, and so on.

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all quotes address to the thesis): "3.5 Analysis of the essentiality and the risk of including unessential patents in the pool: "The determination of a patent's essentiality and the validity of the patents in the pool is relevant, because, in the analysis of pools associated with the establishment of a standard, it is important to analyze if the royalties the pool is charging to implement a standardized product represent a reasonable amount for technology licensing packages offered to implement the standard, before establishing it. If they do not, this may constitute collusion to fix prices (CRANE, 2008, p.12)".

12 In similar theme, see the research project in progress of Maria Fernanda Hosken Viana, Technological Imprisonment: use of intellectual property to legitimize control aftermarket operations Home: 2013 Thesis (Master of Intellectual Property) - National Institute of Industrial Property. Denis Borges Barbosa (Advisor).

13 "Once standards are broadly adopted, markets can become "locked-in" and switching to a different technology can be prohibitively costly. Because patent owners have the potential to block others from deploying technology covered by their patents after lock-in occurs, the industry associations that develop standards ("standards development organizations" or "SDOs") often require that companies participating in standards-development license patents that are essential to the standard to others on terms that are "reasonable and non-discriminatory" (RAND, also known as "FRAND" when the equally ambiguous term "fair" is added to the mix). CONTRERAS, op. cit.

14 Refer to PARK, p. 21. The author refers to the increase in available technical information, the reduction of entry barriers, including as a result of sharing research and development costs; the reduction in the cost of changing from one standard to another , through the publication of the technical standards; and, in the case of non-closed standards, that is to say, those with license offerings, the expansion of the relevant market, with a possible increase of competition.

15 Therefore, if the creation of the standards of interconnection can, in itself, be a socially appreciable factor, it is necessary to evaluate patent pools separately, as they are one of the many instruments for establishing a standard. As such, note that: "The formation of patent pools is considered a benefit for society whenever it reduces transaction costs, and, as a result, make it possible to introduce products on the market and/or reduce the final cost of product and services for consumers. Mainly in the establishment of standards, patent pools have been widely used and considered to be of fundamental importance. Another benefit of the formation of patent pools is that it can contribute toward allowing licensee and licensors to focus more closely on their core business. Shapiro (2001) points out that when there is cooperation, it is more likely that several companies supply the industry with a standardized product; whereas, a standards war can lead to the existence of a single proprietary product. Goldstein and Kearsey (2004, p. 477) highlight the reduction not only in transaction costs, but also in research costs.

Among the competitive effects of the formation of patent pools, Iversen et al (2006) point out the following:

- greater facility for any company to have indiscriminate access to licenses;
- they integrate complementary technologies and accelerate access to the technology;
- they make it possible to avoid bans involving patents;
- they make it possible to avoid high litigation costs due to patent infringement;
- they lead to a potential reduction in cumulative license fees..

Furthermore, it is important to note that members of patent pools may offer "one-stop shopping" types of licenses to companies that intend to manufacture goods using such patents (USDO) and FTC, 2007. p. 65 and Colangelo, 2004, p. 32). In the absence of a patent pool, a company would have to negotiate licenses separately with each of the owners of the essential patents (USPTO, 2000 and Colangelo, 2004, p. 32)." SILVA. Cit.

16 Up until now, all the cases involving patent pools in technical standards have been approved by CADE (Administrative Council for Economic Defense), in light of their prior approval by an analogous foreign authority. For instance, the case of the 3C DVD pool examined by CADE, Preliminery Verification no. 08012.001315/2007-21, of May 31, 2009. Other cases of pools reviewed by CADE are Preliminery Verification no. 0812.001315/2007-21,

So it is that not only the antitrust authorities, and other state agencies, as well as the international organizations, have subsequently built specific laws or policies to address it[17].

So that, whether by own initiative or intervention by antitrust authorities, Organizations (SSO) are often conditioning the acceptance of a technical standard into an establishment of a public offer to license to all interested[18].

For instance, *when there is such a rule*[19], holders of essential patents are statutorily obliged to offer *to the public*, or more precisely, potential competitors, the right to use the patents needed to practice the standard. Even for those who did not have essential patents to offer to the SSO.

## Public Offering of FRAND licenses

The concept of such public license offerings is that, in *equitable conditions and in good faith*, all economic agents, and not only just the members of the pool, will have access to the interconnection technology (or other object of the technology standard). This particular phenomenon of patent law has recently been the subject of ample legal literature[20].

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Representatives: Gradiente Eletrônica S.A. and Cemaz Indústria Eletrônica da Amazônia S.A. Represented Parties: Koninklijke Philips Electronics, N.V. and Philips do Brasil Ltda. Reporting Judge: Council Member Olavo Zago Chinaglia, May 13, 2009; Administrative Council for Economic Defense. Concentration Act no. 08012.008810/2009-23, petitioners: Sony Corporation, Koninklijke Philips Electronics N.V., Panasonic Corporation, Hitachi Consumer Electronics Co. Ltd., Samsung Electronics Co. Ltd. and Cyberlink Corp., Reporting Council Member Carlos Emmanual Joppert Ragazzo, June 29, 2011.

17 For a global panorama of this issue, refer to the study produced by the American Academy, to which we contributed. With regard to the current policy, or lack os a Brazilian policy on the matter, please refer to our specific text on this topic, BARBOSA, Denis Borges, Intellectual Property and Standards in Brazil - A study prepared in support of the "American Academy of Sciences" study on IP Management and Standard-Setting Processes, available at http://sites.nationalacademies.org/xpedio/groups/pgasite/documents/webpage/pga_072297.pdf, accessed March 29, 2014.

18 As Zibetti says, at p.229 ff.: "In the 1970s, international standards organizations were already concerned with the problems that intellectual property , especially patents, could lead to their incorporation into technical standards. In communication in May 1976, the Director of the International Advisory Committee for Telegraphy and Telephony (CCITT), current ITU Standardization Sector (ITU- T), expressed concern about the increasing number of patents related to the techniques and procedures in their standards. The cases that were used to be rare in that period were increasingly. An undesirable situation for him, indicated illustratively, was a member to take further initiative to apply for a patent whose details reflect the direct results of the work of study groups and technical committees. Faced with this scenario, recognizing the potential negative effects of the inclusion of patents involved in its standards, that year, the CCITT informally adopted a "code of practice" regarding patents, based on the rules of procedure of ISO and IEC, 1970.

In 1987, a Declaration on the CCITT Patent Policy was adopted with the objective of ensuring that the recommendations of the Committee, its application and use is accessible worldwide. The document recommended to avoid the inclusion of exclusive rights in the Committee's recommendations. In 1996, a Code of Practice on Patents was established by ITU-T (CCITT successor). Finally in 1999, it was officially introduced a statute Patent ITU. This statute has changed over the years until, in 2007, the ITU along with ISO and IEC jointly adopted a Code of Practice relating to patents. Thus, organizations have aligned their practices under the banner of the World Standards Cooperation (WSC, in English), through a harmonized approach for the regarding the incorporation of patents to technical standards. "(accentuated)

19 It is important to make clear that different organizations maintain several rules, and often with alternatives. So there is no uniform system. See ZIBETTI, p. 230 and following.

20 In addition to the book by the American Academy, note the references below, as examples of an ample bibliography: Carlton , Dennis W. and Shampine, Allan, An Economic Interpretation of FRAND (April 24, 2013). Available at SSRN: http://ssrn.com/abstract=2256007 or http://dx.doi.org/10.2139/ssrn.2256007; Galasso, Alberto, Broad Cross-License Negotiations (Winter 2012). Journal of Economics & Management Strategy, Vol. 21, Issue 4, pp. 873-911, 2012. Available at SSRN: http://ssrn.com/abstract=2162329 or http://dx.doi.org/10.1111/j.1530-

The notion of *equitable* conditions (i.e. isonomic) and in *good faith* (i.e., real conditions and compatible with market parameters) is expressed by the RAND or FRAND acronyms[21].

These licenses are intended to prevent *technology closure*, as mentioned earlier, from enabling patent owners to abuse their position once the standard is implemented[22]. Although many authors emphasize the need for improvement and solidification of such mechanisms[23], it is certain that their use – in this period where the law is evolving - is essential to promote the network economy in a pro-competitive manner or on a constitutional bias, according to their social function.

