1 SPECIALIZED COURTS FOR INTELLECTUAL PROPERTY IN BRAZIL

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ABSTRACT

This article discusses the process of specialization of intellectual property courts within the Brazilian federal judicial system. The article starts by providing a brief overview of the functioning of the Brazilian federal justice system and how it evolved over time, including its bodies, its competence for trial, and its existing trial courts. It then describes the increasing number of intellectual property cases in the courts, and finally highlights several specific cases and recent developments in the jurisprudence.

Keywords: *judicial power, competences of Brazilian courts in IP matters, IPRs under Brazilian law*

I. INTRODUCTION

This article aims to analyse the specialization of Brazil's justice systems, particularly at the federal justice level, with a focus on intellectual property, and highlights relevant cases that have occurred in recent years and recent developments in the jurisprudence.

II. HISTORY

A country of vast dimensions, Brazil is divided into 27 units - 26 States and a Federal District, where the capital, Brasília, is located. A brief overview of Brazil's judicial system is critical to comprehending the intellectual property landscape in this country.

On account of this geopolitical organization, traditionally there has always been a separation between the State Courts, also called regular courts, where judges preside over disputes between individuals, and the Federal Courts, whose jurisdiction is determined essentially by the person, i.e. any federal public entity concerned in the dispute.

The Federal Justice Court was established after Brazil became a Republic in 1889. The first legislative document was Decree No. 848 of 1890, which regulated the organization and function of the Court prior to the establishment of the first Republican Constitution in 1891. The creation of the Federal Justice was deemed necessary to consolidate national sovereignty and the justice system deployed, under which federal and state entities coexisted independently and harmoniously. This system was inspired by the jurisdiction models of the United States, Switzerland and Argentina, all newly established republics back then.

During the period of military dictatorship, Brazil's Federal justice was temporarily dissolved under Institutional Act No. 2 of 27 October 1965. This act suspended the guarantees of life tenure and non-removability of judges and recreated the first Instance at the Federal Court. At that time, judges were appointed by the President, based on a list drawn up by the Supreme Court. Furthermore, with Institutional Act No. 5 of 13 December 1968, the constitutional guarantees for judges, such as life tenure, non-removability, stability, and performance of functions for a defined period, were suspended and all measures taken under this Institutional Act were excluded from being reviewed by the Judiciary.

On 17 October 1969, the Federal Court was reorganized under Constitutional Amendment No. 01 and adopted its current form, marking the return of judiciary guarantees.

The bodies of the Federal Justice are the Federal Judges and the Federal Regional Courts (Article 106 of the Federal Constitution).

The jurisdiction of the Federal Judges is defined in Article 109 of the Federal Constitution. Federal judges preside over Federal Courts in first instance and have jurisdiction to consider and judge the following matters:

(i) Cases in which the Union, an autonomous government agency, or a federal public company, have an interest as plaintiffs, assistants or opponents, except cases of bankruptcy, workers' compensation, and the ones subject to the Electoral and Labour Courts;

(ii) cases involving a foreign state, an international organization, a municipality or a person domiciled or residing in the country;

(iii) cases based on a treaty or agreement between the Union and a foreign state or an international organization;

(iv) political crimes and criminal offences committed against goods, services or interests of the Union or its autonomous agencies and public companies, excluding misdemeanours and excepting the competence of the Military Courts and Electoral Courts;

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(v) crimes covered by an international treaty or convention when, once implemented in the country, the result has or should have taken place abroad, or conversely; v.A- cases regarding human rights referred to in § 5 of this article;

(vi) crimes against a labour organization, and in cases determined by law, the ones against the financial system and the economic and financial order;

(vii) habeas corpus, in criminal matters within their competence, or when the coercion is exercised by an authority whose acts are not directly subject to another jurisdiction;

(viii) writs of mandamus and habeas data against an act of a federal authority, except for the cases of jurisdiction of federal courts of second instance;

(ix) crimes committed aboard ships or aircrafts, excepting the competence of military courts;

(x) crimes or illegal entry or stay of foreigners, execution of letters rogatory, after the 'exequatur', and the foreign judgment, after homologation, and for cases related to nationality, including the respective option , and to naturalization;

(xi) disputes over indigenous rights.

All States and Federal District have judicial sections in their respective Capital, and courts of first instance are located where established by law (Article 110 of the Federal Constitution).

