



# CASE LAW YEARBOOK 2023

Dear readers,

It is with great pleasure that the Dannemann Siemsen Institute (IDS) publishes the third edition of its Case Law Yearbook, with comments on a selection of important Brazilian court decisions in the field of Intellectual Property (IP), handed down throughout 2023. Part of the projects IDS has been developing, this edition of IDS' Case Law Yearbook counts with the collaboration of several renowned professionals in their areas of expertise and aims to contribute to the discussion of Brazilian judicial precedents in the IP field.

This edition comments on relevant decisions in the areas of trademarks, copyright, unfair competition, patents, as well as issues involving civil law, civil procedural law, and business law. The project's curators sought to select decisions based on the legal relevance of the issues addressed, diversity of topics, novelty of the discussion, and impact to society. For the most part, the selection of collegiate decisions from the Higher Courts was favored, but single decisions and decisions from lower courts were also selected for comment, due to the importance of the theme discussed.

In the patent law field, various issues are discussed, such as the controversy over the infringement of a second medical use patent by skinny labeling; the interpretation of the deadline for filing a request for a patent division; and the non-existence of the right to compensation for patent infringement prior to the granting of the industrial property right by the Brazilian Patent and Trademark Office (BPTO).

In the area of trademark law, the controversy over the name of a real estate development and its coexistence with a trademark of the same name of a famous magazine is analyzed. A decision on a well-known trademark is also debated.

Concerning unfair competition, topics such as civil liability in offensive comparative advertising and the purchase of a keyword with the name of a competing business name in a sponsored ad on a virtual search engine are discussed. It is also analyzed the use of exaggerated expressions in advertisements, a practice known as "puffing".

Regarding copyright law, there is a debate on the joint liability of an advertising company for poetry reproduced without authorization in advertising, as well as on the question of whether paid news clipping falls within the rules of copyright limitation. In addition, a comment is made on an important decision handed down by the Federal Supreme Court (STF) on the jurisdiction of the Federal Court to hear cases of transnational copyright infringement.

In the area of civil procedure, a case about attachment of the assets of a third party linked to the same economic group as the company being foreclosed is discussed.

This work reflects IDS's mission to promote the study of intellectual property and foster the debate on the subject. IDS would like to thank all those involved in the preparation and publication of this work and wishes you all an excellent read!

Cordially,

**Filipe Fonteles Cabral, Felipe Dannemann Lundgren, Rafael Dias de Lima  
and Patricia Carvalho da Rocha Porto**



# COMMENTS ON COURT DECISIONS HANDED DOWN IN BRAZIL IN THE INTELLECTUAL PROPERTY FIELD IN THE YEAR OF 2023

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# CASE LAW SELECTED AND COMMENTED



# CASE 01

(TJ/RJ) - DAMAGES AND PROHIBITORY  
ACTION N° 0875986-16.2023.8.19.0001)

## GENERIC MEDICINE INFRINGES SECOND MEDICAL USE PATENT DESPITE SKINNY LABEL.

Court of Justice of the State of Rio de Janeiro (TJ/RJ). Damages and prohibitory action n° 0875986-16.2023.8.19.0001. First Business Court of the Capital District. Judge Alexandre de Carvalho Mesquita, Single decision. First Instance. Judged on September 29, 2023.



**Author:** Bernardo Marinho Alexandre

**Field of Law:** Patent Law

**Topic:** Patent; second medical use patent infringement; skinny label.

### Summary

Judgment awarded in advance on the merits, ordering SUN PHARMA to refrain from exploiting a branded and non-branded generic medicine containing nintedanib esylate, which can be used for the treatment or prevention of idiopathic pulmonary fibrosis, during the term of patent PI0519370-2, as well as to compensate BOEHRINGER for the loss of profits suffered as a result of the illegal exploitation of said drug.

The lower court found that SUN PHARMA's branded and non-branded generic medicine, because it contains nintedanib esylate and can be used to treat idiopathic pulmonary fibrosis, meets both criteria for constituting infringement of the said second-use patent. The lower court also clarified that: (i) the removal of the indication for the treatment of idiopathic pulmonary fibrosis from the package leaflet (skinny label) is illegal; and (ii) even if it weren't, the medicine still infringes patent PI0519370-2, since it can still be used to treat idiopathic pulmonary fibrosis.

### Brief history of the litigation

On 29 November 2021, SUN FARMACÊUTICA DO BRASIL LTDA – i.e., the Brazilian affiliate of SUN PHARMA – obtained market approval for a branded and non-branded generic version of the OFEV (nintedanib) medicine for treating, among others, idiopathic pulmonary fibrosis (IPF).

In Brazil, BOEHRINGER INGELHEIM DO BRASIL QUÍMICA E FARMACÊUTICA LTDA owns a valid market approval for and commercializes OFEV.

In August 2022, SUN FARMACÊUTICA DO BRASIL LTDA started exploiting said generic version, even though it was aware that the state and municipal health secretaries would use it for treating idiopathic pulmonary fibrosis.

On 15 May 2023 – i.e., six days after the Brazilian Patent and Trademark Office (BPTO) issued a notice of allowance for patent application No. PI0519370-2 – SUN FARMACÊUTICA DO BRASIL LTDA has carved out the idiopathic pulmonary fibrosis indication from the label/packet insert of its generic version of OFEV.

This label change violates Federal Law No. 9.787/1999, which created the generic drug system in Brazil, since this law establishes that a generic version must “have the same (...) *therapeutic indication as its reference drug*” and, therefore, does not authorize skinny labeling.

On 13 June 2023, after a lengthy examination with the intervention of SUN FARMACÊUTICA DO BRASIL LTDA,

the BPTO granted patent No. PI0519370-2, which is owned by BOEHRINGER INGELHEIM INTERNATIONAL GMBH. The claim of the mentioned patent defines the use of nilotinib for manufacturing a medicine for treating idiopathic pulmonary fibrosis. For this reason, this patent provides BOEHRINGER INGELHEIM INTERNATIONAL GMBH exclusivity until 21 December 2025 for exploiting a nilotinib-based medicine that can be used to treat idiopathic pulmonary fibrosis.

In Brazil, medical second use inventions are a patentable subject matter since 1997, when the current IP Law – Federal law No. 9.276/1996 – entered into force.

According to the BPTO's current rules, one should claim a medical second use invention in the Swiss-type format, i.e., use of compound X for manufacturing a medicine for treating Y.

### **The controversy and relevance of the topic**

On the same day that the BPTO issued Brazilian patent No. PI0519370-2, BOEHRINGER INGELHEIM INTERNATIONAL GMBH filed a complaint for a patent infringement action against SUN FARMACÊUTICA DO BRASIL LTDA with a request for preliminary injunction before the Court of Justice of the State of Rio de Janeiro (TJ/RJ).

In its response, SUN FARMACÊUTICA DO BRASIL LTDA has presented the two main non-infringement arguments, as follows:

- Skinny labeling. SUN FARMACÊUTICA DO BRASIL LTDA has removed the IPF indication from the package insert. If a generic medicine drug does not have a patented 2nd use indication in the package insert, there would be no infringement of the 2nd use patent.; and
- Said patent would be invalid for lacking novelty or inventive step.

The second non-infringement argument is irrelevant because:

- SUN FARMACÊUTICA DO BRASIL LTDA has filed a validity challenge against this patent before the federal court of Rio de Janeiro. Because of this, the patent's validity cannot be challenge before two different courts due to the risk of contradictory decisions; and
- The Brazilian law establishes a dual system for patent litigations: (1) any lawsuit seeking the invalidation of a patent must be filed in a federal court since Brazilian PTO has to participate; and (2) a patent infringement action is prosecuted at and decided by a state court when the potential infringer is not a federal entity.

In this sense, the case's controversy is whether the skinny labelling – i.e., carving out the idiopathic pulmonary fibrosis indication from the package insert – is enough to avoid generic version of OFEV of SUN FARMACÊUTICA DO BRASIL LTDA from infringing Brazilian patent No. PI0519370-2.

The lawsuit's outcome will have a relevant impact on the pharma field as it will set a precedent on infringement of second medical use patents and skinny labels. After all, this is a genuine leading case as it is the first infringement lawsuit of a second medical use patent in Brazil.