As the offer is intended to provide access to a standard, usually the offer includes a portfolio of patents, i.e., the set of patents that are necessary and sufficient for such access[24]. The offer is usually attached to the fact that the patent is *essential*, and is meaningless if there is loss of this essentiality, for example, through technological change[25]. The organization that receives the declaration of essentiality certain times establishes a system of technical

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9134.2012.00348.x; Hellstrom, Per and Kramler, Thomas, Competition, Standards, and Patents (2012). CPI Antitrust Chronicle September 2012 (2). Available at SSRN: http://ssrn.com/abstract=2156337 or http://dx.doi.org/10.2139/ssrn.2156337; Herrle, Maximilian R., Economy in Danger? The Failures of German Injunction Jurisprudence in Patent Litigation with Special Regard to Standard Essential Patents and Their Solution (November 7, 2012). Chicago-Kent College of Law Research Paper. Available at SSRN: http://ssrn.com/abstract=2172387; Jorge Contreras. 2013. "Fixing FRAND: A Pseudo-Pool Approach to Standards-Based Patent Licensing" ExpressO, Available at: http://works.bepress.com/jorge_contreras/6; POWERS, David, FTC Signals Stricter Stance on Injunctions for FRAND-Encumbered Patents, http://www.mwe.com/IP-Update-Vol-15-No-12-December-2012-11-27-2012/?PublicationTypes=d9093adb-e95d-4f19-819a-f0bb5170ab6d#18; Coper, Michael, Internationalisation and Standards (March 16, 2012). International Legal Services Advisory Council (ILSAC), Australian Government Office for Learning and Teaching, National Portrait Gallery, Canberra, March 2012; ANU College of Law Research Paper No. 12-33. Available at SSRN: http://ssrn.com/abstract=2132207

21 Fair, reasonable and non-discriminatory ou reasonable and non-discriminatory. As the authors emphasize, these parameters are guidelines, i.e., they are functional parameters, established to fulfill the purpose of avoiding the closure of technology. No specific royalty is established, or conditions set in any statute, treaty, or national law. To represent the expression, for which the acronym is FRAND, I opted for the compatible notion in our contemporary private law, which is "equitativa e de boa fé" (equitable and in good faith), instead of a simple linguistic translation.

22 "FRAND commitments are thought to avoid the problem of patent hold-up: the imposition of excessive royalty demands after a standard has been widely adopted in the market." CONTRERAS, Fixing, op. cit.

23 CONTRERAS, Fixing, but also Langus, Gregor, Lipatov, Vilen and Neven, Damien, Standard Essential Patents: Who is Really Holding Up (and When)? (February 22, 2013). Available at SSRN: http://ssrn.com/abstract=2222592 or http://dx.doi.org/10.2139/ssrn.2222592; and other authors.

24 However, the difficulty for all of the parties to determine which are the important patents can lead to the offer of indicative patent portfolios: "Patent owners in these industries generally license a portfolio of patents within a field of use due to the transaction costs associated with negotiating and monitoring infringement of individual patents and the needed freedom to design and manufacture without infringement. Negotiating a patent portfolio license often involves negotiating a balancing of royalty payments according to the "value of the patent portfolios of each party" and the value of each party's exposed product sales. GRINDLEY . Peter C. & TEECE, David J., "Managing Intellectual Capital: Licensing and Cross-Licensing in Semiconductors and Electronics", 39 (1997) California Management Review, 9. This is an especially sensitive point in this case.

25 This is the understanding of SILVA, item 3.5: "The review performed by the US Department of Justice pointed out that both the MPEG-2 pool and the DVD6C pool possess mechanisms for reviewing the essentiality of the patents during the formation of the pool, as well as in other period afterwards (FTC and USDOJ, 2007)".

essentiality arbitration, but according to the legal standard in several states, is not subject to do so[26].

It is not unheard of for such licenses, besides being publicly offered and being fair and in good faith, to also be free; but it is the offeror, in its sole discretion, who establishes whether the offer will be free of charge or royalty-bearing[27]. Although the standard is developed under an SSO statute that requires a FRAND offer, the substantial terms of the license are often subject of bilateral negotiation [28].

In some countries, where there is no institutional system for public registration of the transfer of ownership of intellectual property rights, there are legal doubts about the persistence of the duties of a public offering license in case of patents succession and other rights[29]. The Brazilian system, which, for the transfer of the patent ownership and other intellectual property rights requires a public registration act, solves the problem to a great extent, at least when the transferring owner has fulfilled the duty to write down the cost or burden of the title[30].

## Equitable License Offers under Brazilian law

A license offer is a typical instrument of Brazilian patent law [31]. As we noted in our Treatise:

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26 SILVA, in 3.9.3.1 Essentiality in the 3G Patent Platform, describes the mechanism instituted for this specific technology. Although the essentiality of the patent to the standard may be, but not obligatorily, subject to independent scrutiny by the pool, there is no market rule that requires similar assessment as to the validity of patents, which would, in fact, be of little use, as this qualification would ultimately depend on judicial remedy.

27 Refer to ZIBETTI, p. 231, providing examples from the patent policy of one of the countless Organizations, ITU: "The licensing declaration form has three options to be chosen by the owner or person who holds the right to license the standard-essential patent. In the first two options, the owner expresses his willingness, or not, to grant free licenses to an unlimited number of applicants from around the world, on a non-discriminatory basis and upon other reasonable conditions, to manufacture, use and sell applications of the standard. In the third option, the owner does not commit to license the technology on reasonable and non-discriminatory terms, merely being encouraged to submit information about his patents related to the standards." (emphasis added)

28 As we will see, the requirement of equitability eliminates the offeror's freedom to negotiate entirely arbitrary prices and conditions with different people. Even though FRAND does not translate into one single price and one single draft, the most-favorable offer criterion and its consequences for network users of the same technology necessarily affect patent owners.

29 Refer to, in particular KESAN, Jay P. and HAYES, Carol M., cit., p. 43: "When a patent owner assigns her patent to a third party, and the patent was previously subject to a FRAND commitment with an SSO, is the third party assignee bound by this agreement? This is a difficult question that current law inadequately addresses. Currently, the discussion of these topics mostly focuses on patent law, antitrust law, and contract law. Patent law offers the weakest options for addressing FRAND disputes. The options under antitrust are somewhat stronger than under patent law, but are fundamentally limited by the nature of antitrust law in the United States. In terms of the legal theories that have been examined for these purposes, contract law has the most potential for addressing the problems set forth in the above hypothetical, but still has many shortcomings."

30 Refer to BARBOSA, Denis Borges, Transferência de titularidade dos direitos da propriedade intelectual (April 2012), http://www.denisbarbosa.addr.com/arquivos/200/propriedade/transferencia.pdf

31 Regulated by BRPTO Normative Instruction no. 17/2013, item 8, based on the wording of Law No. 9,279/96, Art. 64. A patent owner may request that the BRPTO place his patent on offer with a view to its exploitation. § 1 – The BRPTO will publish the offer. § 2 - No exclusive voluntary license agreement will be recorded by BRPTO unless the patent owner has withdrawn the offer. § 3 - No patent subject to an exclusive voluntary license may be made the subject of an offer. § 4 - The patent owner may, at any time prior to the express acceptance of its terms by an interested party,

> [17] §1. - License offering
>
> In an interesting innovation, Law 9.279/96 (article 64) provides the possibility for a patent owner to offer to the public permission to use the invention, in certain conditions and prices. This mode of offer exists in other legislation, with slightly different characteristics.
>
> The license offering provided for in article 64 has very specific purposes, namely, to create a simulacrum of the market in which holders of unused technologies meet stakeholders, under the auspices of the registration authority. As inducements to such offering, the law and the regulation guarantee to the offeror special conditions and fees.
>
> Law 9.279/96, by introducing this form of license offering - and by giving it certain effects (reduction of annuities, limited satisfaction of the obligation to use the invention) - points to the fundaments of common law: the unilateral offer to the public, which becomes binding to its maker.

I understand that such typical license offering, which purpose is to create small reductions in the BRPTO's fees and other similar benefits[32], has no bearing whatsoever on the present case. Nevertheless, it must be mentioned in order to exemplify that as an example of a genre – public license offerings – it is explicitly provided for in the patent law, although for merely didactic purposes, for hyposufficient inventors.

That is, even if the offer License Offering referred-to in article 64 of Law 9.279/96 is unique in its effects of administrative law, in its nature as a legal act it is no different from other *license* offerings.

In effect, the offering provided for in article 64 of Law 9.279/96 is a manner, specific to unilateral legal transactions, of *granting powers* to which Pontes de Miranda refers in his Treatise on Private Law § 3.561. The *nomen juris* of this promise to authorize the use of the patent to anyone of the public who wants to accept the price and terms - the *status of the authorization* - is the *pollicitatio* or "pollicitation".