Nowadays, Federal Courts have been established in the Federal Capital and in the capitals of the Member States, as well as in several other cities of large metropolitan centres and in the countryside, according to economic and population criteria.

There are five Regional Federal Courts of Appeals, with powers defined under Article 108 of the Federal Constitution. They are responsible for:

(i) processing and adjudicating, in the first instance:

(a) federal judges in their area of jurisdiction, including military justice and the Labour Courts, in common and liability crimes, and the prosecutors of the Union, except for the competence of the Electoral Courts;

(b) criminal reviews and severance actions against their decisions or those of the federal judges of the region;

(c) writs of mandamus and habeas data against an act of the Court itself or of a federal judge;

(d) habeas corpus, when the constraining authority is a federal judge;

(e) conflicts of jurisdiction between federal judges that are subject to the Court;

(ii) judging, on appeal, cases decided by federal judges and by state judges in the exercise of federal competence within the area of their jurisdiction.

The dominant jurisprudential understanding with respect to industrial property shows that in actions involving concession or nullity of industrial property rights, even if there are two litigating companies, the Brazilian PTO (INPI – Instituto Nacional da Propriedade Industrial) should participate in the lawsuit as the defendant, because their role in the examination and granting is not limited to a formal or bureaucratic activity, but constitutes an effective verification of the legal requirements of registrability, seeking to preserve public interest.

According to a rule of jurisdiction pursuant to Article 94 of Brazil's Code of Civil Procedure (CPC) (contained in Article 46 of the new CPC), the motion should be brought, as a rule, in the defendant's domicile headquarters.

The PTO is an entity that has the authority to 'execute, at a national level, the rules governing industrial property, with a view to its social, economic, legal and technical function' (Article 2 of Law No. 5648/1970) and has always had its headquarters in the city of Rio de Janeiro, the state capital of Rio de Janeiro. For this reason, most of the actions involving industrial property, such as trademarks, patents, utility model patents and industrial designs, are processed in Rio de Janeiro.

These cases, however, were not prosecuted or tried sufficiently quickly to preserve the interests of industrial property right holders due to the excessive number of lawsuits in the Federal Court and the variety of subject matters involved.

Accordingly, the new intellectual property law (IPL) constituted an important step by providing in Article 240 for the possibility of establishing specialized courts in this field.

This was followed by intense management of intellectual property operators, especially through their professional associations - ABPI (Associação Brasileira da Propriedade Intelectual) and ABAPI (Associação Brasileira dos Agentes da Propriedade Intelectual), with the Federal Court of Appeal, for the development of this expertise.

In 2000, pursuant to a decision of the Plenary of the Federal Regional Court of the Second Circuit, the competence relating to intellectual property was added to the competence of the ten Courts which were specialized in social security matters, namely, the 31st, 32nd, 33rd, 34th, 35th, 36th, 37th, 38th, 39th and 40th Federal Courts.

In view of the urgent need for the establishment of Special Small Claims Federal Courts by the Regional Federal Courts, Law No. 10.259/2001 was enacted in 2001. Five of these Specialized Courts oversaw intellectual property and social security matters. The 31st, 32nd, 34th, 36th and 40th Federal Courts were transformed into specialized Special Small Claims Federal Courts, with lawsuits redistributed between the remaining specialized Federal Courts.

In 2003, the 33rd Federal Court was also transformed into a Special Federal Court, and its lawsuits were redistributed among the other Courts.

The 35th, 37th, 38th and 39th Federal Courts of Rio de Janeiro remained, specializing in intellectual property and were later renumbered respectively as the 25th, 13th, 31st and 9th Federal Courts - which remains to date.

In 2005 the Federal Regional Court of the 2nd Circuit (Federal Court of Appeals) decided the specialization of the 1st and 2nd Panels, which constitute the 1st Specialized Section of the Tribunal in criminal, in social security and in intellectual property matters, consolidating the process of specialization within the 2nd Circuit.

Intellectual property is not a specific part of the curriculum of most law schools in Brazil. On that note, the initiative of specialized thematic trial sessions significantly contributes to the work undertaken by lawyers, the oral arguments, the organization of judicial departments, as well as concentrating the discussion of legal arguments.

Indeed, specialization in intellectual property allows, both in the first and second instances, further study and training of judges and their assistants to be undertaken in this particular matter. This specialization also enhances the organization and standardization of procedures, leading to a significant improvement in the degrees of quality and reliability of jurisdictional provisions, as well as expeditious and effective decisions.