### **The understanding set forth by the TJ/RJ and its impacts**

The trial judge, after granting a preliminary injunction, has ruled that SUN FARMACÊUTICA DO BRASIL LTDA infringes second medical use Brazilian patent No. PI0519370-2 despite illegal skinny labelling based on the



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(TJ/RJ. DAMAGES AND PROHIBITORY  
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following grounds:

- “these patents confer, separately and independently, exclusivity for different inventions, there is no identity between the causes of action and the requests between the actions, which is why it is impossible for conflicting or contradictory decisions to occur”;
- “It is undisputed that the defendants’ generic/similar drug contains nintedanib esylate and that AN-VISA has approved said generic/similar drug to treat idiopathic pulmonary fibrosis, as well as that the package insert for the defendants’ generic/similar drug containing nintedanib esylate approved by AN-VISA indicates the treatment of idiopathic pulmonary fibrosis and that the defendants’ generic/similar drug containing nintedanib esylate can be used in the treatment of idiopathic pulmonary fibrosis”;
- “Federal Law No. 9.787/1999 does not authorize skinny labeling”;
- “by supporting the formalization of the withdrawal of the indication of idiopathic pulmonary fibrosis from the package leaflet of their drug, which initially occurred on 15 May 2023, the defendants acknowledge that, before that date, they exploited the object of patent PI0519370-2”;
- “even if the withdrawal of the indication for the treatment of idiopathic pulmonary fibrosis from the package leaflet of its generic/similar drug containing nintedanib esilate is accepted, the economic exploitation of this drug violates patent PI0519370-2, since the aforementioned generic/similar drug will continue to be able to be used to treat idiopathic pulmonary fibrosis”;
- “the 1st defendant [Sun Pharma] recognizes that even if there were no indication of idiopathic pulmonary fibrosis in the package leaflet, it cannot guarantee that its drug cannot be used for this purpose protected by the plaintiff’s patent”; and
- “there is no doubt in this judge’s mind that the 1st defendant’s generic/similar drug, because it contains nintedanib esylate and can be used to treat idiopathic pulmonary fibrosis, meets both criteria to constitute infringement of patent PI0519370-2”.

Aside from this 100% favorable outcome for BOEHRINGER INGELHEIM DO BRASIL QUÍMICA E FARMACÊUTICA LTDA, it is worth highlighting that the trial judge ruled the case within less than 4 months and without a court-appointed expert’s analysis, which is definitively not common in Brazil.

SUN FARMACÊUTICA DO BRASIL LTDA has filed an appeal on the merits. We are awaiting the appellate court’s ruling.

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# CASE 02

(STJ - SPECIAL APPEAL Nº 2.001.226/RS)

## **BRAZILIAN SUPERIOR COURT OF JUSTICE UNDERSTANDS THAT THERE IS NO PROCEDURAL INTEREST FOR PATENT INFRINGEMENT BEFORE THE GRANTING OF THE PATENT (WHILE THE PATENT APPLICATION IS PENDING) PURSUANT TO ARTICLE 44 OF THE BRAZILIAN INDUSTRIAL PROPERTY LAW.**

Brazilian Superior Court of Justice (STJ). Special Appeal (REsp) 2.001.226/RS, Reporting Justice Nancy Andrichi, Third Panel, unanimously, judged on March 21, 2023.



**Authors:** Eduardo da Gama Camara Junior, Natalia Barzilai and Ana Luiza Reis de Oliveira Brito

**Field of Law:** Patent Law

**Topic:** Patent infringement action. Court action filed prior to the granting of the patent by the BPTO. Provision conditioning damages to the granting of the patent.

### Summary

“2. The purpose of the appeal is to define whether there is procedural interest in filing of an action for damages for patent infringement (based on article 44 of Law # 9.279/96) prior to the granting of the industrial property right by the Brazilian Patent and Trademark Office (BPTO). 3. There is procedural interest when the usefulness and necessity of the judicial pronouncement is recognized. (...) 4. The case in question demonstrates that the action filed by the appellant is not capable of achieving the result it seeks, since the patent to which the claim for damages refers had not been granted at the time it was filed, a circumstance which demonstrates the lack of utility of the claim filed before the court. 5. Before the industrial property right is granted, the applicant has a mere expectation of the right to compensation, a circumstance which, in itself, does not generate a duty to indemnify. (...) 7. Special appeal dismissed.”

### Brief history of the litigation

Rodoplast Indústria e Comércio de Componentes Plásticos Ltda., filed, on October 21, 2014, before the Court of Justice of the State of Rio Grande do Sul (TJ/RS), an action against Tecnofiltros Industria de Matrizas e Injecao Ltda. for unauthorized use of the subject of patent application BR2020130255322 (entitled “device for bending fruit tree branches”), which later on was granted by the BPTO, seeking compensation for damages.

The judge issued a judgment dismissing the case based on lack of procedural interest, which means that the merits of the court action was not even analyzed by the Judge. The Court of Appeal upheld the judgment. In Special Appeal (REsp), the Third Panel of the Brazilian Superior Court of Justice (STJ) maintained the judgment stating that the legal provision foreseen in article 44 of the Brazilian Industrial Property Law (Law no 9.279/96) establishes that the patent owner is entitled to compensation, which includes the period between the patent application and the granting of the patent.

Even though, in this case, the BPTO eventually granted the industrial property right, when the action was filed the plaintiff was still waiting for an examination of the patent application. The issue here is the timing of the filing of the action and the fact that the right for compensation arises once the BPTO grants the patent, which means that a patent application does not entail any rights for the applicant.

### The controversy and relevance of the topic

The matter that the STJ had to analyze is whether there is procedural interest when the plaintiff files a compensation action due to unauthorized use of the object of a patent application. The big picture relies on the fact that the provision foreseen on article 44 of the Brazilian Industrial Property Law states that compensation



for patent infringement is only applied when, naturally, there is a patent under discussion. This means that a patent application does not grant rights to the applicant to exclude third parties from exploiting the creation.

The main issue in the Rodoplast vs. Tecnofiltros is (i) the timing of filing of the action, since it was filed when the plaintiff/applicant was awaiting a decision by the BPTO on the patent application and (ii) a patent application does not grant the applicant rights to seek compensation for undue use of its object, there is no legal basis for the lawsuit.

The decision has great impact and relevance as it solidifies that a patent application does not grant any right to the applicant to seek compensation for the unauthorized use of the object of the application. The applicant must wait for the patent to be granted before filing an action for compensation for patent infringement.

### **The understanding set forth by the STJ and its impacts**

The Third Panel of the STJ stated that two elements must exist in the claim for the procedural interest to be fulfilled: (i) usefulness, understood as every time a lawsuit can grant the plaintiff the favorable result intended; and (ii) the necessity for the controversy to be analyzed by the Court, which occurs whenever the opposing party presents resistance to the claim filed by the plaintiff.

When analyzing the controversy, the Third Panel understood that since the Defendant showed resistance to the claim by answering the action, the need for the Court to analyze the claim has been demonstrated. However, as seen above, both elements must be present for the procedural interest to be fulfilled. In this regard, STJ stated that there is no usefulness in the claim.

The compensation claim is based on article 44 of the Brazilian Industrial Property Law which, as stated by the Third Panel of the STJ, establishes that only after the BPTO grants the patent that the compensation for undue exploitation of its object may be claimed by the plaintiff and that the period between the application and the granting of the patent is entitled for compensation if its proven the unauthorized use of the patent's object. Therefore, the compensation claim only arises when the patent is granted and the period between the application and granting of the patent may be included in the compensation action.

This retroactive effect is explained by the fact that once the patent application is published, the correlated claims become public, thus the lawmaker has chosen to curb, although indirectly and conditionally (to the granting of the patent), undue exploitation during this period.

Before the granting of the patent, the applicant has only a mere expectation of right which does not trigger third party duty to compensate for unauthorized use of the patent application's object. It is not guaranteed that, in the end of the administrative procedure of the examination of the patent application the BPTO will, in fact, grant the patent.