Thus, it in no way differs from any other unilateral offer, so that the offeree can benefit from a *license offer* he needs to accept it fully. If the offer provides

withdraw the offer, whereby the provisions of article 66 will not apply. Art. 65. In the absence of an agreement between the patent owner and the licensee, the parties may request that the BRPTO arbitrate the remuneration. § 1 - For the effects of this article, the BRPTO will observe the provisions of § 4 of article 73.§ 2 - The remuneration may be reviewed after 1 (one) year of it being established. Art. 66. A patent on offer will have its annuities reduced by one half during the period between the offer and the grant of the first license of any type. Art. 67. The patent owner may request cancellation of the license if the licensee does not initiate effective exploitation within 1 (one) year of the grant of the license, interrupts exploitation for a period longer than 1 (one) year or, further, if the conditions for exploitation are not met.

32 In order to favor basically the small individual inventor that has not resources for paying the fees or contacts for offering its invention.

for payment of *royalties*, the offeree must pay them in full to benefit from the release; and the same applies to all other conditions, term, ancillary obligations, etc.

Therefore, there is no obligation between the offeror and offeree, if the latter wants parts or modes of the offer that are different from what was precisely offered. To attain an obligation, in this case, full negotiation is necessary, in entirely different terms than the ones offered in the pollicitation. Moreover, the obligation can never occur, as the offeror is only bound to its exact offer, and no other.

Superior Court of Justice: if a party does not meet the terms of the license, it violates the exclusivity

What if the offeree doesn't do it? Will it simply pay damages, continuing to infringe?

A recent decision of the Supreme Court of Justice sheds light on this issue:

> 3. A brand is more than a mere name: it carries with it the concept of the product or service that bears it; it has a competitive feature, distinguishing it from competitors; facilitates the recognition and attraction of customers; decreases the risk for customers, which includes the standardization of products, services, customer service and other attributes that surround it.
> 4. The license to use generates commitment, *ex lege*, of the licensor to protect the integrity and reputation of the brand. It is the essence of the brand itself that the use by third parties must respect its features, because the failure of the distinctive features disparage its existence.
> 5. Ignoring the standards of products and services of the licensed to use the brand demonstrates the misuse and authorizes the injunction relief to prevent use.
> Superior Court of Justice, REsp #1.387.244 - DF (2012/0199491-3), Third Panel, unanimously, Min. João Otávio de Noronha, February 25, 2014.

That is, any potential offeree, lacking to accept and comply with the terms of the supply license - standards required by the right holder - violates the exclusive and can be hampered by inhibitory injunction.

## The early relief as a necessary tool

The Agreement on Intellectual Property Rights of the World Trade Organization, enacted among us by Decree 1335, thus indicates which are the international standards for the granting of a preliminary remedy in respect of infringement of patents and other rights:

> Article 50 1 - The judicial authorities shall have the authority to order prompt and effective provisional measures:
>
> a) to prevent the occurrence of a breach of any intellectual property rights, in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods, immediately after customs clearance;
>
> b) to preserve relevant evidence relating to the alleged infringement.
>
> 2 - The judicial authorities shall have the power to adopt provisional measures, *ex-parte*, when appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or when there is a proven risk that evidence will be destroyed.
>
> 3 - The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to convince themselves, with a sufficient degree of certainty, that the applicant is the right holder and that their right is being infringed or that such violation is imminent and to determine that the applicant deposit a bond or equivalent assurance sufficient to protect the defendant and to prevent abuse33.

As testimony to the introduction of such parameters in the domestic legal system, Law 9.279/96 says:

> Article 209 § 1st - The judge may, in the formal record of the same action, so as to avoid irreparable damages or damages that would be difficult to recover, grant an injunctive order to suspend the violation or act that has such in view, before summonsing the defendant, against, if he judges necessary, monetary caution or a fiduciary guarantee.

The statement of the Special Appeal herein quoted, that the noncompliance of an offered license entails protection, *to keep intact the object of the right*, finds ample support in doctrine and precedents:

33 Continuing in its objective of ensuring effective remedy, but with due consideration and respect for due process, the article adds: 4 - When provisional relief is granted ex-parte, the affected parties will be notified without delay, at the latest after the implementation of relief. A review, including the right to be heard, shall take place upon request of the defendant, in order to decide, within a reasonable time after notification of the provisional relief granted, whether such measures will be modified, revoked or maintained. 5 - The authority that will execute the provisional relief may require that the claimant provide other information needed to identify the relevant goods. 6 - Without prejudice to the provisions set forth in paragraph 4, the provisional relief granted on the basis of paragraphs 1 and 2 will be revoked or will cease to produce effects, upon request by the defendant, if the proceeding to a reach a decision on the merits of the application does not start within a reasonable time. In those cases where a member's legislation allows, the legal term will be determined by the judicial authority that granted the provisional relief. If such legal term is not determined, the period may not exceed 20 business days or 31 calendar days, whichever is greater. 7 - Where such provisional measures are revoked or where they lapse due to any act or omission by the applicant, or if the Court subsequently finds that there was no infringement or threat of infringement of an intellectual property right, said judicial authorities, when requested by the defendant, shall have the authority to order the claimant to compensate the defendant adequately for the damage caused by such measures. 8 - To the extent that any provisional relief can be ordered as the result of administrative proceedings, such proceedings must comply with principles substantially equivalent to those set forth in this Section.

"Thus, Article 209, paragraphs, is salutary and relevant procedural toolbox available to the Judiciary so the judicial authority can ensure, in cases of materialization of its incidence, the protection of intellectual property, allowing, even provisionally, the cessation of undue infringement by others of assets related to industrial property and, also, the prompt repression of acts of unfair diversion of clientele.

Indeed, the local Court having determined, based on existing information in the records, that "In the present case, a first analysis of the packaging of soaps marketed by the parties shows that there is a great similarity in the product visual set, which has undeniable potential to lead to confusion, inducing the consumer to acquire one another, "only sees the revision of the contested decision by the review of evidence, which is hindered by Precedent 7/STJ"

Superior Court of Justice, 4th Panel, Min. Luis Felipe Salomão, RESP 1306690/SP, Justice Gazette 04.23.2012.

"Article 273 of the of Brazilian Civil Procedure Code requires, for anticipating the effects of judicial protection, the concomitant presence of clear evidence that convinces the likelihood of the claim, based on fear of irreparable or difficult to repair damage and reversibility of the measure.

The appellee presented to the Court evidence able to convince it of the likelihood of the alleged right, in particular, the patent charter, which copy was presented by the appellee in his answer, which proves unequivocally the alleged ownership and exclusive use of the privilege on the utility model filed under #MU 7400400-0. The appellants, on the other hand, do not question the ownership of that right, claiming that only manufacture and sell wheels for general use (for cars, equipment, furniture etc..) for a long time. It should not be required, as argued by the appellants, for injunctive relief deep knowledge of technical elements, being enough the fulfillment of legal requirements. There is no evidence that industrial production of Rodinha company is limited to such "wheels".

Thus, there is no way to gauge the allegation of excessive prejudiciality of the provisional measure. Prevails, therefore, the allegation of the appellee that the manufacture and trade of a utility model by them patented and done by third parties can cause them irreparable or difficult to repair damage to their activity. Finally, it is possible at any time to reverse the measure, if the appellants are able to submit sufficient evidence to convince the Court of the mismatch of its initial decision. The requirement of bond is a faculty of the Judge. In the present case, all the elements in the file and the apparent strength of the appellee company dispense the measured. In the event of dismissal of the proceeding, the appellant may claim for damages in own action."

Appeals Court of the State of São Paulo, Interlocutory Appeal #495.526-4/1-00, Fourth Board of Private Law Court of the State of São Paulo, Appeal Court Judge Teixeira Leite, March 29, 2007.

Since the general requirements of the Brazilian Civil Procedure Code exist, relief can be granted:

> "The granting of an injunction restraining the patent infringement regularly granted by the BRPTO or act that gives rise to it, in order to avoid irreparable or difficult to repair damages is conditioned to the presence of the requirements of the Code of Civil Procedure for granting provisional measure or to anticipate the effects of protection of merit, as appropriate, because article 209, § 1st, of Law 9.279/96 only ensures the material rights of the injured to relief suspension of the harmful act."
>
> Superior Court of Justice, REsp 685.560 - RS (2004/0111257-0, Third Panel, Nancy Aldrighi, December 07, 2004
>
> "However, in superficial analysis, in not in sight an offense to these legal provisions. That is because article 209, § 1st, of Law 9.279/96, which is law of substantive law, only ensures the injured party the right to require preliminarily the suspension of the violation of patent rights or act that gives rise to it.
>
> However, it does not stipulate any rule of procedural law regarding the grant of this provisional measure. To do so, the judge has to be guided by the devices listed in the Brazilian Civil Procedure Code, which contains specific and clear rules regarding the granting of injunctive orders, either under injunctive scope, and either in the scope of advance relief.
>
> Thus, the content of article 209, § 1st, of Law of Patent and Trademark does not have the power to derogate the provisions of the Brazilian Civil Procedure Code relating to advance relief, which requirements were duly analyzed by the Court of Appeals of the State of Rio Grande do Sul to decide for its refusal against the absence of likelihood of allegations of the appellant."