Nowadays, the Federal Regional Court of the Second Circuit is the only Regional Federal Court with judges, in both first and second degrees, specialized in intellectual property.

In addition, in the Superior Court of Justice (STJ – Superior Tribunal de Justiça), which focusses on the uniform application of federal law in the country, regardless of the vital public interest intrinsic in intellectual property matter – recognized widely in Federal Regional Court of the Second Circuit decisions –intellectual property cases are decided in Private Law Chambers - due to an understanding that it is a matter limited to the scope of business law.

III. EVOLUTION

Given the need for computerization and modification of the data system in the Federal Court in the 2nd Region, reliable statistics are only available from 2006 onwards.

In the table below, the statistics for the month of May on an annual basis since then show a rise in the number of lawsuits that were in progress in the four specialized Courts, as shown in the table below:

	Total	Social Security	Intellectual Property	Percentage
May 2006	22,465	21,736	729	3.24%
May 2007	20,833	20,043	790	3.79%
May 2008	18,141	17,389	752	4.14%
May 2009	17,751	16,871	880	4.95%
May 2010	15,141	14,219	922	6.08%
May 2011	12,132	11,172	960	7.91%
May 2012	9,253	8,369	884	9.55%
May 2013	9,214	8,187	1,027	11.14%
May 2014	7,588	6,551	1,037	13.66%
May 2015	6,519	5,608	911	13.7%

The following table shows, on an annual basis, the number of new cases in the four specialized Courts, the number of new social security cases, the number of new intellectual property cases, and the percentage of new intellectual property cases in relation to the total number of new cases:

	Total	Social Security	Intellectual Property	Percentage
2006	1,847	1,762	85	4.60%
2007	1,585	1,500	85	5.36%
2008	1,557	1,467	90	5.78%
2009	1,529	1,440	89	5.82%
2010	1,238	1,167	71	5.73%
2011	1,126	1,076	50	4.44%
2012	1,209	1,121	88	7.27%
2013	1,288	1,184	104	8.07%
2014	1,109	1,039	70	6.31%
2015 (Jan-May)	439	400	39	8.88%

IV. LANDMARK TRADEMARK CASES

There are no reliable statistics on how many cases relate to each type of intellectual property rights, although the practice reveals that the largest number is related to trademarks, while fewer are related to industrial designs, utility model patents and patents.

The main advantages of specialization for trademarks are the consolidation of understandings, the acceptance of new theses, and the possibility of studies with analysis of comparative law.

There are numerous cases involving persons and also domestic and foreign companies of greater or lesser reputation. Some of the most notable are:

A. CESAR CIELO X CIELO

In Lawsuit No. 0031360-61.2012.4.02.510, the famous Brazilian swimmer and Olympic gold medallist, Cesar Augusto Cielo Filho, filed a lawsuit against Cielo S/A, a company that manages merchant payment options with credit and debit card machines. The company had contacted the athlete to use his likeness, but had not requested a special authorization to use his family name as a trademark.

It was decided that the company could not use Cielo's family name without authorization, because it was a well-known surname associated with the swimmer, and also because when the company contracted him they wanted to associate his image with the persona of the newly branded business.

B. APPLE FAMILY

Apple Inc. filed Lawsuit No. 0490011-84.2013.4.02.5101 against IGB Eletrônica S.A., another company dealing in electronic devices that had registered a trademark for GRADIENTE IPHONE in Brazil years before Apple.

The decision considered that, undoubtedly, when consumers and the market itself think of IPHONE, they are thinking of an APPLE device. Allowing the defendant company to use the expression 'IPHONE' freely, without any restrictions, would cause considerable damage to the Plaintiff, for the product's fame and clientele stemmed from Apple's level of competence and excellence. Trademark spreading, at this moment, would be considered equivalent to a punishment for the company that developed the product and worked hard for its success. The reservation determined by the decision refers solely to the prohibition by the appellant company, IGB Eletrônica S.A., to use the term 'IPHONE', in isolation, since it is closely linked, both in the domestic market and also internationally, to the products from the appellee, Apple Inc.