It is important to note that the period between the beginning of the administrative procedure for examining a patent application and a final decision granting the patent allows for changes in the scope of the patent - voluntarily made by the applicant and/or requested by the BPTO. Therefore, the STJ correctly understood that there is no legal guarantee that a patent application entitles the applicant to seek compensation for the unauthorized use of the object of the patent application, as it is a period of legal uncertainty. In addition to the possibility of modifications, there are also cases in which the applicant simply withdraws the patent application for various reasons, which end up leading to an interruption in the administrative procedure without a final decision on the merits by the BPTO.

Therefore, only the granted patent guarantees its owner the right to exclude third parties from using, offer-



# CASE 02

(STJ - SPECIAL APPEAL N° 2.001.226/RS)

ring for sale, selling or importing the product object of the patent, process or product obtained directly by the patented process (article 42, of the Brazilian Industrial Property Law), as well as the right to seek compensation for the undue exploitation (article 44, of the same law).

The impact of STJ's understanding in this case is very relevant not only because it reiterates the legal provision, solidifying the understanding of the rights derived by a patent, but also because those who are against the provision of a minimum term of validity of a patent and/or the granting of a patent term adjustment argue that article 44 of the Brazilian Industrial Property Law already confer rights to the patent owner from the deposit of the patent application – which, as seen in STJ decision and the legal provision, is not accurate.

The STJ's decision demonstrates that it is not accurate to use article 44 of the Brazilian Industrial Property Law to argue that the patent owner has a right from the patent application since this is only an expectation of right that can be fulfilled once the BPTO grants the patent.

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**Link to the full text of the decision:** [Special Appeal \(REsp\) 2.001.226/RS](#)



# CASE 03

(TRF2 - APPEAL N° 5103112-90.2021.4.02.5101/RJ)

## **BRAZILIAN FEDERAL APPELLATE COURT FOR THE 2ND CIRCUIT: APPLICANTS CAN FILE DIVISIONAL APPLICATIONS AFTER THE PARENT APPLICATION'S REJECTION**

Federal Regional Court of the 2nd Circuit (TRF2). Appeal no 5103112-90.2021.4.02.5101 – Rio de Janeiro. Federal Judge Wanderley Sanan Dantas. 2nd Specialized Panel. Judged on July 25, 2023.



**Authors:** Mauricio Teixeira Desiderio and Bernardo Marinho Alexandre

**Fields of Law:** Patent Law

**Topic:** Patent; divisional application; end of examination.

### **Summary**

As the Brazilian Industrial Property Law does not establish a precise deadline for filing divisional applications, for a long time, there has been an interpretation dispute between the Brazilian Patent and Trademark Office (BPTO) and the innovation companies seeking patent coverage in Brazil for their inventions.

As opposed to the BPTO's interpretation, the innovation companies understand that articles 26 and 212 of the Brazilian Industrial Property Law authorize filing a divisional application during the appeal phase of the parent application.

By ruling a lawsuit challenging the BPTO's decision not to accept a divisional application, the Brazilian Federal Appellate Court for the 2nd Circuit ratified the innovation companies' opinion.

### **Brief history of the litigation**

Article 26 of the Brazilian Industrial Property Law does not establish a precise deadline for filing divisional applications. Instead, it states that one must file a divisional application until the parent application's "end of examination".

Seeking legal certainty, the BPTO has issued normative instruction No. 30/2013, in which article 32 defines when a patent application's examination would end.

Due to the BPTO's restricted and isolated interpretation, article 32 determines that an application's examination would end when the BPTO issues a rejection – or a notice of allowance – regardless of whether the applicant has filed an appeal against the refusal.

Based on article 32, the BPTO has dismissed – i.e., not accepted – divisional application No. BR122021005857-1, as the applicant, Adama Makhteshim Ltd., filed it after the rejection of parent application No. BR112016015157-7.

### **The controversy and relevance of the topic**

In Brazil, the BPTO does not have the final say because the federal court can review and overrule the BPTO's decisions when the applicant files a lawsuit challenging a decision from the BPTO.

So, ADAMA has filed a lawsuit challenging the BPTO's non-acceptance decision of its divisional application



# CASE 03

(TRF2 - APPEAL Nº 5103112-90.2021.4.02.5101/RJ)

No. BR122021005857-1 before the federal court.

The 2nd IP-specialized panel of the Brazilian federal appellate court for the 2nd Circuit unanimously (3 v. 0) has ruled that:

- Articles 26 and 212 of the Brazilian Industrial Property Law authorize an applicant to file a divisional application after the parent application's rejection when the applicant files an administrative appeal against the rejection; and
- Article 32 of BPTO's normative instruction No. 30/2013 is illegal as it extrapolates said articles 26 and 212. Based on the Brazilian Constitution, the BPTO is entitled to issue internal rules with the sole purpose of clarifying a rule already established in the Brazilian Industrial Property Law, i.e., the BPTO cannot create rules not defined in the Brazilian Industrial Property Law.

In other words, the Brazilian Federal Regional Court of the 2nd Region (TRF2) has ruled that the applicants can file divisional applications during the appeal phase of their parent applications.

We agree with the appellate court's decision. If the applicant files an administrative appeal against rejection, the BPTO's examination does not end with the rejection issuance but when the BPTO issues a final decision on the appeal.

The reason for this is that article 212 of the Brazilian Industrial Property Law establishes that such appeal has:

- Suspensive effect, meaning that the appealed decision has no legal effect until the appeal is decided and, therefore, such decision may not yet become final; and
- Full devolutive effect, meaning that the BPTO's examination continues during the appeal phase, as the appeal board has to examine the whole application and not only the part of the appealed decision which is indicated in the statement of grounds for appeal and actually challenged by the appeal.

Given the administrative appeal's legal effects, the applicants have the right to a double level of examination, i.e., by the first instance examining division and, after that, with a possibility of an administrative appeal to the board of appeals.

The appellate court's decision is a significant milestone for the innovation companies that wish to patent their inventions in Brazil. This is because the decision puts Brazil in line with the practice of the most renowned patent offices around the world, which allow divisional application during the pendency of the patent application or before the end of the administrative process.



# CASE 04

(STJ - SPECIAL APPEAL Nº 1.874,635/RJ)

## THE “VOGUE SQUARE” CASE AND THE LEGAL NATURE OF NAMES OF REAL ESTATE VENTURES, INCLUDING SHOPPING CENTERS.

Superior Court of Justice (STJ). Special Appeal (REsp) 1.874.635/RJ, Reporting Justice Marco Aurélio Bellizze, Third Chamber of the Superior Court of Justice, by majority vote, judged on August 8, 2023, DJE August 15, 2023.



**Author:** Felipe Dannemann Lundgren

**Field of Law:** Trademark Law

**Topic:** Trademark violation. Use to identify buildings and real estate ventures. Non-commercial nature.

### Summary

SPECIAL APPEAL. INDUSTRIAL PROPERTY. TRADEMARK. LIMITATION OF DEFENSE RIGHTS. NON-OCCURRENCE. UNFAIR COMPETITION. PARASITIC EXPLOITATION. NO CONFIGURATION. NAME OF REAL ESTATE PROJECT. BRAND PROTECTION. INEXISTENCE. SPECIAL APPEAL REJECTED.

1. The purpose of the appeal is to verify whether there was a limitation of defense rights and whether the naming of a real estate project as Vogue Square would constitute improper use of trademark and unfair competition due to parasitic exploitation.

2. The principles of free admissibility of evidence and rational persuasion authorize the judge to determine the evidence that he/she deems necessary to resolve the dispute, as well as the rejection of those considered unnecessary or merely delaying. There is no limitation of the defense rights if the trial court understood that the court action was ready for judgment.

(...)

4. The protection of trademarks, whether highly renowned or not, seeks to avoid confusion or association of one registered trademark with another, and it is essential that infringement of the trademark law causes confusion among the consuming public or erroneous association, to the detriment of its holder.

5. According to the jurisprudence of the Superior Court of Justice, “the names attributed to buildings and real estate projects do not enjoy exclusivity, and it is common for them to receive identical names. These names, therefore, do not identify products or services, only confer a denomination for the purpose of individualizing the asset” (REsp n. 1.804.960/SP, Justice Nancy Andrighi, rapporteur for the ruling Justice Moura Ribeiro, Third Panel, judged in 24/9/2019).

