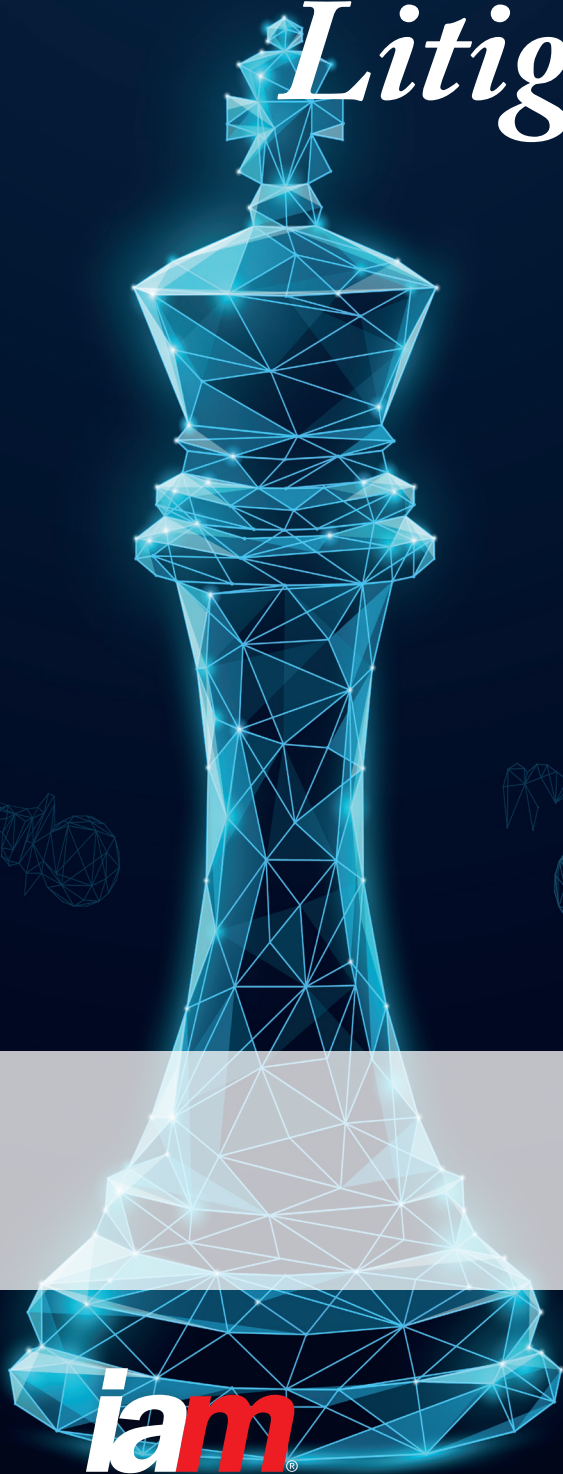


Global Patent Litigation 2022

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Brazil

Kasznar Leonardos
Rafael Lacaz Amaral and Claudio Barbosa

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Brazil



By Rafael Lacaz Amaral and Claudio Barbosa, Kasznar Leonardos

Q: How can patent owners best enforce their rights in your jurisdiction?

Patent infringement is both a criminal offence and a civil tort. However, because IP infringement is considered a less serious crime, patent owners usually file civil lawsuits instead of criminal ones. In civil lawsuits patent owners can obtain preliminary restraining orders and other measures to stop the infringement while the case is pending a final decision. In addition, material and punitive damages can also be awarded. In cases where the patent is a process, a preliminary action can be filed by the patentee to have the process used by the offender inspected by a court-appointed expert. If the expert confirms the infringement, the patent owner can file a lawsuit for damages based on this technical evidence.

Q: Are mediation and arbitration realistic alternatives to litigation?

Although the Brazilian Law of Civil Procedure encourages parties to settle before initiating any lawsuit, mediation and arbitration in patent disputes remains uncommon in Brazil. In most cases, the patent owner first sends a cease and desist letter to the offender to tentatively settle

the dispute. If this is not possible, the next step is usually a lawsuit, where the judge can schedule a preliminary conciliatory hearing, so that the parties can try to settle before a mediator (not the judge).