Similarly, Apple Company almost lost the name 'IPAD', as it was first registered for a defibrillator in Brazil called IPAD FAST, according to Lawsuit No. 0812089-04.2010.4.02.5101 - Apple Inc. and Apple Computer Brasil Ltda X Instituto Nacional Da Propriedade Industrial – INPI and the company Transform Tecnologia De Ponta Ltda, in which the plaintiff sought to nullify the registration of the trademark I-PAD FAST.

The decision considered that the trademark I-PAD FAST conflicted with the trademark IPOD owned by the Plaintiff. The possibility of confusion or association between the signs in question is evident, and the extensive knowledge of the consumer population of Apple Company's 'I' products is undeniable. For this reason, the granting of the trademark's registration in question to designate computers and recorded computer programs was considered mistaken owing to an existing prior registration of the trademark IPOD in the same product class belonging to the Apple Company.

The decision also stated that there was no obstacle to registration, in our country, of the term I-PAD FAST to designate medical products, given the fact that the term PAD is recognized, in English, to distinguish a defibrillator for public access, also known by the acronym AED.

C. PRINCIPALITY OF MONACO X MÁRCIO MÔNACO

In case No. 2002.51.01.523728-5, the Principality of Monaco's Government brought a lawsuit against the PTO and a company, Amonseg Insurance Broker S/C Ltda, for the annulment of the MONACO INSURANCE

trademark, created by a Brazilian citizen named Marcio Monaco, who used his last name with a small crown above the letter 'O' in its creation. The Principality claimed that the trademark induced false reference in relation to the royal family.

The decision considered that the trademark fell under Article 181 of Brazil's IPL, as the geographical name MONACO was not an indication or a designation of origin for bank-related services. It also may serve as a characteristic element of the service developed by the defendant and/or its company, as any average consumer would assume any correlation with the Principality of Monaco, so there was no possibility of false source induction.

In addition, the decision also argued that the mere fact that the defendant's trademark had a crown or mitre did not provide an immediate association with the royal family of Monaco for the average consumer, given that there were several other trademarks on the market that use such symbols, which translate the idea of excellence or quality of products or services.

D. ALL STAR X ALL STAR

In Case No. 2002.51.01.523832-0, the Converse Inc. company filed a lawsuit against a Brazilian company, All Star Sports Articles Ltda and against the PTO, seeking to invalidate the ALL STAR trademark, widely known in the international market, and obtained by the Brazilian company through the national patent office.

The decision recognized the trademark's notoriety, considered a special object of protection pursuant to Article 6*bis* of the Paris Convention for the Protection of Industrial Property, and also the bad faith of the defendant company, which sought a business partnership with the plaintiff, and afterwards proceeded with the trademark registration as if it were its own creation. The registrations obtained by the defendant company for the ALL STAR trademark were thus decreed null, and the company was also ordered to abstain from any use of the ALL STAR trademark or other confusingly similar sign throughout the national territory.

V. PATENTS

There are also many cases involving patents. After TRIPS, the landmark cases have been in the field of pharmaceuticals and related areas.

A. ARTICLE 40 OF BRAZIL'S PATENT LAW

Prior to TRIPS, pharmaceutical products were not protected under Brazilian laws. Surprisingly, the transition periods provided in TRIPS were not used, and in 1996 a new IP law entered into force in accordance with the new agreement, which also included some TRIPS-plus provisions. One of them is the provision contained in Article 40.

Article 40 provides that the validity of a patent will be 20 years from the application date. The sole paragraph states that, if the examinations take too long, the patent will then be guaranteed a minimum period of validity of ten years from the date the patent is granted. This provision is being questioned directly in Brazil's Supreme Court due to its unconstitutionality. However, there has been no decision so far.

B. MAILBOX PATENTS

Article 229, the sole paragraph of the IPL, provides that patent applications for pharmaceutical products and chemical products for agriculture, which were deposited between 1 January 1995 and 14 May 1997, shall have the final date of validity as stated in the heading of Article 40 of the IPL, i.e. 20 years from the filing date. These are the mailbox patents, which are referred to in TRIPS Article 70.8.

In spite of the expressed legal provision, INPI, Brazil's patent office, fixed the period of validity of these patents incorrectly, based on the sole paragraph of Article 40 of the IPL, which provides for a period of ten years effective from the date of granting.

After granting several mailbox patents with an incorrect validity term, the office realized its mistake and filed 48 lawsuits, of which 42 were brought before Federal Courts in Rio de Janeiro, seeking to modify the period of validity of these patents.