The opinion of jurists reminds us:

> Although §1 of Article 209 establishes the existence of irreparable or difficult to repair damage as the only requirement for the granting of guardianship, its application, in reality, should be taken in line with article 461, §3 of the Brazilian Civil Procedure Code, because it is the imposition of a duty not to do. Otherwise, the absurd conclusion would be that the plaintiff, even without evidence of the likelihood of his right, could obtain advanced relief based on the risk of irreparable or difficult to repair damage.
>
> A proper compliance with the requirements of Article 461, § 3 of the Brazilian Civil Procedure Code, in the protection provided in compliance with article 209 of the Industrial Property Law, is confirmed by TALAMINI, according to whom, in these cases, "there is no need to talk about 'subsidiary' application of article 461. In such cases, what one finds

is a direct and integral incidence (rectius: a 'main' application) of the regime provided in that device."[34].

The recent recommendations of AIPPI as to injunctive relief

On March 2014, the International Association for the Protection of Intellectual Property [T.N.: "AIPPI", from its French name, "*Association Internationale pour la Protection de la Propriété Intellectuelle*"], a civil association organization established in 1897, published its report and recommendations as to question 222, i.e., "Availability of injunctive relief for FRAND-committed standard essential patents, incl. FRAND-defense in patent infringement proceedings[35]".

The report mentions the discussion held in the international sphere, having as controversy the matter as to whether the patent owner of a FRAND-committed standard essential patent renounces or not to its right to injunctive relief[36]. The AIPPI's proposals and recommendations are made in light of a position in favor of the understanding of the Association toward the function of patents and the purposes of innovation.

The study aims not only at provisional remedies, or injunction reliefs, but at all kind of inhibitory reliefs, be it *initio litis*, be it incidental, be it definitive, which englobe a court order not to practice any act constituting patent

34 MACHADO, José Mauro Decoussau, Antecipated Relief in Industrial Property, in ROCHA, Fabiano Do Bem, Chapters of Civil Procedure in Industrial Property, Lumen Juris Editor, 2009. The author continues: "When a lawsuit is filed with only a request for the defendant to not violate the plaintiff's right, but not for the defendant to be sentenced to pay compensation, this measure impacts beyond the field of article 209, which caput provides that its application is restricted to lawsuits that plead compensation.

Whatever is the device to be applied, in both cases the support measures of article 461, § 5, of the Brazilian Civil Procedure Code can be used for effective early relief. Among them is the search and seizure of counterfeit goods, as well as the materials used in their manufacture - if the defendant does not meet the initial order to cease the unlawful practice subject to penalty (article 461, § 6, of the Brazilian Civil Procedure Code). As an extreme measure, after the failure of other softer measures, the closure of the premises can also be determined, in order to prevent the continuation of the counterfeiting activities.

If the closing of the establishment is deemed necessary, it is important to bear in mind that the Industrial Property Law, in its article 203, provides that not all of the activities should be suspended if it is found that part of the activities are developed in a lawful manner.

35 Availability of injunctive relief for FRAND-committed standard essential patents, incl. FRAND-defense in patent infringement proceedings.

36 The AIPPI reports: "In light of litigation, some stakeholders have recently taken the position that in committing to FRAND, a holder of a SEP renounces to its right to injunctive relief. It is argued that injunctions are per se inconsistent with the FRAND-commitment and that the SEP holder's interest is limited to fair compensation only. Advocates of such a ban on injunctions allege that the SEP holder would otherwise be able to extract higher royalties or other overly onerous non-monetary conditions from implementers by threatening to enjoin them from practicing the standard. This view is contested by a number of players, who argue that FRAND has never meant and does not mean that injunctions are no longer available under any circumstances. It is argued that it is a general principle deriving from the market economy that enterprises should be free to dispose of their property as they see fit and that it is only in carefully limited circumstances that the freedom of contract can be over-ridden. Proponents further contend that a categorical ban on injunctions would fundamentally alter the dynamics of the contract negotiations, encourage opportunistic behavior, and erode the commercial value of SEPs. All of this would tilt the balance of interests in favor of downstream implementers, potentially disincentivizing companies to continue investing in R&D, and hinder the development of standards that inure to the public interest".

infringement, by both simple decision or decision imposing fines, applying *astreintes*[37].

Due to its long presence in the international scenario, and due to the fact that it gathers representatives from multiple countries and contrasting interests, the recommendations of AIPPI are often taken as guidelines to inform the public policy and even in the drafting of legislation in many countries.

In the subject matter of this study, the analysis and recommendations were as follows:

> D. FINDINGS AND RECOMMENDATIONS
>
> The findings and recommendations that follow represent the views of the members of AIPPI Special Committee on Patents and Standards (Q222), and do not necessarily represent the views of AIPPI as a whole. The Committee recommends that these findings and recommendations be considered in the near future as part of the international working process of AIPPI, with the objective of reaching a resolution thereon in support of international harmonization of laws and best practices in this area.
>
> The Committee finds that:
>
> 1. Recourse to injunctive relief is a legitimate remedy for the infringement of a patent in all significant jurisdictions, regardless of whether the patent is standard essential or not and regardless of whether a FRAND-commitment has been given.
>
> 2. The determination of whether an injunction is to be granted or not is inherently fact-specific.
>
> 3. In most jurisdictions, the respective national patent law, general principles of civil law, IPR Policies of SSOs, and/or competition law may grant the defendant additional arguments, defenses, and/or a standalone claim against the patent owner's request for an injunction for the infringement of a SEP.
>
> 4. The various cases that have been reviewed by the Committee suggest that in most jurisdictions holders of FRAND-committed SEPs are far from certain to be awarded injunctions (and even less likely to obtain preliminary injunctions).

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37 The expression "injunctive relief" expresses a judicial order not to do something, whether it be a writ of mandamus or punitive in nature. As stated in the Oxford English Dictionary, "2. Law. A judicial process by which one who is threatening to invade or has invaded the legal or equitable rights of another is restrained from commencing or continuing such wrongful act, or is commanded to restore matters to the position in which they stood previously to his action. Injunctions were formerly obtained by writ, but now by a judgement or order. They were originally granted only by the Court of Chancery: commonly, to stay one party to an action from continuing that action, if there was an equitable, though not a legal defense thereto. By the Judicature Act of 1873, all divisions of the High Court received full power to grant injunctions. According to their purpose, injunctions are either restrictive (restraining) or mandatory; as to their force, they are either interlocutory (provisional, temporary, ad interim), or perpetual (permanent). (In Sc. Law, the equivalent of a restrictive injunction is an interdict n.)". For the purposes of our study, we chose to use the expression "tutela interditória" (preventive measure), as an obligation not to do something or a writ of mandamus, whether it is granted at the outset of the action, during its course or as a definitive remedy.

5. The cases reviewed by the Committee further suggest that there is no apparent reason to believe that national judges cannot consider whether or not injunctive relief for FRAND-committed SEPs is warranted in any particular case.

6. While there is diversity among the various jurisdictions as to which specific conditions have to be met to avoid or respectively obtain an injunction for infringement of a SEP for which a FRAND-commitment has been made, there is increasing consistency when it comes to evaluating parties' behavior under the rubric of good faith.

7. The concept of the 'willing licensee'[38], under which the seeking of an injunction is unlawful if the potential licensee agrees to be bound by a third party determination for the terms of a license, seems not suited without more ado to increase legal certainty over the notion of good faith, which many courts around the world apply in evaluating parties' conduct when determining whether or not to grant an injunction on a FRAND committed SEP.

The Committee therefore recommends that:

1. Injunctive relief should not be granted for infringement of a SEP, if the patent owner has failed to comply with its obligations under FRAND, which requires the courts to consider FRAND before issuing an injunction.

2. In evaluating parties' conduct, courts should hold both parties to their duty of good faith and require that the willingness to negotiate in good faith is evidenced by exteriorized conduct.

3. The fact that a potential licensee agrees to be bound by a third party determination for the terms of a license is a relevant factor when evaluating the parties conduct, but it should not necessarily be the only factor that a court should consider in evaluating the parties conduct.