Q: Who hears patent cases – for example, individual judges, a panel of judges, a mix of judges and technical experts, judges and juries?

Patent infringement cases are brought before the state courts. The cases are filed at the first-instance court, and it is up to the judge to make decisions during the entire prosecution of the dispute (there are no juries in patent disputes). However, considering that the judges have no technical background, a technical expert is always appointed to examine the case and issue an opinion. Although the judges are not obliged to follow the expert's opinion, in most cases the final decisions on the merits are based on the expert's conclusions. After the decision, the losing party can file an appeal with the State Court of Appeals. A panel of three judges re-examines the case and delivers a decision on the appeal. This second decision can also be challenged through a special appeal to the Superior Court of Justice, but due to the restrictive proceedings of the Brazilian Law of Civil

Procedure, such appeals are not usually accepted and do not reach the Superior Court of Justice.

Q: What level of expertise can litigants expect from courts?

Brazilian judges have been increasing their IP-rights knowledge, especially regarding patents, because of the high number of disputes that have been brought by patentees. Additionally, there are courts specialised in IP matters, such as the state courts of Rio de Janeiro and Sao Paulo, where most litigations are filed.

Q: Are validity and infringement dealt with together in proceedings?

Article 56(1) of the Industrial Property Law states that the nullity of a patent can be argued at any time as a matter of defence in an infringement lawsuit. However, in 2011 the Superior Court of Justice delivered decisions stating that any discussion regarding the validity of a patent can only be dealt in nullity actions against the Brazilian Patent Office and before the federal courts. Over the years these decisions have been followed by many state courts. In 2020 the same Superior Court of Justice issued a decision, contrary to its own rulings of 2011, asserting in a specific patent infringement dispute that the state courts can also analyse whether the allegedly infringed patent is valid. Considering the controversy surrounding this matter, it is still advisable to consider filing an independent lawsuit at the federal courts to contest the validity of the patent if the defendant has arguments to do so.

Q: Who may represent parties engaged in a dispute?

Only lawyers duly and validly registered at the Brazilian Bar Association can represent parties engaged in judicial disputes, and powers of attorney signed by empowered officers of the parties must be attached to the case files. Notarisation and legalisation are required.

Q: To what extent is forum selection possible in your jurisdiction?

The general rule is that any lawsuit must be filed before the court where the defendant is located. However, the Civil Procedural Law also contains a specific rule that says that infringement claims can be brought to the court where the violation is taking place. This means that even if the defendant

is in a certain city, the patent infringement lawsuit can be filed anywhere where the violation is occurring. This is important because in many circumstances (eg, when the infringing product is being advertised or offered for sale online) the patent owner can decide to initiate the lawsuit before a court different from the one where the infringer is based. It is based on this specific provision that most of the patent infringement lawsuits are filed either in Rio de Janeiro or Sao Paulo, where there are specialised IP courts.

Q: To what extent is pre-trial discovery permitted?

There is no pre-trial discovery phase in Brazil. The parties are not obliged to disclose evidence, documents or information requested by the opposing party.

Q: To what extent is evidence written and oral at proceedings?

According to the Brazilian Law of Civil Procedure, the litigating parties can produce any kind of evidence admitted by law, including written and oral evidence. Despite this, oral evidence is rare in patent disputes. In most cases, parties present their technical allegations and support their thesis with technical documents. It is common for parties to present technical opinions issued by experts. Such evidence is important when the patent owner asks the judge to grant a preliminary restraining order or when the alleged infringer wishes to challenge the plaintiff's request.

Q: What role, if any, can expert witnesses play?

Expert witnesses are common and important in patent disputes, particularly because judges have no technical background and must rely on independent expert opinion. Typically, the parties file their arguments along with technical opinions issued by their own experts.

Q: Is the doctrine of equivalents applied by courts in your jurisdiction and, if so, what form does it take?