6. In the case at hand, the Vogue Square real estate development consists of offices, shops, hotel, gym, and a convention center, so that there is no possibility of misleading consumers, characterizing parasitic competition or harming the plaintiff’s brand, especially because the establishments located there retain their original names, without any linking of products or services to the brand Vogue.

### Brief history of the litigation

Companies Advance Magazine Publishers Inc. and Conde Nast Brasil Holding Ltda. (plaintiffs), owners of the famous brand “VOGUE” in Brazil, filed a trademark infringement court action before the local court of Rio de Janeiro against the companies Calçada Empreendimentos Imobiliários S.A. and SPE Américas 9.000 – Empreendimento Imobiliário S.A. (defendants), which are responsible for a commercial center named “VOGUE SQUARE” in the city of Rio de Janeiro.

The main objective of the court action was to compel the defendants to cease use of the trademark “VOGUE” and pay monetary compensation due to the unauthorized use of the brand.

The first instance court rejected the action and the appeal filed by the plaintiffs was denied by the 20th Chamber of the Court of Justice of the State of Rio de Janeiro. In addition to some remarks regarding the sufficient evidence submitted in the dockets of the court action, the lower court understood that the name of a building does not qualify as a trademark or service in the sense of commercial use. Moreover, the lower court stated that trademark “VOGUE” did not enjoy the status of a high-renown trademark and was diluted in Brazil and abroad.

The plaintiffs filed a special appeal to the Superior Court of Justice arguing that their defense rights were unduly restricted when the lower courts denied their request to obtain an expert report to prove the infringement of its registered mark and the practice of unfair competition by the defendants. On the merits, the plaintiffs readdressed their trademark infringement and unfair competition claims, pointing out that the use of the name “VOGUE SQUARE” to identify a commercial center characterized clear commercial use and, therefore, led to trademark infringement and unfair advantage.

### **The controversy and relevance of the topic**

The controversy of this decision lies on the understanding fixed by the Superior Court of Justice that the names of commercial centers like “VOGUE SQUARE” are equivalent to names of buildings and real estate ventures, which are regulated by civil legislation instead of industrial property laws and, therefore, are not subject to trademark rules.

This is particularly relevant, because if this understanding prevails, it could have a significant impact on the protection of registered trademarks against shopping centers like the one at stake, which are quite common and popular in Brazil and have a very relevant participation in the local economy.

### **The understanding set forth by the Superior Court of Justice and its impacts**

During the processing of the special appeal before the Superior Court of Justice, the high-renown status of trademark “VOGUE” of the plaintiffs was declared by the Brazilian Patent and Trademark Office (BPTO).

This was particularly relevant, because one of the grounds for the lower courts’ decisions was that the signs were used in different market segments and targeted different consumers.

Even though the reporting justice acknowledged the high-renown status of the plaintiffs’ trademark, with special protection in all fields of activity, he rejected their claims based on the understanding that the legal protection of trademarks does not encompass the names of buildings and real estate ventures, such as the one at stake – “VOGUE SQUARE”. According to him, this understanding was applied in a previous similar case judged by the same third chamber of the Superior Court of Justice (REsp n. 1.804.960/SP, judged on 24/9/2019).

Justices Moura Ribeiro and Humberto Martins followed the same understanding and voted with the reporting justice, forming a majority decision.

A dissenting opinion was rendered by Justice Nancy Andrighi, followed by Justice Ricardo Villas Bôas Cueva.

In the dissenting vote, Hon. Andrighi emphasized the distinction between the instant matter and the case which led to the decision rendered in the Special Appeal (Resp) No. 1.804.960/SP, cited by the reporting justice. According to her, that case involved the use of a quite common expression – NATURA – to identify a real estate venture (condominium) for residential purposes only, while the instant matter involved a shopping center, with clear business orientation.

She also argued that even if it has hard to envisage someone confusing a shopping center with a magazine, the





# CASE 04

(STJ - SPECIAL APPEAL N° 1.874,635/RJ)

purpose of the industrial property system is to prevent third parties from using the same sign, to take advantage of its fame and of the reputation achieved, in order to, deliberately or not, convey the idea that the products are sponsored, associated, affiliated or have some relationship, even if indirect, with the registration holder.

Moreover, Hon. Andrighi reminded the understanding fixed by the Superior Court of Justice in the judgment of Special Appeal (Resp) No. 758.597/DF, that when it comes to high-renown trademarks like “VOGUE”, the illicit use does not even need to have commercial purposes.

She concludes by stating that the use of the “VOGUE” brand by the defendants consists of free riding and unfair practice through which a company benefits, without any consideration, from the investment carried out by third parties in promoting their brand. In other words, the infringer starts to operate in a certain market taking advantage of the fact that their products or services are associated with a famous and reputable brand, thus, getting undue advantage (economic or competitive) at the expense of efforts and investments made by the owner of the infringed trademark.

Even though the understanding of the reporting justice ended up prevailing in the judgement of this appeal, it is arguable whether this is the best interpretation of the law, because it seems clear that shopping centers like the one at stake have a commercial purpose, thus being much more comparable to shops and other commercial establishments, than to buildings and real estate ventures with a purely residential purpose.

It would not be a surprise, therefore, if the Superior Court of Justice revisits this understanding soon.

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**Link to the full text of the decision:** [Special Appeal \(REsp\) 1.874.635/RJ](#)





# CASE 05

(STJ - Special Appeal nº 1.994.997/PE)

**THE STJ UNDERSTANDS THAT THE REQUIREMENTS FOR ARTICLE 6 BIS OF PARIS CONVENTION TO BE APPLICABLE IN BRAZIL ARE (1) THAT THE DISPUTED TRADEMARK IS REGISTERED IN ANOTHER JURISDICTION, AND (2) THAT THE WELL-KNOWN STATUS OF A TRADEMARK MUST BE RECOGNIZED BY THE BPTO. THE STJ ALSO RECOGNIZES THAT THE HOLDER OF A VALID TRADEMARK REGISTRATION MAY NOT BE ENJOYED FROM USING THE REGISTERED TRADEMARK.**

Superior Court of Justice (STJ) Special Appeal (REsp) 1.994.997/PE, Reporting Justice Nancy Andrichi, Third Panel, unanimously, judged on February 28, 2023, DJe March 2, 2023.



**Author:** Rafael Atab

**Field of Law:** Trademark Law

**Topic:** Well-Known Trademarks. Article 6 bis and Article 6 bis (3) of Paris Convention. Statute of limitations associated with bad faith.

## Summary

“The special protection conferred by articles 126 of the Industrial Property Law and Industrial Property Law and 6 bis (1) of the Paris Union Convention refers to trademarks registered in other countries which, according to the assessment of the competent authority (BPTO), qualify as notoriously known in the respective activities, despite not having been filed in Brazil.

This is a case in which the legal consequence of the aforementioned rules (special protection) cannot be applied, in the absence of its factual support: the defendant’s trademark does not originate from a registration made abroad and has not been recognized as notorious by the BPTO. (...)

The first registration obtained by the applicant - covered by the effects of the statute of limitations relating to the nullification claim brought by the defendant - confers protection to the word element that constitutes the object of the request for abstention of use, so that the rejection of such a request is an imperative measure.”

“(…) In particular, it is verified that the trial court, based on the evidence in the records, established that the holder of the industrial property right (defendant) was aware of the misuse of the trademark since the year 1978 (temporal milestone triggering the claim filed in court, therefore). As the lawsuit was only filed in 2014 (e-STJ page 2), even considering the maximum term of 20 years established in CC/16, the claim in court is time-barred. It is worth remembering that, as decided in REsp 1.357.912/SP (Third Panel, DJe 10/4/2014), once the statute of limitations has expired on the claim for refraining from using the trademark, examination of the claim for damages based on undue use of the registered sign is inapplicable.

Therefore, it is necessary to review the appealed Panel decision, since it diverged from the understanding of this Court on the controversial issue.

For these reasons, I hereby GRANT the special appeals, in order to declare the statute of limitations of the claim brought by the defendants in court.

## Brief Background of the Dispute

The lawsuit was launched by Brazilian company Industria de Sorvetes e Dreviados LTDA (“ISD”) in September



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2018 against the Brazilian Patent and Trademark Office (“BPTO”) and local company Constelação Industria e Comércio de Sorvetes Ltda. (“Constelação”).