4. The mere act of seeking injunctive relief from a court of law for infringement of a FRAND-committed SEP in and of itself or the threat of doing should not be qualified as a competition law violation, regardless of whether the alleged infringer has agreed to be bound by a third party determination for the terms of the license. Access to the courts is a fundamental right in many jurisdictions and a general principle ensuring the rule of law, it is therefore only in wholly exceptional circumstances that bringing legal proceedings should be considered as infringing competition law.

38 The concept refers to a proposal promoted in the European context, according to which a third party who is unable to reach an agreement with the patent owner, would be allowed to request that an independent third party be allowed to fix the terms, in a neutral manner. The APPI states as follows: "The proposed test hinges on whether the injunction is sought against a 'willing licensee' that is agreeing to be bound by a third party determination for the terms of a license in the event that bilateral negotiations do not come to a fruitful conclusion: If the potential licensee commits to accept terms and conditions adjudicated by an independent third party, there is an unlawful abuse".

> 5. SSOs should be mindful of maintaining a fair balance between incentives to innovate and to contribute technology to a standard and the interests of implementers and users of those standards.
>
> 6. Any change to an SSO's IPR Policy should increase the incentives of both the essential patent owner and the prospective licensee to negotiate in good faith toward a license agreement.

As can be noted, the recommendations by AIPPI as to the issue of exclusion requested by holders of FRAND-committed SEP, is that the good faith of the parties should be a crucial criterion. And this good faith is to be assessed based on the *behavior manifested* by the parties.

Thus, AIPPI **does not** state that the FRAND commitment shall prevent the exclusion, in injunction basis or definitive, by the patent owner. **On the contrary**, when suggesting the predominance of the good faith criterion, the Association emphasizes that the power to enforce intellectual property rights remains good and operable, provided that the SEP holder complies with his own obligations assumed in the FRAND license offering, and acts with good faith.

The mere manifestation of will on the part of the patent user, of submitting himself to the conditions of the license offer is, according to AIPPI, a relevant factor, but not the determining one. The good faith in accepting the conditions and complying with these – this is the most relevant factor.

The recommendations by AIPPI are a matter of common sense and balanced public policies: they are not the expression of an international rule and even less of local law. As a result from the gathering and systematization of information from several law practitioners in many countries, the recommendations point towards a proceeding that intends to be the best in the circumstances.

What we present next is, however, our understanding of the Brazilian law regarding the issue under examination. As will be demonstrated, according to our current law, the FRAND commitment prevents the patent owner from seeking injunction relief when the interested third party manifests himself, as offeree, the complete acceptance of the offered conditions; and it provides such prevention whenever the economic agent does not accept the conditions of the public offering[39].

39 Nowhere in the report published by AIPPI, is it stated that the owner of a FRAND-committed SEP is prevented from seeking injunction relief. Only when the patent owner does not fulfil his commitment relating to the license offer, does AIPPI state that he loses the right to enforcement. Obviously such a judgment does not dispense with analysis in good faith, and therefore converges with the AIPPI's recommendation. Note that, recently, a certain SSO introduced changes to its statute, following, in general terms, the proposal set forth by the AIPPI. On this issue, please refer to our work Patents Essential to a Standards: the change in IEEE policy, February 15, 2015, available at http://denisbarbosa.blogspot.com.br/2015/02/patent-pools-e-patentes-essenciais-um.html

As simple as that[40].

## The Nature of the SEP Patent Owner's Commitment and the Standard Organization

As provided in the ETSI[41] statutes, participants in the development of the technical standards in connection with the entity, when participating in the *voluntary* development of technical standards that were ultimately adopted and became the technologies currently applied in cellular systems today, must declare a number of patent applications and patents as *essential* to the implementation of the standard.

The communication of its patents that *each of the participants of the exercise* considers essential for the technical standard to be adopted, aims to avoid the capture of the standard by only one, or some of the economic agents, which would create a situation of technological dependence. Thus, the technologies are adopted *with the awareness* that the technology is protected by this and that patent or other rights; they are *essential* to the standard.

The ETSI statutes also establishes that economic agents that declare essential patents are subject to an automatic public offering to license the declared patents, in a way that the various agents involved in the preparation may conclude mutual cross licensing agreement. Thus, a common environment of participation and collaboration is created, in which - having multiple essential patents –the adoption of the standard by multiple stakeholders is made possible.

In light of the ETSI statutes, this public offering not only covers the members of the entity, but also third parties.

### Duty to make a public offering is not a real right

The duty, assumed due to the statutes of the Standard-Setting Organizations (SSO), to make a public offering in fair, reasonable and equitable conditions, and to complete the license to whomever accepts the offered conditions, is designed, in light of the local law, as a *unilateral obligation.* Obligation indeed, but born *ex voluntatis*, and directly binding only the *patent owner himself* and not necessarily the exclusive right inherent to patents.

40 As noted in the last text quoted, changes in the IEEE statute would, in no way, affect the Brazilian regime applicable to this issue: "Some of the reactions of firms and publications that specialize in this subject consider the IEEE's changes to be reasonable; I understand that - on the matter of the duty of patent owners to abide by the terms of the public offering - the result sought by the IEEE was already achieved in Brazilian law. Here in Brazil, I do not believe that anything will change regarding this point, even if other standard-setting organizations (aside from the IEEE) repeat the dose."

41 ETSI, or European Telecommunications Standards Institute, is one SSO, found at http://www.etsi.org/. Even though our study has its attention concentrated in ETSI's rules, the author has taken care to ascertain that the same consideration expended in this study are also generally applicable to the rules of other SSOs.

It should be noted, however, that the effects of the assumption of the FRAND commitment will necessarily follow the local law, for the nature of intellectual property rights and the limitations, burdens and other encumbrances that fall upon such rights relate to the patent, which has only territorial effectiveness, and is the result of a Brazilian Government concession.

Well, this FRAND commitment is not among those to which the Brazilian law awards real effectiveness. Even for whom, like Pontes de Miranda, sustains the nature of real right for the invention privilege[42], the FRAND commitment does not establish real right, for in our legal system the real rights are *numerus clausus*[43].

## Why a real right is only established by enacting an statute

Adopting or not the classification made by Pontes de Miranda, the patent exclusive has an *erga omnes*[44] right, of patrimonial nature, which excludes from the general public the fruition of a certain and determined object. It has, therefore, some of the features of real rights, but it does not make part of this classification. In effect, it is said about real rights:

> "one of the particularities of real rights is the fact that they are in a determined number, what does not occur with obligational rights. Hence, it is said that real rights are *numerus clausus*, while obligational rights are *numerus apertus*.[45]"

> "Destined to be enforced against the collectivity, real rights could not be established by the simple will of the parties, otherwise there would be total uncertainty in the legal trade. Therefore, inserted in the public order regime, real rights are *numerus clausus*, of imposed numbering, restricted to the exhaustive list of article 1,225 of the Civil Code[46]."

> "has not the freedom to establish them, and must conform with the legally regulated defined fact and with the content assigned by the law. That is why it is said that in the drafting of the contracts, with the principle of freedom of structuring the content, the *numerous clausus* system prevails. As a consequence of this, every limitation to property right that is not provided in the law as a real right has obligational nature"[47].

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42 Tratado de Direito Privado, § 1.894 and § 1.945.

43 One cannot help but notice that certain commitments, such as leases, prevail against the property's successor, can be subject to registration in public records and be enforced against third party purchasers; but this burden is deemed not to fall upon the leased property, as it is enforced under a specific law and within the limits of its application In the case now under consideration, there is no legal provision to annotate the commitment under Art. 59 of Law 9,279/96, although registration with the Registry of Titles and Deeds does endow it with erga omnes effect.