Article 186 of the IP Law serves as the basis for the introduction of the doctrine of equivalents regarding infringement characterisation. Even if the exact elements of a given claim are not found in a given product or process, infringement is still characterised when equivalent elements are found.



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However, although such modality of infringement is expressly foreseen in the law, there is sparse case law where it has been applied. The reason is that Article 186 does not establish a precise and clear method or criteria for determining whether a product or process infringes by equivalence another party's patent.

For the doctrine of equivalents to be duly applied in Brazil, it is first important to check:

- the main idea behind the invention;
- whether the alleged infringing product would be equivalent to the one claimed in the patent; and
- if the modifications would be obvious for a person skilled in the art, having in mind the teachings in the allegedly infringed patent.

In a positive case, in theory, the doctrine of equivalents could be used in support of the patent owner's right.

Many Brazilian courts are reluctant to grant protection to elements not expressly claimed, so the exclusive effect would not be extended beyond the wording of the patent claims, which is exactly what Article 41 of the IP Law says: "the extension of the protection conferred by a patent will be determined by the content of the claims, interpreted in the light of the specification and drawings".

Q: To what extent are courts obliged to consider previous cases that have covered issues similar to those pertaining to a dispute?

Case law precedents are important elements in legal disputes in Brazil. Although the courts are independent and the decisions are not binding, they are often taken into consideration as important precedents or at least as guidance, especially if they are issued by higher courts.

“The judge must also weigh the hardship caused by the decision granting the injunction, as opposed to the hardship caused by not granting it”

Q: To what extent are courts willing to consider the way in which the same or similar cases have been dealt with in other jurisdictions?

Are decisions from some jurisdictions more persuasive than those from others?

Case law precedents are not binding. This also includes rulings handed down in other jurisdictions. However, just like any other case, they can be important to demonstrate to the judge that the matter is being discussed in other jurisdictions and that decisions are being delivered in certain ways. Foreign and local rulings are not binding but they can influence Brazilian judges.

Q: What realistic options are available to defendants seeking to delay a case? How might a plaintiff counter these?

In a patent infringement dispute, the defendant can argue that there is no infringement because:

- the defendant's product or process is different from the one covered by the patent;
- the defendant has been using the product or process since before the filing date of the patent (prior use); and
- the plaintiff's patent is null and should be declared void, so there is no infringement.

Regarding a null patent, the defendant in an infringement lawsuit can file a nullity action before the federal courts seeking the cancellation of the patent that is being supposedly infringed and which is discussed at the state courts. If this happens, then the allegedly infringing party can ask the state judge to suspend the infringement lawsuit until the nullity action is ruled.

Q: Under what circumstances, if any, will a court consider granting a preliminary injunction? How often does this happen?

Preliminary injunctions are provided in both the IP Law and the Civil Procedural Law. To be entitled to obtain such measures (restraining orders and search and seizures), the plaintiff must prove:

- the likelihood of success of the complaint; and
- the need for an urgent decision.

The judge must also weigh the hardship caused by the decision granting the injunction, as opposed to the hardship caused by not granting it. The plaintiff can be ordered to provide a bond or fiduciary guarantee, if the judge deems it necessary. An injunction in patent disputes (both infringement and nullity actions) is not commonly granted because cases always involve a high degree of technical discussion between the parties and it is difficult for the judge to confirm whether a product or process infringes a certain patent, which will be possible only after a long technical discussion between the parties and a technical opinion by a court-appointed expert.

Q: What is the realistic timescale to get a decision at first instance from the initiation of proceedings?

Patent disputes usually take more time than other IP cases because of the technical aspects involved. Given that Rio de Janeiro and Sao Paulo are cities where there are courts specialised in IP matters and the judges are experienced in IP issues, a patent infringement lawsuit usually takes around three to four years to be ruled on by the first-instance trial court and about one year to be judged by the State Court of Appeals.

Q: How much should a litigant budget for in order to take a case through to a decision at first instance?

