

BRAZIL

Report Q 174

By the Brazilian Group (Brazilian Intellectual Property Association)

# **Jurisdiction and applicable law in the case of cross-border infringement**

## **(infringing acts) of intellectual property rights**

I.1.1 Do the domestic Courts assume jurisdiction to decide on infringements of intellectual property rights which are committed abroad?

Yes. Section 12 of the Introduction Law to the Brazilian Civil Code and section 88 of the Brazilian Civil Procedure Code rule that Brazilian Courts are empowered to judge a case whenever:

- a) the defendant, of any nationality, is domiciled in Brazil;
- b) the obligation is enforceable in Brazil; or
- c) the cause of action is referred to a fact happened or practiced in Brazil.

If any of such conditions is met, Brazilian Courts can decide on infringements of intellectual property rights committed abroad. An example is a lawsuit filed by the Brazilian injured party to make the Brazilian defendant refrain from using a domain name registration, granted in the United States, which infringes upon a well-known trademark.

I.1.2 *If the Courts assume jurisdiction to decide on intellectual property infringements committed abroad, what are the criteria which allow jurisdiction to be attributed to the Courts of the country (e.g.: nationality of one of the parties, concomitant existence of IP infringements in the country of the Court, domicile of the defendant, etc.)?*

As mentioned in the previous answer, the 3 (three) alternative criteria of Brazilian international jurisdiction are: the Brazilian domicile of the defendant, the enforcement of the obligation in Brazil or the occurrence or practice of the fact in Brazil.

*1.1.3 Is this assumption of international jurisdiction specific to the civil law courts, or does it also apply to the criminal law courts?*

The international jurisdiction mentioned in our response to question 1.1.1 refers only to Civil Courts. The criminal jurisdiction under the Brazilian law is in principle limited to crimes committed in the Brazilian territory. Yet, under certain circumstances, Criminal Courts are empowered to try crimes committed abroad basically when the crime was committed against a Brazilian public entity or by a Brazilian citizen (according to provisions under section 7 of Brazilian Penal Code). Also, local criminal courts may prosecute crimes that Brazil has undertaken to repress under international treaties.

*1.2.1 If the domestic Courts may assume jurisdiction to judge IP infringements committed in another country (cross-border infringements), what are the sanctions imposed by the domestic Courts?*

The disregard of a Court decision subjects the defendant to fines, damages and measures intended to reach an equivalent practical result as well as to criminal penalties for contempt of court order.

*1.2.2 Can the domestic Courts only award compensation for loss (damages) or do they also assume jurisdiction to impose injunction with effects abroad?*

Depending on the case circumstances, besides damages, Brazilian Courts may grant injunctions with indirect effects abroad or even with direct effects. The execution of a court order from Brazil in a foreign country will depend on whether such foreign country admits execution of letter rogatory from Brazil, either under international treaties or by reciprocity practices.

*1.2.3 Is there a difference between final sanctions and provisional sanctions from the point of view of international territorial jurisdiction?*

Yes. The distinction between final or provisional sanctions is relevant for the purpose of having a foreign decision validated by the Supreme Court, in order to be enforced in Brazil.

*1.3.1 Which law is applied by a court, which assumes jurisdiction to judge IP infringements committed in another country?*

Brazilian Law-Decree # 4657 of September 4, 1942 (Introduction Law to the Brazilian Civil Code) states that:

- a) properties (for certain purposes of civil law, IP rights are considered as property) are ruled by the Law of the country where they are placed (place of registration or grant regarding IP rights);
- b) obligations derived from a contract are ruled by the Law of the country where the proponent resides in.

However, according to practitioners, this provision does not prevent the contracting parties from choosing the law and jurisdiction that will govern and interpret disputes arising out of the contract.

1.3.2 *Is it the law of the forum, or is it the law of the country in which the infringement has been committed?*

Both of them may be applied. In general, procedural aspects will be governed by the law of the forum. However, substantive or material issues may be ruled by the law of the country of infringement, depending on the instances mentioned in the previous response.