44 Although it is directed, first and foremost, against the Public Administration.

45 ROCHA, João Carlos de Carvalho et alii, Direito Civil - Atualidades, Del Rey, p. 744

46 FARIAS, Cristiano Chaves de, and ROSENVALD, Nelson, Curso de Direito Civil - v.5 (2014) - Reais - 10a ed., Ed. Juspodium, p. 36

47 GOMES, Orlando, Direitos reais. 10. ed. Rio de Janeiro: Forense, 1991, p. 10.

It is of common interest, and a guarantee to the efficiency of the market, that no *erga omnes* right be established without a republican, democratic and political decision. San Tiago Dantas emphasized that "the real rights prevail *erga omnes*, and it would be unacceptable that two, three or more people could, by their mutual will, establish legal duties to the whole society"[48]. Its establishment outside the Federal Legislative Branch

> "would imply in legal uncertainty and would be an obstacle to the circulation of goods, since exotic powers and capabilities, plausible to be established by the human imagination, would be opposable *erga omnes*. Such obstacles, on their turn, relate to the possibility of constituting inconvenient legal situations and, even, harmful on a social-economic point of view.
>
> This undesirable circumstance would, furthermore, be strengthened by the difficulties of allowing previous knowledge to third parties of the existence of undefined features encumbering the good. [49]"

Specially, the establishment of *erga omnes* rights by analogy is unheard of and impossible

> "...there can be no free resource to analogy: there is no basis for juris analogy, or analogy from the concept of real right, to frame in this definition the situations to which the law does not refer to. As we had the opportunity to remark, this would be appropriate for the exemplificative definition, which has been set apart, already" [50]

It should be noted that – if this is the basic rule and even more, millennial rule for *all* the rights of *erga omnes* and absolute nature and of over certain legal interests, even more so should it be on the exclusive rights of the intellectual property, about which is said[51]:

> 33. Attending to other interests and values that it considered significant, the Federal Constitution of 1988 awarded to the State the monopoly over certain sectors of the economy.
>
> It is naturally a radical exception to the free enterprise regime and, exactly because of that, the opinion of jurists understands that only the constitution-making power can establish Governmental monopolies, and therefore it is not possible to establish new monopolies by infra-constitutional acts.

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48 DANTAS, San Tiago. Programa, apud GONÇALVES, Carlos Roberto. Direito Civil Brasileiro – volume V, p. 17.

49 GONDINHO, André Pinto da Rocha Osorio. Direitos Reais e Autonomia da Vontade: o princípio da tipicidade dos direitos reais. Rio de Janeiro: Renovar, 2001, p. 46.

50 ASCENSÃO, José de Oliveira. A Tipicidade dos Direitos Reais. Lisboa: 1968.

51 BARROSO, Luís Roberto. The intertemporal legal relationship between an international treaty and domestic legislation. Constitutionally appropriate interpretation of the TRIPS. The illegitimacy of extending the term of patent protection granted before its entry into force. Revista Forense. vol. 368, p. 245.

> The logic in the situation of patent privilege is the same. Attending to other interests considered significant, the Federal Constitution of 1988 set forth the patent, a species of temporary monopoly, as a right to be granted to the authors of industrial inventions. (Federal Constitution, article 5, XXIX).

Hence, the analogy would contradict the value sheltered by an unchangeable clause.

## The annotation of a FRAND commitment

Important factor in the life of rights is the documentation of its objective and subjective changes. And that is the reason for the annotation on the side of a granted patent registration (Art. 59 of Law no. 9,279/96) the assignment, with the complete information on the assignee; any limitation (for example – the partial nullity determined by a Court of Law) or the burden that falls upon the application or the patent (as, for example, the levy); and the changes of name, headquarters or address of the patent applicant or patent owner.

In accordance with art. 60, annotations will produce effect with regard to third parties as from the date of their publication[52].

The article provides as follows:

> Art. 59. The BRPTO will make the following annotations:
>
> I - assignments, indicating the complete identification of the assignee;
>
> II - any limitation or encumbrance upon the patent application or patent; and
>
> III – any changes of name, headquarters or address of the patent applicant or patent owner.

The important point for our study is that the annotations in patent registrations will be made in the cases set forth in art. 59, and not in others. Therefore, excluding assignments and subjective changes, any limitations or encumbrances upon the patent application or patent must be annotated. Thus, it will be the burdens and limitations that follow the intangible asset and adhere to it, as real rights follow the object.

As such, there is no legal authorization for the BRPTO, in its mandate as public registrar, to enter annotation of FRAND commitments in its books, as outlined above[53].

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52 On the matter of recordals by the BRPTO, see Borges Barbosa, Denis, Technology Contracts in Brazil: The Patent Office Screening Rôle (May 24, 2012). Available at SSRN: http://ssrn.com/abstract=2151435 or http://dx.doi.org/10.2139/ssrn.2151435

53 But the erga omnes effect, as anticipated, may result from the non-specialized registrar office, which has broad notary powers, and not specific ones. But the erga omnes effect, as previosuly mentioned, may result from a non-specialized registry with board, and not specific, notarial authority.

The duty to propose fairly and in good faith

In order for such offering's effects to favor the social function of property, the ETSI statutes (like many other similar organizations) requires that the offering be linked to the FRAND standard, which, under the Brazilian legal system, I believe translates as fair proposal and in good faith.

The notification made to ETSI, stating a number of patents to be essential to the standard and assuming the statutory duty to ensure *irrevocably a* FRAND license (fair and in good faith) satisfies said requirement. By making this statement public, the public offering of the license was made, in the conditions required of the members of ETSI[54].

The obligation of making a public license offering does not translate into an effective offer due to the simple assumption of the statutory obligation. Applying the Brazilian law of obligations, the resulting obligation that is assumed is that an offer be made publicly, and that it be fair (i.e. no arbitrary treatment) and in good faith. Neither the ETSI statutes nor any Brazilian legal rule requires that there be a specific amount or that the offer be free.

## The clear distinction between the criteria public offering and the material public offering

Before the Brazilian law, there is no distinction, as to its effects, of the binding commitment of *offering FRAND parameters* and the material public offering of prices, terms and conditions. Both instances are affected by the *pollicitation obligation*. Once something is offered to the general public, every single person who

(a) submits himself to the addressee subjective category; and
(b) accepts the offer exactly as proposed,

enters in the condition of offeree, i.e., a creditor of the obligation subject matter *in potentia* of the public offering.

As the public offering required by the ETSI statutes does not determine a specific price, term or conditions, the statutory obligation is fulfilled by making the offering in conditions of fairness and in good faith.

Thus, the patent owner indicates standard essential patents for the standard elaborated by the ETSI, by filling in the adequate indication form, and makes a public offering, but not exactly the offer of a specific license, with determined prices, terms and conditions.

This first public offering is *mandatory* in the sense that *any person, no matter who,* that satisfies the subjective conditions, has the right to receive from the SEP owner, personally, or in general *urbi et orbe*, a *license offer* under good faith

54 In regard to the public offering, note that ETSI's IPR Policy specifies that "an undertaking in accordance with provision 6.1 in relation to a specific member of a patent family may be applied to all existing and future essential "IPRs" of the patent family... ("An undertaking pursuant to Clause 6.1 with regard to a specified member of a PATENT FAMILY shall apply to all existing and future ESSENTIAL IPRs of that PATENT FAMILY (…)"

conditions. Moreover, these same persons have the right to demand that – besides being in good faith, i.e., compatible with an acceptance, under standard temperature and pressure market conditions – the offer is also *non-discriminatory*.

What the public offering binds the owner of SPE is that, *whatever the license effectively offered*, with determined price, term and conditions, this offer shall not be *disparate* or *incompatible* with any other simultaneous license, previous or posterior, pursuant the general rule of nondiscrimination.

In other words, it is a commitment that, in all other licenses ever offered and that turn into a legal transaction, equals will not be treated unevenly and the unequal in the exact proportion of their inequality[55].

Thus, this *first* license offering obligation, which results from the ETSI statutes, has to be *carried out* by a *second* offering that sets forth accurate and precise prices, terms and conditions; this *execution offering*, whatever the offered prices, terms and conditions, has to be non-discriminatory and in good faith. This second offering is *binding* as the first, and the simple acceptance without conditions, in the exact terms of the offering, concludes the license without any other demands but those of the *legal formatting*.

As will be demonstrated below, the second offering may be *binding*, if the acceptance is made in the exact terms offered. If such unconditional acceptance is not met, the *duty* of the SEP owner *to license* to any third party, *exactly as offere*d, ceases.

The SEP owner has two options in that situation. He may engage in a deal to reach a specific result; he is absolutely free to do it, or to abstain from doing it.

**If** he decides to negotiate, he remains bound to the nondiscrimination and good faith duty, in such way that all licenses, simultaneous, posterior and previous, arising from the execution public offering or from the *ad hoc* negotiation be not discriminatory *among themselves* and, materially, in good faith.

**If** he chooses not to negotiate (and he is free to do so, once the execution offering has been made), he can make immediate use of the powers of INTERDITION, provided by articles 42 and 183 of Law no. 9,279/96.