ISD sought the nullification of Constelação’s trademark registrations nº 822670712, in class 30, filed in 2000 and granted in 2006, and nº 906608228, in class 30, filed in 2013 and granted in 2016, both for the trademark SORVETES ZEQUINHA & little boy design. Both marks covered “ice cream”, in addition to other food articles. ISD also sought a permanent injunction enjoining Constelação from using the mark SORVETES ZEQUINHA.

ISD’s claims were based on their earlier rights over the mark ZECA’S, which has been registered as a trademark before the BPTO since 1987, in same class 30, covering “ice cream”. ISD also argued that its trademark ZECA’S was well-known in the North and Northeastern regions of Brazil in connection with ice cream, being the top brand in these regions and the 5th place in the entire territory of Brazil. ISD claimed that SORVETES ZEQUINHA (which translates as Little Zeca Ice Cream in English) is a slavish imitation of its famous mark ZECA’S, so that the BPTO erred in granting Constelação these two registrations without taking into account ISD’s earlier registrations. ISD also claimed that it had been selling a special line of popsicles for children named ZEQUINHA [little Zeca] since the late 1990s.

In addition, ISD argued that Constelação registered its trademark in bad faith, as it could not have ignored the fame of the trademark ZECA’S for the same goods. Under the circumstances, trademark ZECA’S should enjoy the benefits of special protection afforded to well-known trademarks under article 6 bis of Paris Convention, particularly with regard to the provision of article 6 bis (3), according to which *“No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith”*.

Constelação’s first trademark registration was granted in 2006, that is, over 10 years before the filing of the lawsuit. According to Brazilian Industrial Property Law, the statute of limitations to seek nullification of a trademark registration is of only 5 years, counted from the date of grant. Therefore, in theory, Constelação’s first registration was no longer challengeable before a Federal Court.

In its response, the BPTO agreed that the trademarks ZECA’S and SORVETE ZEQUINHA were confusingly similar, and that the examiner erred when they failed to consider ISD’s earlier rights. However, the BPTO pointed out that ISD had never challenged this trademark at administrative level, so this was the first opportunity in which the BPTO was specifically assessing this conflict. Without addressing the 5-year deadline for the nullification action relating to the Constelação’s first registration, the BPTO considered that both registrations violated Brazilian Industrial Property Law and could lead consumers into confusion.

Constelação also filed a reply, arguing that the 5-year deadline for challenging its first trademark registration of 2006 had already expired, so that ISD’s claims should be summarily dismissed. They also claimed that the mark has been in use for over 18 years without any challenges.

Furthermore, Constelação argued that article 6 bis of the Paris Convention should only apply to trademarks registered in foreign jurisdictions, which was not the case. This company also argued that ISD did not submit any evidence of bad faith, so that the special provision of article 6 bis (3) should not apply either. On the merits, Constelação claimed that there were already several registered marks composed on the element ZECA in the food and beverage fields, and that the marks had different overall impressions, based on their design elements.

The Trial Court issued a judgment, simply ruling that ZECA and ZEQUINHA were confusingly similar and might lead consumers into confusion. Trial Court based its ruling on the earlier trademark registrations obtained by ISD. The Court did not decide on issue of the applicable statute of limitations or on whether ISD’s mark could benefit from the provisions of article 6 bis of Paris Convention. The Court nullified both registrations and issued an injunction enjoining Constelação from using ZEQUINHA brand.



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At appeal level, Trial Court's decision nullifying Constelação's registrations was upheld. However, Appellate Court did recognize the notoriety of the ZECA'S trademark and applied the exception provided for article 6 bis (3) of Paris Convention, ruling that the statute of limitations of 5 years did not apply in such cases. Appellate Court also applied a precedent by the Superior Court of Justice ("STJ") according to which, in case of well-known trademarks, the bad faith of a direct competitor should be presumed, as a competitor should not validly argue that it did not have knowledge of a famous mark in its field of business (RESP 1.306.335).

Constelação took appeal to the Superior Court of Justice, arguing that Appellate Court erred in applying article 6 bis of Paris Convention to the facts of the case.

## **The Controversial aspects and relevance of the topic**

This case, and ultimately the decision rendered by the 3rd Panel of the Superior Court of Justice, addresses particularly important issues in trademark law with regard to the special protection afforded to well-known trademarks in Brazil.

Brazil has a longstanding history of strongly enforcing the provisions of article 6 bis of Paris Convention and protecting foreign well-known trademarks, which are commonly the subject of misappropriation by third parties. First precedents date back at least to the 60s, and they had arguably reached a high level of consolidation in our Superior Courts.

This decision, however, innovates in the area, addressing some possible additional requirements, which could weaken the strong protection so far afforded to famous marks against non-authorized appropriation by third parties.

Apart from that, the decision also addresses the strength of an existing trademark registration as a defense against injunctions requests associated with possible trademark confusion on the marketplace.

## **The understanding set forth by the STJ and its impacts**

The decision rendered by the 3rd Panel of the Superior Court of Justice basically addresses the interpretation and scope of exception provided by article 6 bis (3) of the Paris Convention, according to which there will be no time limit to cancel a registration which has been applied for in bad faith.

In short, the Panel decided that article 6 bis of Paris Convention only applies to trademarks previously registered in foreign jurisdictions and that the recognition of the well-known status of mark requires previous review and decision by the BPTO. Therefore, the applicability of article 6 bis (3) would depend upon these two requirements.

In reaching such a conclusion, the 3rd Panel of the STJ plunges into the interpretation of article 6 bis itself, and its counterpart in Brazilian Law, section 126, of our Industrial Property Law, according to which special protection will be afforded to well-known trademarks, irrespective of their being previously registered in Brazil.

In its review, STJ relies on the BPTO Examination Manual, which indicates that this article addresses "*trade-marks registered in other jurisdictions which have developed a high degree of awareness among consumers*", and therefore concludes that this legal provision only concerns the extraterritorial protection for certain marks.

As this article was considered an exception to the principle of territoriality, according to which protection of a trademark is limited to the jurisdiction where protection has been sought, STJ concluded that it would not be applicable to marks registered in Brazil.



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While one may argue that Paris Convention is historically aimed at harmonizing the protection of Industrial Property by the contracting States constituting the Union of Paris, being mostly concerned about the cross-border protection of IP rights, this Treaty leaves certain aspects open to domestic legislation. For instance, as explained by Professor Bodenhausen *“the Convention does not prescribe whether the right to a trademark will be acquired either through registration or through use, or both”*<sup>1</sup>.

Therefore, the first requirement set by STJ, on the existence of a foreign registration, already calls for further consideration. Indeed, the Paris Convention should not be interpreted in light of provisions of Brazilian Law, and, therefore, the requirement for article 6 bis to be applicable is not the existence of a “registration” in the country of origin, but rather whether a trademark is “protected” [*i.e. belonging to the party seeking protection*] in the country of origin, according to its own domestic law.

However, the second requirement (prior assessment by the BPTO) might be even more problematic for foreign IP rights holders seeking to enforce its rights in Brazil.

When reviewing the exact provision of article 6 bis, the Court outlines that jurisdictions will cancel registration and prohibit use of a *“trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods”*

Based on such provision, the Court indicates that, in Brazil, it would be up to the BPTO to assess – as the *competent authority* – if a trademark is well-known or not. This interpretation stems from precedents which addressed the review of the high reputation status of a registered trademark in Brazil. Under section 125 of Brazil IP Law, registered marks in Brazil which are considered to be highly reputed are afforded with protection in all classes of goods and services. According to precedents by the STJ, a declaration of high reputation requires a review by the BPTO on such reputation.

Unfortunately, the requirement of a prior review by the BPTO on the well-known status of a trademark not only disregards years of precedents in other decisions by Brazilian Supreme Court and Superior Court of Justice but would certainly not fulfill the international obligations undertaken by Brazil in effectively protecting well-known trademarks under Paris Convention.

Indeed, Paris Convention cites “competent authority” not in connection with the assessment of notoriety per se, but in connection with the authority having jurisdiction, based on domestic law, over claims relating to (1) refusing, (2) invalidating, or (3) prohibiting use of a trademark, which may differ in each jurisdiction – exactly as it happens in Brazil.