The costs associated with a patent infringement lawsuit are around \$20,000. This includes the filing fees and court-appointed expert fees. Considering that it is advisable to file along with the complaint or defence technical opinions drafted by specialists hired by each party, the litigating parties should be ready to spend another \$20,000 for each technical opinion. During the expert-opinion phase, the parties can appoint their own technical assistants, who will interact with the court-appointed expert, participate in meetings and present their technical

opinion. Usually, for this task, parties should expect another \$20,000. Companies considering litigating in Brazil should be ready to spend about \$60,000 in court fees and technical opinions alone.

Q: To what extent are the winning party's costs recoverable from the losing party?

According to the Civil Procedural Laws, the losing party must reimburse the totality of the expenses incurred by the winning party. This restitution does not comprise attorney fees, only court fees (fees for filing the case, expert fees and technical assistant fees).

Q: How are damages awards calculated?

Plaintiffs may seek both moral and patrimonial damages. The basis for calculating any award of patrimonial damages is established by Article 210 of the IP Law and may be summarised as follows:

- the benefits that would have been gained by the patent owner if the infringement had not occurred;
- the profits made by the infringer through the undue use of the patent; and
- the remuneration that the infringer would have paid to the patent owner if the parties had signed a licence agreement.

The court usually appoints an expert to establish the final amount of damages. The civil compensation procedures are often time-consuming, and their success depends on the evidence of damage and the defendant's financial situation.

Q: Under what circumstances will courts grant permanent injunctions?

Permanent injunctions are granted only when the case is finally resolved at first instance and it is decided that the defendant infringed the patent under discussion. This is done after three or four years of litigation and after an in-depth technical discussion between the parties and the court-appointed expert. When the judge closes the case and orders the defendant to stop the infringement and pay damages, they can also grant a permanent injunction with immediate effect.

Q: Does the losing party at first instance have an automatic right of appeal?

Yes, the losing party can challenge the first-instance decision by filing an appeal at the State

Court of Appeals. The judge will notify the winning party to present a reply and the case will be addressed to the higher court for analysis and a decision by a three-judge panel.

Q: How long does it typically take for the appellate decision to be handed down?

In Sao Paulo and Rio de Janeiro, appeals are decided in about 12 to 18 months.

Q: Is it possible to take cases beyond the second instance?

Yes. If a party believes that a second-instance decision violates an infra-constitutional law provision or differs from the jurisprudence in a similar case, it may lodge a special appeal to the Superior Court of Justice. The Superior Court of Justice has its seat in Brasília and oversees standardising infra-constitutional law. Although the rulings of the Superior Court are not generally binding in other cases, they are influential and provide guidance to the lower courts. In recent years the Superior Court of Justice has been narrowing the window for special appeals to be accepted and decided, which is why it is crucial to the parties to win the case at second level.

Q: To what extent do the courts in your jurisdiction have a reputation for being pro-patentee?

The Brazilian courts are known for respecting IP rights, whether it is a domestic or foreign entity disputing the case, although some judges may take a more anti-patentee approach, especially in the pharmaceutical field.

Q: Are there other forums outside the court system in which it is possible to assert patents in your jurisdiction? If so, under what circumstances might it be appropriate to use them?

No, the only way to assert patents in Brazil is by initiating lawsuits, arbitration or mediation.

Q: In what circumstances do courts in your jurisdiction accommodate remote hearings, for example during pandemic-related lockdowns?

Before the covid-19 pandemic almost all hearings and judgment sessions were held in person.

However, this has changed completely and almost all hearings are held remotely.

Q: Are there any other issues relating to the enforcement system in your country that you would like to raise?

Patents are fully enforceable in Brazil and each year the quality of the court decisions increases. Furthermore, preliminary injunctions are provided under the Brazilian legal system (although they are difficult to obtain). Additionally, damages can be awarded, and permanent injunctions can be granted at the end of the first instance, should the case be ruled in the patentee's favour. Finally, the

losing party is condemned to reimburse the court expenses incurred by the winning party. *iam*



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