## This duty in the Brazilian legal system

Excluding other potential repercussions, there is a direct consequence of the consent where the patent owner commits to be bound by a public offering. In the Brazilian legal system, there is only patent infringement when:

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55 In this regard, please refer to BARBOSA, Denis Borges. Princípio da Não Discriminação (no Direito da Propriedade Intelectual). In: Ricardo Lobo Torres; Eduardo Takemi Kataoka; Flavio Galdino. (Org.). Dicionário de Princípios Jurídicos. Rio de Janeiro: Elsevier, 2010, v. 1, p. 876-915, available at http://denisbarbosa.addr.com/discriminatio.doc. In reality, as there is no obligation for all future licenses to be simultaneous, this non-discrimination duty converts into an MFN clause.

> Law 9,279/96: Art. 42 A patent confers on its proprietor the right to prevent third parties from manufacturing, using, offering for sale, selling or importing for such purposes, without his consent:
>
> I - a product that is the subject of a patent;
>
> II - a process or product directly obtained by a patented process;

The declaration to ETSI establishes a prefixed hypothesis of consent for use of the Brazilian patent [56].

Such consent does not yet determine a specific price and conditions. However it is already determined and contained in the scope of the applicability of the consent that it be fair and in good faith. Thus, once the patent owner formulates an offer in fairness and good faith, it meets its statutory obligations to the other party co-obligated by the ETSI statutes[57].

On the other hand, once it has made a public offering, which meets the definition of a pollicitation, the legal act with legal repercussions under Brazilian law binds the offeror to provide the offer to the party in the position of offeree. The party that accepts, unconditionally, the public offering. This bond of the proposing party to its own is in effect with or without fulfilment of the ETSI obligations.

But, if the substantive offering that is made to the public, or to any of its members, represents an offer made in fairness (non-arbitrary) and good faith, and also bears the certainty and precision of a pollicitation, it is irrevocable and binding, and therefore simultaneously meets the statutory requirement and the premise the Brazilian law of obligations.

## The consequences of a binding offer

What are the legal consequences of fulfilling the pollicitation obligation in fair conditions and in good faith?

Two: if it is accepted in the way that it was proposed, there is a *compulsory* license[58].

If it is not accepted as proposed, there is no authorization, which, in light of article 42, eliminates infringement. That is, if the offer is made and its terms

56 To avoid making the issue of private international law inordinately complex, simply bear in mind that the conditions for infringement of a Brazilian patent are part of the local law, regardless of the parties' charter or the agreement. The notion of authorization, however, will give rise to the doctrine of legal classification.

57 A more detailed analysis will distinguish offer obligations: under the ESTI statute, there is the duty to offer everyone FRAND conditions; and this obligation, at least from the perspective of Brazilian law, gives each offeree the right to demand a specific offer that complies with the standard of "fairness and good faith"; once the specific offer has been made, in compliance with said standard, the offeree of this second offer has the power to invest in the authorization.

58 Not due to an obligation under public law, but due to the need for pollicitation, which is mandatory and subject to specific performance.

are not accepted, the patent owner is free to enforce Article 42. One can trigger the infringement action without violating the statute of ETSI.
Let's have now exposed the reasons why Brazilian law is applied in this context. What we are discussing is the violation of a Brazilian patent. Well, the rule governing the *violation of Brazilian patents* is the national law, because the patent has only territorial validity, and is the result of the Brazilian state grant. As Dario Moura Vicente says[59], the *lex loci delicti comissi* applies to infringements of patents.

In other words, is the Brazilian law that determines *what violates a Brazilian patent, and what are the consequences of patent infringement.* The direct assumptions of what consists in consent in the use of this patent, which is a central element in the definition of infringement, are directly affected by the attraction of the legal statute, although other facts, such as the duties before ETSI and faced with other members of the creation process of 3G and 4G standards can be *qualified* and *ruled* by other rules other than the Brazilian.

But the scope of our analysis is solely the issue of Brazilian patent infringement; an issue to be settled by the State Court, which may appreciate the effects and consequences of the binding offer.

What is Acceptance of the Offer

As explained in the previous section, the acceptance of the public offering, which adds up the obligation, is the election of the offered *in totum,* and without modifications. Surely all offered is entitled to request changes, and provide a space for negotiation; but in doing so, in Brazilian law, it will not have the benefit of *compulsory licensing.*

Accepting the contents of the public offering, as given, every and any economic agent will be the beneficiary of the compulsory license. Not accepting the one given, will not have this benefit.

On the other hand, if the offeror binds itself to the obligation of providing as offered (in the case, of licensing), the same freedom that the offered has to negotiate, has the offeror to not do it. In a context in which binds *fair* offers, i.e. not arbitrary, the offeror does not have the complete freedom of a decoupled economic agent. It is conditioned to past and future offerings, by isonomic principle of *equitability*

I have found no rule in the ETSI statute, or in Brazilian law, that prevents the offeror, if not in the case of explicit acceptance, or tacit behavior that

59 VICENTE, Dario Moura, A Tutela Internacional da Propriedade Intelectual, Almedina, 2008. As confirmed, with regard to Brazilian law, by Haroldo Valadão, Direito Internacional Privado, Vol. III, parte especial, 1978.p. 119:"Brazilian law adopts the principle of the local law of the country of enforcement... the law of the country where the protection is lost, where the rights are exercised and the infringemets punished".

presumes rejection of the offer, or an equivocal answer, to exercise the powers of article 42 of Law 9.279/96 - the powers to prohibit the use of patented technology.

The statutory duty that the asker was obliged to is not to *license*, but *to offer license*, on reasonable and in good faith terms. Its obligation is not of performance: licensing even if freely, even remunerating the manufacturer for the honor and grace to use the patented technology.

In fact, the duties of evenness that condition the offeror also address all possible offeree, i.e., those who accept license and prohibit the use of technology to those who refuse. This is the criterion of equality imposed by ETSI.

## The implicit refusal or equivocal answer obliges to the interdiction

Therefore I understand that the obligational link resulting from the duty to offer FRAND, according to ETSI statute, is articulated with the application of the Brazilian Law which provides for the hypothesis of incidence of paten exclusivity, to which is added the obligation of contract proposal.

That is, in order to have the effect that, if accepted in the terms proposed, it would prevent the application of article 42 of Law 9.279.

Therefore, at least in national law, the non-acceptance of the contract proposal as formulated allows the consultant to exercise the patent infringement lawsuit.

I have described such powers as follows:

> Rules for Enforcement of Intellectual Property Rights.
>
> The types of this article are unconditional rules of exclusion. The acts listed are rules of prevention, which are not, as such, subject to any subjective element or special conditions of the third parties subject to the prohibition. Competition by third parties, regardless of any unfairness, negligence, wrongful intent or even awareness thereof, is *prohibited.* This is not a case um *unfair* competition; it is a case of *prohibited* competition.
>
> Prohibitions under criminal law will never be considered without fault; to constitute a crime they require fault. Not here. Neither is civil liability for infringement free from the requirement of fault and the other requirements for equitable remedy. Not here. There is enforcement, with or without liability:

> GAMA CERQUEIRA, vol. II, p. 665[60], regarding the request to prevent: "There is no point, in this case, in inquiring whether the defendant acted in good or bad faith, or whether it seeks to have any rights in the invention. The action also does not require any evidence of damages."
>
> The defendant's capacity as a third-party in good faith - according to its claims, the acquisition was made without the intent to commit a tort, by deceiving its agent in the importation act – has no bearing on the Court's examination of the claim.
>
> What matters is the infringement and preventing the sale of unlicensed products in Brazil. At most, the question might have some relevance for determining compensation, not granted, however, in the lower Court ruling." Action for Provisional Remedy no. 735.681-8, 10th Civil Chamber, Court of Justice of the State of Paraná, unanimous vote, J.C. Albino Jacomel Guérios, June 16, 2011.

Aside from, and in addition to, the prohibition, the claimant will always, whenever applicable, be entitled to devolutive effect.

The issue of likelihood of infringement

Not being prohibited by a previous obligation, to put into practice the action based on art. 42 of Law 9.279, the patent holder would be, in abstract, legitimated *not only* to claim the prohibition of the infringement of its patents, compensation, as well as, in light of art. 50 of TRIPS and by force of art. 209 of the Law 9.279, but also to claim a preliminary injunction to prevent continued infringement.

To achieve this result, two prior conclusions are to be assumed. First, that the legal title is valid. Second, that the prohibition should correspond to one or several infringed claims.