Patent holders who questioned the merit of such lawsuits claimed the impossibility of the revision of the patents' validity term, arguing the principles of legitimate expectations, legal certainty and equality on the grounds that no single paragraph of the application of Article 40 of the IPL would consist of a discriminatory treatment of patents submitted to the mailbox.

The decisions rendered by the Judge of the 13th Federal Court were made to determine the correctness of the term of 20 years from the filing date, as determined by law, since these patents dealt with material that was not permitted under the applicable law at the time of the deposit, and were subject to a special transition rule which allowed patenting during the validity of the current patent law. They also recognize the prevalence of the principles of legality, free competition and public interest in correcting the monopoly duration time.

The Court of Appeals confirmed the decisions in first instance, as seen in Lawsuits No. 0132265-40.2013.4.02.5101 *(INPI v. Janssen Pharmaceutica N.V.*) and No. 0132265-40.2013.4.02.5101 (*INPI v. Keiko Otsu and Louis V. Kirchhoff*).

C. TMC TEST OF OBVIOUSNESS – THE CREATIVE MOTIVATION TEST

In case No. 0802461-54.2011.4.02.5101, the Brazilian Association of Generic Drugs Industry, Pró Genéricos, filed a lawsuit against Astrazeneca AB and against the PTO, seeking to invalidate patent PI 0003364-2, which refers to the drug marketed under the CRESTOR denomination for the treatment of high levels of blood fat, particularly cholesterol and triglycerides, claiming that it did not meet the legal requirements of novelty and inventive steps , being in fact a mere combination of state-of-the-art elements.

As Brazilian law and the PTO had not yet developed an obviousness test for the determination of inventive step with objective criteria, such a test was developed in this decision and named Creative Motivation Test (Teste de Motivação Criativa (TMC). This test was prepared after a study of comparative law had been undertaken, and adapted in the Brazilian system some of the criteria from American jurisprudence, such as in *Graham v. John Deere* and *KSR v. Teleflex*, and in the case law of the European Patent Office.

With the application of the TMC in this case, it was found that the technical solution claimed in the patent in question was already suggested by the prior art (combination of two documents: WO 7/23200 and PT547000E). It was decided that the claimed subject matter was obvious to be attempted with reasonable and well-founded expectation of success, which is why the patent was void for lack of inventive step.

The so-called TMC involves the following steps:

(i) Determining the problem and the claimed technical solution;

(ii) defining the prior art susceptible of knowledge for a skilled person in the art;

  (a) determining relevant prior art: verifying the similarities and differences between the claimed technical solution and the prior art; identifying those that are relevant to the analysis;

  (b) examining the creative motivation: examining whether a skilled person in the art would have been motivated to carry out the combination or the necessary modifications to reach the claimed technical solution, given the prior art information;

(iii) Subsequently, verifying evidence of inventiveness and thus rejecting obviousness, such as:

  (a) the solution of a technical problem long-known but unsolved;

  (b) overcoming a bias or technical barriers;

  (c) obtaining commercial success if linked to the technical nature of the invention, and not for advertising;

  (d) the fact that the technical solution provided by the invention is contrary to prior art teachings, and producing unexpected technical effect;

(iv) In concluding for obviousness, provide reasons according to objective reasoning based on the following non-exhaustive illustrative list:

  (a) the combination of prior art elements according to known methods, producing predictable results;

  (b) the mere substitution of one known element for another without demonstrating unexpected advantageous technical effect, producing predictable results;

  (c) using techniques generally known, neighbouring or suggested in the prior art in the area concerned, to enhance devices, methods, or similar products, producing predictable results;

  (d) choosing an 'obvious to try solution', from a finite number of identified predictable solutions, with a reasonable expectation of success that proved justified;

  (e) teaching, suggestion or motivation in the prior art, not necessarily explicit, that would have taken someone with average knowledge to modify the prior art reference or to combine the prior art reference teachings, to reach the claimed invention.

VI. CONCLUSION

The Federal Courts in Brazil that are specialized in intellectual property matters are working extensively to deliver quick, effective and high-quality decisions. A balance between the public interest and the needs of the owners is being pursued.

These Courts are essential entities to promote the enforcement of intellectual property rights in Brazil, without losing sight of important issues of concern, such as public health and access to medicines, issues that are especially crucial for developing countries.

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