Under Brazilian Law, the BPTO is the “competent authority” to refuse a trademark application. However, the BPTO only has administrative authority to invalidate a trademark registration in case invalidity claim is brought at administrative level within 180 days from the grant of registration. After such a period, only Federal Courts have the jurisdiction for invalidating a trademark registration (in principle within the 5-year deadline).

Therefore, a Federal Court would be the “competent authority” to assess such notoriety, particularly considering that there would be absolutely no use for the owner of a well-known trademark to seek recognition of such fame outside the scope of the particular dispute.

This is exactly where the special protection afforded to well-known trademarks differs – in an extremely signi-

1 BODENHAUSEN, G.H.C. *Guide to the Application of the Paris Convention for the Protection of Industrial Property*. Geneva: World Intellectual Property Organization, 1969. p. 15



ficant manner – from the effects generated by a declaration of high reputation of a trademark.

The well-known status of a mark is important in a given dispute – and of course until the owner of the famous mark secures its own trademark registration in Brazil (which will be enforceable per se afterwards). The need for such recognition tends to be transitory and associated with a particular case. On the other hand, the high reputation status will be continuously enforceable against absolutely any third parties in any field of business, having a much broader spectrum – and therefore requiring a high degree of publicity and rules on scope and time period.

Also, a prior registration in Brazil is required for the recognition of the high reputation of a trademark, which is exactly not the case for well-known trademarks. Therefore, a dispute over a well-known trademark that is not yet registered in Brazil might never involve the BPTO, whenever it is limited to the non-authorized use of such mark.

Furthermore, it is in this precise case that the only “*competent authority*” to hear a claim seeking prohibition on use of a trademark is a Judicial Court – either a Federal Court or a State Court, depending on the parties involved.

Therefore, an interpretation which requires the BPTO to decide on the well-known status of a trademark in the framework of a dispute that does not involve a trademark registration would not fully address the purposes sought by Paris Convention, which are both to avoid bad faith and free riding on the notoriety of a third-party mark and protect consumers against being misled as to the origin of a given product or service.

While the need for the BPTO to assess this status is perhaps the most worrisome and controversial aspect of the decision, it has not been actually the subject of debate by the parties. Also, the case did not allow the court to effectively debate the problems that such requirement would cause for a foreign IP rights holder seeking to enforce the special protection afforded by article 6 bis of Paris Convention upon knowledge of an infringement in Brazil.

Also, previous decisions by the STJ on this special protection specifically addressing disputes which involved well-known trademarks protected abroad have never required such prior analysis by the BPTO and have always applied the exception of article 6 bis (3) with regard to relevant statutes of registration.

In this particular case, the STJ ended up reversing the Court of Appeals decision in connection with the applicability of article 6 bis (3) of Paris Convention, deciding that the 2006 trademark registration could no longer be invalidated and, as a consequence, guaranteed Constelação’s rights to continue to use its trademark ZEQUINHA.

One may regret, however, that instead of applying article 6 bis (3) to the present case, the parties – and the Court – never debated applying the general rule that no time limit will be set for the invalidation of administrative acts (e.g. the grant of a registration) secured by bad faith (article 54 of Law 9.794/99, Law on the Federal Administrative Process). Also, applying unnecessary burdens to owners of famous marks against third parties acting in bad faith not only does not attend to the goals of Paris Union Convention, but also fails the consumers who will be misled as to the origin of the brands they intend to buy, based on their own perception and legitimate expectations.

In any event, such decision should be viewed as an alert for owners of famous trademarks on the importance of seeking protection for their trademarks in Brazil and being particularly vigilant as to potentially fraudulent filings or use by non-authorized third parties, even if the mark is still not used in Brazil.

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**Link to the full text of the decision:** [Special Appeal \(REsp\) 1.994.997/PE](#)



# CASE 06

(STJ - Internal Interlocutory Appeal in Motion for Clarification in Special Appeal nº 1.770.411/RJ)

## STJ REAFFIRMS MATERIAL DAMAGE IN RE IPSA IN CASES OF TRADEMARK INFRINGEMENT, BUT DETERMINES THAT IN CASES OF UNDUE COMPARATIVE ADVERTISING, MATERIAL DAMAGE MUST BE PROVEN.

Superior Court of Justice (STJ). Internal Interlocutory Appeal in Motion for Clarification in Special Appeal Nº 1.770.411 - RJ, Reporting Justice João Otavio de Noronha, winner vote from Justice Raul Araújo, Forth Section of the Brazilian Superior Court of Justice, by majority vote, judged on February 14, 2023, DJe July 05, 2023.



**Author:** Ana Carolina Lee B. del Bianco and Marina Inês Fuzita Karakanian

**Field of Law:** Unfair Competition

**Topic:** Offensive Comparative Advertising. Characterization of unfair competition. No trademark infringement. Impossibility to recognize material damage *in re ipsa* without legal provision. Need to prove actual damage.

### Summary

“1. In Trademark Law, material damage is recognized by law, which establishes the criteria of how the compensation of such damage will be objectively carried out.

2. In this case, the State Court of Justice correctly recognized moral damage *in re ipsa* but decided that material damage had not been proven. Therefore, the compensation claimed was denied on this point, given the impossibility of recognizing material damage *in re ipsa*, without proof and without legal provision.

3. In the case of offensive comparative advertising, there is no confusion between the trademarks, no symbol falsification or consumer misleading. On the contrary, there is no confusion between the trademarks, the advertising distinguishes them well, even emphasizes the defendant trademark, currently the appellant party, towards the other trademarks, including the one of promoter, which are unlawfully and improperly pointed out and identified as trademarks of inferior or deficient quality products. There is, therefore, clearly offensive comparative advertising, and moral damage *in re ipsa* was rightly recognized. However, it is unviable to order the payment of compensation for material damage without actual proof of damage.

4. If the occurrence of material damage is not proven in the discovery stage, i.e., if *an debeatur* has not been properly characterized, it is not possible to identify the *quantum debeatur* at the liquidation phase.

5. Internal Interlocutory Appeal granted to dismiss the Special Appeal.”

### Brief history of the litigation

Toyota do Brasil Ltda. (Toyota), on December 17, 2010, filed an affirmative covenant lawsuit, with a claim for moral and material damages, against Nissan do Brasil Automóveis Ltda. (Nissan) for broadcasting the advertising film “Nissan Frontier – Agroboys”, which compared the Defendant’s pick-up truck (Nissan Frontier) to the Plaintiff’s Hillux pick-up truck, as well as to the pick-up truck of another competitor, claiming that was an offensive advertisement for the product and its trademark, characterizing unfair competition.

On June 19, 2012, a judgment was handed down fully granting the claims, ordering Nissan not only to stop broadcasting the film that was the subject of the lawsuit, but also to pay compensation for moral damages, in the amount of R\$ 200.000,00, and for material damages, as well as court costs and attorney’s fees.

Regarding material damages, the Judge ruled that the amount should be determined by an accounting expert, following the criteria of item III of article 210 of Brazilian Industrial Property Law (Law 9.279/1996).





# CASE 06

(STJ - Internal Interlocutory Appeal  
in Motion for Clarification in Special  
Appeal nº 1.770.411/RJ)

Both parties appealed against the judgment, which on May 03, 2016, was partially overturned by the Court of Justice of the State of Rio de Janeiro (TJ/RJ) only regarding ordering the Defendant to pay compensation for material damages, since there was no proof in the case file that the Plaintiff had effectively lost profit as a direct result of the damaging event. Therefore, reciprocal succumbence was recognized.

Resigned, Toyota filed a Special Appeal before the Superior Court of Justice (STJ), which, on February 24, 2022, was partially upheld to set the amount of material damages to be determined in a settlement by articles.

Nissan filed a Motion for Clarification against this decision, which was rejected on April 11, 2022.

Nissan, then, filed an Internal Interlocutory Appeal in the Motion for Clarification in the Special Appeal, and, on February 07, 2023, the Fourth Panel of the STJ, by majority vote, upheld the appeal to dismiss the Special Appeal filed by Toyota, decision on which this commentary will focus.