## Legal presumption of validity of patents

In the Brazilian legal system, administrative acts are presumed valid; and precedents attribute such presumption to granted patents:

> "As each administrative act of the BRPTO is endowed with the presumption of legitimacy, when requesting the nullity of such an act, the burden of proof is reversed; therefore, it is the responsibility of the requesting party to prove that the grant of the patent contradicted the provisions of the IPL, which was not the case in question. In light of the evidence brought before Court that the invention was already contained in the state of the art on the filing date, the BRPTO agent, better than anyone, is able to perform such assessment – and it is known by all who advocate in the field of industrial property that this is done systematically – working almost as an assistant to the judge, at least as an expert opinion which can and should be considered, as said agent is endowed not with

60 GAMA CERQUEIRA, João da, Tratado da Propriedade Industrial, updated by Newton Silveira and Denis Borges Barbosa, Ed. Lumen Juris, RJ, 2010.

> impartiality, but with a technical knowledge without any private interest". Federal Regional Court of the 2nd Region, Motion for Rehearing the Non-unanimous Appellate Decision in the Internal Interlocutory Appeal, brought in the Action for Provisional Remedy (EIARAC) 308109, 1st Section, Justice Liliane Roriz, Decision handed down February 23, 2006.
>
> "Moreover, it is important to highlight that the statements regarding the breach of the patent were supported and endorsed by the BRPTO, the federal agency that, in such capacity, enjoys the presumption of truthfulness and authority with regard to its acts". Federal Regional Court of the 3rd Region, Case 2006.03.00.049987-0, MCI 5243, 5th panel, Federal Justice Suzana Camargo, September 25, 2006.

## Compliance with the principle of good faith

According to the Brazilian principle of good faith in legal business, I understand that the public offer of license by which thepatent holder bound itself implied not only *offering prices and conditions that were fair and realistic,* but also *in proceeding with the good faith that was expected in the market.*

### The Brazilian singularity of the requirement of good faith

With the Civil Code of 2002 having entered into force, and with the centrality in private law of the good faith principle [61] in legal business, the smartness, the use of positions, the denial, the law of Gerson, will not have space in our system:

> "It is not about reducing the defense of freedom of competition to the defense of the competitor, going back to the times of "private conception of competition", to which is an example the "famous discussion about freedom of reestablishment", but only about recognizing that the fundament for the prohibition of antitrust practices is in the protection to "both the objects of protection: loyalty and the existence of competition (…)
>
> First we have to guarantee that competition is developed in a loyal way, that is, that are respected the minimum rules of behavior between the

61 Brazilian Civil Code, Art. 113. Legal transactions shall be interpreted according to the good faith and the usage of the place of its celebration. "The good faith, when made part of the obligation expressly assumed in the agreement, imposes on the debtor not only to act on what he committed to, but on every other thing necessary to guarantee to the other party the full and useful result of the obligation due". BETTI, Emilio. Teoria generale delle obbligazioni. Milão: Giuffrè, 1953. vol. 1, p. 94. "The principle of good faith works as the bond between the contract law and the constitutional principles. From a technical point of view, three main functions are attributed to it: contract interpretation function; restriction of the practice of abusive rights function; and establishment of ancillary duties to the main obligation, in the pre-negotiation, negotiation and post-negotiation phases function" TEPEDINO, Gustavo. Temas de direito civil. Rio de Janeiro: Renovar, 2006. t. II, p. 252. See also: Theodoro Júnior, Humberto, "Contrato. Interpretação. Princípio da boa-fé. Teoria do ato próprio ou da vedação do comportamento contraditório", Revista de Direito Privado | vol. 38 | p. 149 | April / 2009 | DTR\2009\263.

> economic agents. Two are the goals of this minimum rules. First to guarantee that the relative success of the companies in the market depends exclusively of its efficiency, and not of its "business smartness" – that is, of its capacity of deviating consumers of its competitors without it being derived from comparisons based exclusively on data of the market".
>
> (Decision from the Brazilian Supreme Court - AC 1.657-MC, Rapporteur Justice Cezar Peluso, judgment of 06.27.2007, Plenary Session, Justice Gazette of 08.31.2007.)

Therefore, one of the most important consequences of the repercussion of legal facts mentioned when narrating the facts, *when considered their repercussion in Brazilian Law*, is that behaviors that can be recognized in other markets are subjected to a different analysis when verified here.

Therefore, if the economic agent remains passive, and refrains from accepting or rejecting the public offer made by the patent holder, but at the same time (apparently) using the patented technology, might be admitted in other legal contexts. It might have been accepted under the national system, before the current statute of private law. It would not, however, be consistent with current Brazilian Law.

Nobody is obliged to accept a one-sided patent allegation: the economic agent in good faith avoids infringement, especially in legal systems, such as Brazil's, *that assume the validity of patents*, ceasing to commit the acts challenged in the claims. Or, in good faith, it obtains a legal remedy that declares the existence or inexistence of the right.

The duty of good faith on the part of the users of the technology

As already indicated in the narration of the facts, there are standards for the behavior of the market in which the economic agents of the mobile telephone sector compete, and the subject of the preparation and implementation of technical standards of interconnection.

These market standards include the public offering of licenses for patents essential to the practice of the technical standard. They include that these offerings be made in portfolios, which include the patents declared as essential, in order to not analyze and litigate individually, and reciprocally, hundreds or millions of patents.

Those are the standards of what is "**perceived as correct or normal in the business world**", in the words of the Supreme Court, which characterized competitive fairness and good faith.

It would not be demanded from all the economic agents that they blindly agree with the current parameters of the market; if one does not want to conform to the correct and normal form, it should enter into negotiations, abstaining from using the standards – whose validity was never judicially disputed, as it is aware – that are owned by the patent holder.

However, **if** the economic agent who uses the standardized technology was not willing to accept, as offeree, the pollicitation made in regard to the Brazilian patents, that are part of the patent holder's IPR portfolio, and essential to exercising the technical standard it practices, I understand that it is therefore violating the duties of fairness and good faith, pertaining to the space of competition.

## Some conclusions

### Those who do not pay rent will be evicted

Among the simple things of the law, which are common knowledge, is the fact that the tenant who does not pay the rent will be evicted. In effect, the lease agreement may be described as the contract by which one party agrees to refrain from evicting the other, if the other pays the rent.

The effect of the FRAND public offering, as the one described in this study, is that all those who accept the offering made by the patent owner, *fair, reasonable and nondiscriminatory offering*, will be exempt from interdiction. They will not be evicted from using the technology. But those who want to use the technology without accepting the terms of the public offering, or without paying the amount that they may have accepted will be subject to interdiction… or eviction.

However, notwithstanding the discussions which take place in other jurisdictions, in our legal system, he who accepts and *complies with* the terms of the *fair, reasonable and equitable* public offering, of a license of a standard essential patent and bound to a FRAND commitment, will be free of interdiction, early or final.

In the Brazilian law, the FRAND commitment is **not** a waiver to the rights pertaining to a party, one of which is the use of the procedural remedy of interdiction. It is simply an *unilateral offering*, of pollicitatory nature, aimed at an offeree who fully accepts the terms of the offering. Against this one, who accepted the offering and adjusted to it, the patent owner lacks the right to interdict. But not against the others.

### There is no real and unconditional encumbrance over the patent

The statement of essentiality of a patent towards a technical standard, pursuant to the terms of the rules of *some* Standard Setting Organizations (SSO) implies on the duty of the patent owner, compromised before the SSO, to offer to the general public a *public license offering* under *fair, reasonable and equitable* (FRAND) conditions.

Once the owner fulfils this obligation before the SSO, and makes a public offering, he – according to the Brazilian law – is obliged to accept from any person the right to use the technology contained in the patent, provided that this person complies with the conditions set forth in the public offering, in the exact same terms as the ones offered.

This duty assumed before the SSO, as well as the duty assumed by the unilateral offering to the public in general does not have – in the Brazilian law – the nature of a lien. The Brazilian law does not provide for this nature, and does not allows the BRPTO, in light of article 59 of law 9279/96, to take note of such commitment.

This takes place because the FRAND compromise, in the Brazilian law, falls upon the person of the patent owner, and not on the intangible asset itself; and only the limitations and encumbrances that fall upon the patent are on the limits of the legal authorization that belongs to the BRPTO, to take note as provided by article 59.

Furthermore, the FRAND compromise does not establish an *unconditional* obligation to accept the use by third parties of the technology contained in the standard essential patent. Only those who accept the terms of the offering, in precise acceptance of the offer, are entitled to the license subject matter of the public offering. The patent owner can exercise with full powers his rights against those who did not accept accurately and fully the public offering, the same happening against those who, having manifested the acceptance of the license, do not comply with the offered and accepted terms.

Thus, in summary, in the current Brazilian law, the statement of essentiality of a patent for the attainment of the technical standard, does not constitute in any manner whatsoever a waiver or an unconditional license of the powers of the patent, but only sets forth the duty to license, under *fair, reasonable and equitable* conditions to all those who accept the offer in its exact terms.