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Challenging the Validity of Patents by Way of Defence: Recent Decision of the Brazilian Superior Court of Justice

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In a decision rendered on 12 June 2024, the full chamber of the private law division (‘*Segunda Seção*’) of the Brazilian Superior Court of Justice ruled that state courts may decide on the validity of patents when the validity is put in issue by way of defence in civil proceedings for infringement (EREsp 1.332.417/RS). The decision was taken unanimously by eight of the ten members of Third Chamber (‘*Terceira Turma*’) and Fourth Chambers (‘*Quarta Turma*’) of the Superior Court of Justice, who are entrusted to the harmonisation of the interpretation of Brazilian federal private law, including Brazilian Industrial Property Act 1996, and it may settle a sharp debate on the admissibility of defences based on the invalidity of patents in civil proceedings.

Pursuant to Article 57 of the Brazilian Industrial Property Act 1996, applications for revocation of patents must be filed before Brazilian federal courts, with the mandatory participation of the Brazilian National Industrial Property Office in the proceedings. Paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996 provides, nevertheless, that the validity of the patent may be put in issue by way of defence at any time. This would include the defence in civil proceedings for infringement of patents, which are heard by state courts and not by federal courts in Brazil. In this context, the question that arose from Articles 56 and 57 of the Brazilian Industrial Property Act 1996 was whether a state court would have the power to decide on the validity of the patent in cases where respondents in civil proceedings for infringement argued the invalidity of the patent.

Until 2012, the Superior Court of Justice allowed state courts to decide on the validity of patents in proceedings for infringement in at least two decisions (AgRg no Ag 526.187/SP e AgRg no CC 115.032/MT). In those decisions, the Superior Court of Justice, based on paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996, considered that only federal courts could issue an order to revoke the patent, but state courts could decide on the validity of the patent when the validity was put in issue by way of defence.

In 2012, however, the Third Chamber of the Superior Court of Justice ruled that the validity of patents could only be challenged before federal courts and that respondents were not allowed to put the validity of patents in issue by way of defence in civil proceedings for infringement of patents before state courts (REsp 1.132.449/PR). Based on a previous decision concerning the power of state courts to decide on the validity of trademarks put in issue by way of defence (REsp 325.158/SP), the Third Chamber considered that it would not make sense for the Brazilian Industrial Property Act 1996 to allow state courts to decide on the validity of patents as a ground raised by the respondent in the defence, at the same time it required applications for revocation of

patents to be filed before federal courts, with the mandatory participation of the Brazilian National Industrial Property Office in the proceedings. The Third Chamber also considered that it would not be fair to place on patent owners the burden to start civil proceedings for infringement, but not to require those who infringed patents to file applications for revocation, being sufficient to argue the invalidity of the patent by way of defence.

The decision of the Third Chamber rendered in 2012 was reaffirmed in a number of subsequent decisions of the Superior Court of Justice (AgRg no REsp 254.141/SP, REsp 1.322.718/SP, REsp 1.251.646/RJ, REsp 1.281.448/SP, AgInt no AREsp 862.862/RS, AgInt no REsp 1.590.046/SP, AgInt no REsp 1.433.855/MG and AgInt nos EDcl no AREsp 1.374.195/DF), and it became the prevailing understanding of both Third and Fourth Chambers on the interpretation of paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996.

The prevailing understanding of the Superior Court of Justice began to shift in 2019, when the Third Chamber ruled that paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996 meant that applications for revocation of patents were not the only way in which the validity of patents could be challenged (REsp 1.558.149/SP). In 2020, the Third Chamber ruled that state courts had the power to decide on the validity of patents when the validity was put in issue by way of defence (REsp 1.843.507/SP). In the decision, the Third Chamber considered that, although only federal courts had the power to order the revocation of patents pursuant to Article 57 of the Brazilian Industrial Property Act 1996, paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996 established an exception in relation to patents and industrial designs, which did not apply to trademarks. As observed by the Third Chamber, the Brazilian Industrial Property Act 1996 did not set forth any provision similar to paragraph 1 of Article 56 applicable to trademarks, except for its Article 205, which allows accused in criminal proceedings to put the validity of trademark in issue by way of defence. For the Third Chamber, trademarks could not have their validity put in issue in civil proceedings for infringement because trademarks also conferred protection on consumers, by allowing them to associate products or services with their origin. As such, the only way to challenge trademarks would be through applications for revocation filed before federal courts. This would not be the case of patents and industrial designs, whose purpose was not to confer protection on consumers, but to foster technological development by the grant of temporary exclusive rights. The Third Chamber also considered that preventing respondents from putting the validity of patents in issue by way of defence would amount to a violation of the respondents' right of defence protected by the Brazilian Federal Constitution.

The decision rendered in 2020 was reaffirmed in two subsequent decisions of the Third Chamber (REsp 1.832.502/SP and AgInt no REsp 2.049.821/PR). However, in a decision rendered in 2022, the Fourth Chamber reaffirmed its position on the inadmissibility of putting the validity of patents in issue in proceedings for infringement before state courts (AgInt no REsp 1.332.417/RS), and, for this reason, the case was referred to the full chamber of the private law division.

The decision of the full chamber of the private law division was essentially based on the reasoning adopted by the Third Chamber in the decision rendered in 2020. It was acknowledged that, although the revocation of patents could only be ordered by federal courts, paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996 expressly allowed the validity of patents to be put in issue by way of defence at any time. As such, the full chamber considered that, in cases where the respondents argued the invalidity of the patent, state courts would have the power to decide on the validity of the patent, but the decision on this issue would be limited to the case and would not lead to the revocation of the patent.

Although it does not have binding effects beyond the case in which it was issued, the decision of the full chamber of the private law division is a major step towards the harmonisation of the correct interpretation of paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996. Four members of the Fourth Chamber changed their position and voted in favour of the admissibility of the defence based on the invalidity of the patent in civil proceedings for infringement before state courts. The decision is also consistent with the Brazilian Industrial Property Act 1996, as paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996 is unequivocal in the sense that the validity of patents may be put in issue by way of defence at any time. If the validity of the patent could be challenged in civil proceedings for infringement, paragraph 1 of Article 56 of the Brazilian Industrial Property Act 1996 would be deprived of any effective meaning.

It is expected, therefore, that the decision will be followed in the future by the Third and Fourth Chambers of the Superior Court of Justice, as well as by state courts.

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This entry was posted on Wednesday, November 20th, 2024 at 4:15 pm and is filed under Brazil, Infringement, Litigation, Procedure
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