1.3.3 *What is the scope of the foreign law: defining infringing acts, proof of infringement or sanctions for infringement?*

The foreign law will apply to define infringing acts and the related sanctions, provided that the infringement was committed in another country, in accordance with section 13 of the Introduction Law to the Brazilian Civil Code. The production of evidence of infringement will be governed by the laws of such country.

1.3.4 *What is the role of the parties in determining the content of the foreign law: does the burden of proof of the content of this law lie with the parties or is it for the Court, ex officio, to seek the content of the foreign law?*

Brazilian judges are obliged to know only national laws. The party who invokes a foreign law has the burden to prove its contents, legal existence and validity.

1.3.5 *Does the international public order exception, which allows some countries to exclude the application of foreign law, apply for the infringement of intellectual property rights?*

Yes. Brazil can refuse enforcement to any foreign law (including IP laws) or decision issued against Brazilian sovereignty, public order or common practice.

1.4.1 *What are the conditions for the enforcement of a foreign judgement against an infringing party for IP infringement committed in another country?*

Only final judgments are enforceable in Brazil. The interested party must lodge a special procedure at the Brazilian Supreme Court requesting the validation and enforcement of the foreign decision. In accordance with sections 216 and 217 of the Supreme Court Internal Regulation, such validation is submitted to the following mandatory requirements:

- a) the foreign decision must not violate Brazilian sovereignty, public order or common practice;
- b) the judgment must have been rendered by a judge having jurisdiction;
- c) the defendant must have been served on process or legally considered in default;
- d) the foreign decision must be irreversible and not submitted to further appeals (*res judicata*), as well as must have observed all formalities needed to ensure its execution at the country of origin;
- e) the foreign decision must be certified by the Brazilian Consulate at the country of origin and followed by an official translation.

1.4.2 *Are there specific procedures?*

Yes. The validation of a foreign decision is submitted to a specific procedure at the Brazilian Supreme Court, as follows:

- a) the petition must be lodged with a copy of the related documents and respective official translation. In case of failure, the judge must order the amendments, which must be provided in a 10-day term. If such deadline is not met, the case is dismissed;
- b) the defendant is served to present a defence in 15 days, which can only be based on the lack of documents, the construction of the contents of the foreign decision and the fulfilment of the mandatory requirements of sections 216 and 217 mentioned in the previous response;
- c) the plaintiff must have an opportunity to rebut the defendant's defence;
- d) the federal attorney general must be heard and, if he/she presents no opposition to the validation, the procedure is judged by the Chief Justice of the Supreme Court. In case of opposition, the judgment is rendered by the Supreme Court's General Assembly.

I.4.3 *What are the practical difficulties, which complicate the enforcement of foreign court decisions in intellectual property infringement matters?*

The main difficulty is the public order and Brazilian sovereignty tests, which require that the foreign decision be consistent to the rules of public order and not violate the sovereignty. For instance, Brazilian Constitution provides defendants with the guarantee of a due process of law. Such due process of law encompasses the right to be served on process, to file a defence and to present the relevant evidence. Whenever any of such guarantees is disregarded, a foreign decision will not be validated and enforced in Brazil. Other difficulty refers to the documentation required to approve the decision.

I.5.1 *Are there rules governing lis pendens and related actions for cases where infringement proceedings are pending in parallel before the courts of different countries?*

Yes. Section 90 of Brazilian Civil Procedure Code rules that a parallel lawsuit in a different country involving the same parties, claims and cause of action is not considered as *lis pendens* and does not prevent Brazilian Courts from deciding the same case.

I.5.2 *Do the rules on lis pendens and related actions require the court to decline jurisdiction in favour of another court, or do they merely allow it to stay proceedings while awaiting the result of the pending dispute in another country?*

Neither. A foreign procedure on the same case does not lead a Brazilian Court to decline its jurisdiction or to stay proceedings. Brazilian procedures will only be dismissed if the foreign decision was issued first and previously submitted for the validation at the Supreme Court. However, recent case-law rules that the first final decision which becomes *res judicata* prevails over the other.

## **II. Proposals for the future:**

II.1.1 *Do the Groups think that it is possible and desirable to seek a harmonised system for cross-border litigation, while intellectual property rights are currently, in the majority of cases, solely of national scope?*

A harmonized system should apply for certain aspects of cross-border litigation, such as stays of procedure and procedural remedies. For national rights, national sovereignty may not be suppressed.

