

Possible changes to patent litigation battleground in Brazil

On June 7 2019 the Centre for Legal Studies of the Council of the Brazilian Federal Justice issued 35 amendments regarding business law. Nine of these amendments were in connection with IP issues and No 109 established the following:

The requests of refrain from using and loss and damages payment, whenever cumulated in lawsuit aiming the nullity of an Industrial Property Right, shall be addressed to the Federal Court, venue jurisdiction, in light of article 55 of the Brazilian Civil Procedure Code (BCPC).

In short, Article 55 of the BCPC establishes that two or more lawsuits must be combined when they have a common cause of action. The first paragraph of Article 55 determines that the proceedings for connected actions should be merged for a joint decision, unless a judgment has already been entered for one of them. The 3rd paragraph determines that a set of lawsuits that could create the risk of rendering conflicting or contradictory decisions if decided separately must be merged, even if there is no connection between them.

Teresa Arruda Alvim Wambier, who is a BCPC specialist, explains that the legislative message arising from Article 55 is clear: "The court must be flexible and expandable in order to establish the connection, fostering as much as possible the joint judgment of lawsuits that in some way are related, in order to avoid conflicting decisions among themselves."

Amendment No 109 appears to understand this message and this may result in a drastic change for lawsuits involving patents and changes to the battleground for patent litigation in Brazil.

Until now, the federal courts and the Superior Court of Justice held that the state courts were the venue which had jurisdiction for indemnification requests arising from claims of violation of IP rights, including patents.

For example, on 12 June 2019 – four days after the issuing of the amendments – the Fourth Panel of the Superior Court of Justice, rendered a decision for an interlocutory appeal, which was filed regarding a conflict of venue jurisdiction (No 160.351-RJ). The decision confirmed that the damages arising from the violation of IP rights (Brazilian Patents PI9810376-8, PI9814565-7 and PI9809830-6) should be pursued and prosecuted before the state courts, and also confirmed that nullity actions should be filed before the federal court, since the Brazilian Patent and Trademark Office (INPI) when it is not the plaintiff, should be included as a defendant or assistant to the party, as provided in Article 57 of the Brazilian Industrial Property Law.

The contradiction between amendment No 109 and the decision rendered in this interlocutory appeal is problematic and raises the question of whether the Superior Court of Justice is legally obliged to accept and follow amendment No 109.

Nonetheless, there are advantages that could arise from amendment No 109. The first is the potential elimination of conflicting decisions rendered from the federal courts and the state courts in lawsuits involving the same parties.

A second advantage may affect clients' finances. Instead of paying for a rebuttal in the records of a nullity action filed by a third party challenging an INPI decision that granted the client a certain Brazilian patent and additionally paying for filing a separate lawsuit before the state court pursuing

damages arising from the third party that potentially violated the client's IP rights and filing the nullity action, the client can request damages when filing the rebuttal in the records of the said nullity action, and at the same time provide its defence in a counterclaim, in order to ratify the INPI's administrative decision.

These legal measures are provided in Article 343 of the BCPC, which determines that in a rebuttal, the defendant can lawfully file a counterclaim to manifest their own claim, connected to the main action or the grounds of the defence.

However, lawsuits may take longer to be processed by the federal courts, since they would be forced to analyse indemnification requests and also establish, in their rulings, the proper damage award procedure for the case. In addition, the number of lawsuits filed before the federal courts is likely to significantly increase.

There are issues that arise from the wording of amendment No 109, which relate to the role played by the INPI during the damage award procedure. Until now the majority of damages requests arising from patent violation were addressed to the state courts, and therefore, the INPI was not involved in the damage award procedure, which often occurs in cases where patent violation has occurred.

Despite the doubts that may arise in the future in connection with amendment No 109, the amendment could be a turning point in case law with regard to venue jurisdiction for lawsuits involving requests for refrain from using, indemnification and nullity of an IP right. The amendment will provide a safer battleground for patent litigation in Brazil, as it should, – in theory – eliminate the risk of conflicting or contradictory decisions in cases involving the same parties.