## The controversy and relevance of the topic

The purpose of the comment on this decision is to clarify whether it is viable to admit the existence of material damage *in re ipsa*, i.e., damage that does not require actual proof of damage in the case in question, in which it was recognized that the defendant had broadcast offensive comparative advertising between the parties' products and trademarks.

The decision clarifies the issue of material damage in cases of comparative advertising, determining that, even when considered unlawful, the material damage is not *in re ipsa* due to a lack of legal provision. Unlike the case of trademark infringement, whose damage is *in re ipsa* because is recognized by law, which establishes that the criteria for how compensation for this damage will be objectively carried out, as the winning vote states.

## The understanding set forth by the STJ and its impacts

Initially, the vote of the Reporting Justice, João Otávio de Noronha, aimed to analyse whether Nissan's advertising would have characterized improper use of Toyota's trademark or whether it would have been mere abusive comparative advertising, which, in his own words, would have ruled out the incidence of material damage *in re ipsa*.

The Reporting Justice considered that, although comparative advertising is allowed, both explicitly (in which the trademarks and products being compared are mentioned) and implicitly (in which competitors' signs are not expressly mentioned, but from the characteristics it is possible to identify which product it is), in order to avoid violating trademark rights, it is necessary to follow rules, such as the veracity of information and the prohibition on broadcasting misleading or abusive advertising that damages the image of the compared trademark, under penalty of constituting unfair competition and consumer confusion, with the consequent customer poaching.

In the case, the Reporting Justice understood that the Nissan film constituted implicit comparative advertising, which would have characterized improper use of the trademark, since the advertising was derogatory, humiliating and interfered in the good concept of Toyota's trademark, which would generate the presumption of material damage.

However, the vote of the Reporting Judge was defeated.



# CASE 06

(STJ - Internal Interlocutory Appeal  
in Motion for Clarification in Special  
Appeal nº 1.770.411/RJ)

In this regard, there was disagreement even among the STJ's Justices, with Justice Raúl Araújo's dissenting vote prevailing, which held that, in this case, although there was offensive comparative advertising, there was no confusion between the parties' trademarks.

In this sense, the winning vote asserted that as there is no trademark infringement in the advertising in question, this is a matter of undue comparative advertisement only. Thus, central question was to analyze whether it is feasible to admit the existence or recognize, in the context of offensive comparative advertisement, a material damage *in re ipsa*, that is, a material damage that does not require actual proof of damage.

It was pointed out by the winner dissenting vote that, different to the cases of trademark infringement, whose damage is *in re ipsa* and is recognized by law, there is no provision in the law for objective parameters to find the quantum of this unproven material damage in cases of comparative advertisement. Therefore, only the condemnation to pay the moral damages that were arbitrated in the judgment should apply to the case, due to the fact that the comparison was offensive and misleading, but not material damages, since there was no proof of actual damage in the records.

As a result, it was understood that *“if, in the previous phase of the process, there was no proof of the occurrence of material damage, with characterization of the inherent an debeatu, it is not possible now, in the liquidation phase, to find the quantum debeatu.”*

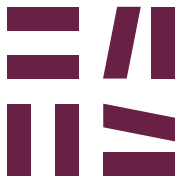
In fact, the case law of the Brazilian Superior Court of Justice (STJ) has already established the understanding that, in cases of trademark infringement, damage is presumed. However, this decision contributes to pointed out that this understanding cannot be automatically transported to undue comparative advertisement cases, due to the lack of legal prevision, clarifying that in a case of undue comparative advertising, if does not also exist trademark infringement, the damages must be proved.

Thus, the Fourth Panel of the Brazilian Superior Court of Justice (STJ), by majority, granting Nissan's Internal Interlocutory Appeal, decided that, although the comparative advertising had been offensive, there was no trademark infringement and, therefore, it would have been necessary to prove Toyota's actual damage to condemn Nissan to the payment of indemnification for material damages.

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**Link to the full text of the decision:** [Internal Interlocutory Appeal in Motion for Clarification in Special Appeal Nº 1.770.411/RJ](#)





# CASE 07

(STJ - Special Appeal nº 2032932/SP)

## STJ UNDERSTANDS THAT THE USE OF ANOTHER'S BUSINESS NAME IN A SPONSORED LINK BY A SEARCH ENGINE CAN CHARACTERIZE UNFAIR COMPETITION.

Superior Court of Justice (STJ). Special Appeal No. 2032932/SP. Reporting Justice: Minister Ricardo Villas Bôas Cueva. Third Panel, unanimously. Judged on August 8, 2023. DJe: 24/08/2023.



**Author:** Fernanda Salomão Mascarenhas

**Field of Law:** Unfair competition.

**Topic:** Business name. Misuse. Keyword. Search engine. Clientele. Detour. Unfair competition.

### Summary

“1. The dispute is whether: (i) the use of the Google AdWords tool through the insertion of a business name as a keyword implies improper use and unfair competition; (ii) Article 19 of the Brazilian Civil Rights Framework for the Internet applies and, if so, whether the requirements for liability set out therein are present; and (iii) whether the requirements for an order to pay loss of profits are present.

2. The protection afforded to business names, as well as trademarks, is intended to protect consumers, preventing them from making mistakes as to the origin of the product or service offered, and to preserve the owner's investment, curbing usurpation, parasitic economic gain and detour of customers. Precedents.

3. The distinction between fair and unfair competition lies in the way in which customers are won. If the competition is based on the company's own efficiency or the inefficiency of others, it tends to be fair. On the other hand, if competition is established through unfair acts, which is very close to the logic of abuse of rights, it is unfair competition.

4. By using a business name or trademark as a keyword, consumers indicate that they have a preference for it or, at least, have this reference in their memory, which stems from the investments made by the owner in the quality of the product and/or service and in publicizing and fixing the name.

5. The contracting of sponsored links, as a rule, characterizes unfair competition when: (i) the Google Ads tool is used to purchase a keyword corresponding to a registered trademark or business name; (ii) the owner of the trademark or name and the purchaser of the keyword operate in the same line of business (competitors), offering services and products considered to be similar, and (iii) the use of the keyword is likely to violate the identifying and investment functions of the trademark and business name purchased as a keyword.

6. In this case, article 19 of Law No. 12,965/2014 does not apply, as it is not a question of the application provider being held liable for third-party content, but rather the undoing of a hyperlink resulting from the contracting of the Google Ads tool, which attracts the censure of Precedent No. 284/STF. (7) In the case of unfair competition, in view of the detour of customers, material damages are presumed and can be determined in settlement. Precedents.

8. Special appeal partially known and, in this part, not upheld.”

### Brief history of the litigation

In 2018, a company in the field of ecological fireplaces Ecohouse Decor Comércio e Importação de Utensílios Ltda. (Ecohouse or plaintiff) filed an action against another company in the same field Rogustec Indústria e Comércio Eireli (Rogustec or defendant) and against the technology company Google Brasil Internet Ltda. (Google or defendant), alleging that, when it entered its business name in Google's search engine, the advertisement of its competitor, the first defendant, which acquired the sponsored link, appeared - which would constitute an



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illegal act.

According to the plaintiff company, the practice would be a fraudulent means of diverting its clientele, in accordance with item III of article 195 of the Brazilian Industrial Property Law (Law 9.279/1996), as well as characterizing improper use of a business name, under the terms of item V of the same provision, characterizing unfair competition. He therefore sought an order that the defendants refrain from using his business name, as well as payment of compensation for consequential damages, loss of profits and moral damages.

At first instance, the action was dismissed. On the appeal, however, the Court of Justice of the State of São Paulo (TJ/SP) reversed the decision and condemned the defendant companies, asserting that “the expression Ecohouse Decor used by the defendant Rogustec as a search keyword, in addition to the plaintiff’s business name, is also equivalent to its internet domain [www.ecohousedecor.com.br](http://www.ecohousedecor.com.br).” and therefore “it is not a generic search for the term ‘ecological fireplace’, for example. It cannot be denied that with this objective practice, Rogustec attracts consumers who are looking for information on its competitor, thus constituting a detour of customers. Both companies work in the same line of business, which is the trade in ecological fireplaces and their accessories”.