II.1.2 *Do the Groups think that such a harmonised system requires the existence of intellectual property rights which have the same effect in various countries (e.g. at least a regional right)?*

Not necessarily. A harmonized system may refer to procedural remedies and requirements or to substantive issues. For procedural harmonization, it is not a mandatory requirement to have a harmonized system of regional or international rights. However, a harmonization of substantive issues would require the existence of IP rights having the same effect in various countries.

II.2.1 *If the Groups consider that it is desirable to seek a harmonised system of litigation in cases of cross-border infringement, it would thus be necessary to organise such litigation.*

A harmonized system of litigation in cases of cross-border infringement is acceptable just for certain aspects, as mentioned in topic. II.1.1.

II.2.2 *What should be the preferred criteria for choice of forum?*

The Brazilian group is well satisfied with Brazilian rules on such issue (as described in topic I.1.1 above) and considers that they could provide a good basis for harmonization.

II.2.3 *What then should be the applicable law to organise the infringement proceedings?*

Proceedings must always be ruled by the Law of the country where the Court is located.

II.2.4 *What extent would the power of the judge have: merely assessing the infringement, or also assessing the validity of the foreign right with the possibility of invalidating it?*

The judge must be entitled with general powers to decide on all claims and to evaluate the validity of the right under the foreign law. Thus, the judge must assess (with effects restricted to the litigating parties) the validity of the foreign right which is the cause of action, provided that such issue is raised by the defendant. A judgment on the invalidity of the right, with *erga omnes* effects (against third parties) must only be rendered at the country of origin, where the right was granted.

II.3.1 *What is the applicable law for judging infringement and sanctions applicable to it?*

The law of the country where the Intellectual Property rights are protected and the infringement was committed.

II.3.2 *And what scope should the application of this law have (defining infringing acts, proof of infringement or sanctions for infringement)?*

The judge must apply the law in relation to the definition of the infringing acts, its proof and sanctions.

II.4.1 *Should the rules on lis pendens and related actions apply in the event of infringement proceedings, which are pending before the courts of the various countries?*

Foreign actions pending before different courts in various countries should not lead to the application of the rules on *lis pendens*, unless there is a foreign final decision being validated or enforced in the countries. However, under specific conditions, the rules of *lis pendens* and related actions may lead to stays in proceedings (when limited in time).

II.4.2 *Should it be provided that it is mandatory for courts to decline jurisdiction in favour of the court first seized of the case, or should there be a rule for a stay of proceedings?*

National courts should not decline jurisdiction in favour of a foreign court. However, under specific conditions, a stay of proceeding may be acceptable for a very limited period of time.

II.5.1 *Should there be provisions for the automatic enforcement of court decisions which are made in such a system or should these decisions always be the object of a procedure for exequatur as normally used to give effect to foreign judgements?*

A system for *exequatur* must be followed, in order to verify if there was no violation to the local principles of public order. However, such system must not be centralized. Any low court should be empowered to analyse such aspects and authorize the enforcement of the foreign decision.

II.6.1 *What is the scope of sanctions which may be imposed by a Court deciding on infringement committed in various countries: can the Court be empowered to judge on the validity of intellectual property rights existing in each of these countries?*

Yes, the Court must be empowered to assess (with effects limited to the litigating parties) the validity of any intellectual property rights.

II.6.2 *Can the Court impose measures of prohibition applicable wherever this right is valid?*

Yes. If the Court is empowered to judge the case and the judge finds for the plaintiff, the judge should be entitled to impose all restraining measures needed to make the defendant refrain from infringing the rights.

II.6.3 *Could the Court order the infringing party to compensate for loss suffered in all countries?*

Yes. If the losses suffered abroad are claimed and proved under action, as a consequence of the jurisdiction on the case, the local Court must be empowered to order the payment of damages.

II.7.1 *Should the search for a system, making it possible to organise the progress of proceedings against cross-border acts of infringement, pass through the conclusion of a multilateral agreement or is it necessary, according to the Groups, to favour bilateral or regional solutions.*

A multilateral agreement ruling on these issues would be desirable, both on material and on procedural aspects.

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