Unsatisfied, Google filed a special appeal with the Superior Court of Justice (STJ), claiming, among other issues, that (i) there was no fraudulent use of the plaintiff’s business name to divert customers; (ii) under Article 19, caput, and § 1, of Law No. 12.965/2014, the Brazil’s Internet Bill of Rights, it is not possible to impose a generic order to monitor internet content without indicating specific URLs, nor is there any objective liability of internet application providers, in addition to the fact that intellectual property does not constitute a risk of the activity of advertising vehicles.

## **The controversy and relevance of the topic**

The controversy in this case lies in (i) whether the use of the Google AdWords tool (sponsored link) based on the insertion of a business name as a keyword would imply improper use and unfair competition; (ii) whether Article 19 of the Brazil’s Internet Bill of Rights would apply and, if so, whether the requirements for civil liability are present; and (iii) whether the erroneous use of the keyword could violate the identifying and investment functions of the brand and business name acquired as a keyword.

That said, the relevance of the subject is precisely in the discussion about the illegal detour of customers and unfair competition in the new means of advertising and gaining customers, such as sponsored links in virtual search engines. Furthermore, the case is relevant insofar as it discusses the liability of the virtual provider for the damage caused.

## **The understanding set forth by the STJ and its impacts**

In his vote, the reporting judge of the case, Justice Ricardo Villas Bôas, noted that “the conquest of customers by contracting sponsored links for a particular brand or business name does not originate from an increase in one’s own efficiency or even in the inefficiency of others, but rather from taking advantage of the prestige and recognition of the competitor. In fact, when searching for a product or service and typing in the keyword relating to the business name or trademark on the search page, that name/term only comes to mind for the consumer as a result of the owner’s efforts to establish that correspondence”.

Thus, “it is possible to conclude that the contracting of sponsored links based on a certain business name or trademark is an illicit detour of customers, which translates into an act of unfair competition, based on taking advantage of the prestige and recognition of the owner (parasitism), conduct that falls under the provisions of article 195, III, of Law No. 9.279/1996. (...) In addition, it is an improper use of a commercial name, which attracts

the incidence of item V of the aforementioned article 195 of the LPI.”

The judge points out that “this conduct differs greatly from contracting a word that refers to the product or service sought, but which does not correspond to a trademark or business name, such as contracting expressions like ‘ecological fireplace’ or ‘accessories for ecological fireplace’, when, yes, the various advertisements purchased can be displayed, without it being possible to speak of taking advantage of the efforts of others, but in the free exercise of advertising”.

Although this decision is in the opposite direction of most decisions made in other countries, the same is in line with the majority Brazilian caselaw discussing the use of trademarks as keywords for sponsored links, including a decision issued by STJ on November 07, 2022, about this topic<sup>2</sup>, which has also recognized as unfair competition practice the use of a competitor’s registered trademark as a keyword.

The judge also understood that Google should be held accountable for the payment of material damages with basis on unfair competition practice, affirming that such understanding is in accordance with STJ’s case law, established in the sense that the Brazilian Industrial Property Law, in the case of infringement, does not condition the repair of material damage to the effective demonstration of the loss, especially considering the difficulty of stablishing such proof.

Moreover, the judge stated that article 19 of Brazil’s Internet Bill of Rights was not applicable to the case, since “it does not refer to the liability of an application provider for third-party content, but to the removal of hyperlinks resulting from the hiring of Google Ads tool due to unfair competition practice. In this sense, the judge affirms that undoing “the ‘connection’ between typing the word ‘Ecohouse Décor’ and appearing the competitor Rogustec’s ad (hyperlink) in an outstanding position will be enough to stop the illicit conduct, with no need to identify any URL”.

In spite of the ruling, it is necessary to consider the difficulties involved in prior control by Google of the terms to be acquired as keywords by users of the Google AdWords tool. In order to evaluate if a certain keyword violates third parties’ rights, it would be necessary to conduct investigations into the ownership of the most diverse intellectual property rights that may affect such keyword, as well as analyzing the activities developed by the purchaser of the keyword and the possible owner of rights to ascertain if they are competitors or not.

Therefore, holding Google responsible for any and all unfair competition practice arising from the purchase of keywords made by third parties, merely because such provider is responsible for making the platform available, could end up making the continuity of the sponsored link service unfeasible, given the difficulties in carrying out prior control of the words acquired, as explained in the previous paragraph.

Under the above scenario and considering that STJ has already recognized the lawfulness of sponsored links made available by Internet search engines, this issue may still render further discussions in the higher courts.

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**Link to the full text of the decision:** [Special Appeal No. 2032932/SP](https://processo.stj.jus.br/processo/pesquisa/?aplicacao=processos.ea&tipo-Pesquisa=tipoPesquisaGenerica&termo=REsp%201937989)

<sup>2</sup> <https://processo.stj.jus.br/processo/pesquisa/?aplicacao=processos.ea&tipo-Pesquisa=tipoPesquisaGenerica&termo=REsp%201937989>



# CASE 08

(STJ - Special Appeal nº 1.759.745/SP)

## UNFAIR COMPETITION. UNDERSTANDING OF THE SUPERIOR COURT OF JUSTICE – STJ [THE HIGHEST APPELLATE COURT FOR NON-CONSTITUTIONAL MATTER] ON THE USE OF “EXAGGERATED” ADVERTISING EXPRESSIONS WITH RESPECT TO COMPETITION.

Superior Court of Justice (STJ) Special Appeal (REsp) 1.759.745/São Paulo (SP), Reporting Justice Marco Buzzi, Fourth Panel, unanimous judgment on February 28, 2023.



**Author:** Rafael Dias de Lima

**Field of Law:** Unfair competition.

**Topic:** Unfair competition practice. Use of the advertising terms “*o melhor em tudo o que faz*” [the best in everything it does] and “*o ketchup mais vendido do mundo*” [the world’s best-selling ketchup].

### Summary

SPECIAL APPEAL – LAWSUIT TO DECLARE THE INEXISTENCE OF A LEGAL RELATIONSHIP TOGETHER WITH A REQUEST FOR COMPENSATION AND A COUNTERCLAIM WITH A REQUEST FOR A PROHIBITORY INJUNCTION [OBLIGATION NOT TO PERFORM AN ACT] TOGETHER WITH COMPENSATION – ALLEGATION OF THE USE OF UNLAWFUL ADVERTISEMENTS GIVING RISE TO MISLEADING ADVERTISING, UNFAIR COMPETITION AND AN UNDUE COMPETITIVE ADVANTAGE – THE ORDINARY INSTANCES CONFIRMED THE USE AS LAWFUL AND THAT THERE WAS NO UNFAIR COMPETITION – THE FIRST INSTANCE COURT APPLIED A FINE DUE TO SUPPOSED NONCOMPLIANCE WITH THE DUTY TO PUBLISH THE SOURCE FOR THE RESEARCH ABOUT THE PHRASE “THE WORLD’S BEST-SELLING KETCHUP” – THE SECOND INSTANCE APPEAL COURT REJECTED THE APPLICATION OF FINES. THE DEFENDANT/COUNTERCLAIMANT’S DISSENT.

1. A special appeal due to violation of articles of the Brazilian Advertising Self-Regulation Code is inappropriate since it is a private regulation and does not fit into the concept of a federal law set forth in Article 105, III, “a”, of the Brazilian Constitution.
2. No failure to provide justice in the case. The prior instance analyzed all the issues that were necessary for the correct adjudication of the dispute, and it only did not accept the theory raised by the now appellant.
3. There is no judgment that goes beyond the pleadings with respect to being sentenced to a daily fine, because upon appealing the application of fines, the now appellee devolved to that Court all the subject matter relating to the judgment of this dispute, due to the fullness of the appeal’s devolutive effect, especially the issues concerning the expression “The world’s best-selling ketchup”.
4. There is no unlawfulness in the advertising statement “The best in everything it does”, given that it constitutes puffing, mere tolerable exaggeration, a conduct widely accepted in the Brazilian advertising market and practiced by the appellant itself. Such a phrase is not subject to objective assessment and comes from a subjective criticism of the product. Therefore, it is reasonable to allow manufacturers or service providers to declare themselves the best at what they do, especially because this is their self-assessment of their product and what they seek to achieve, even more so when there is no derogatory message regarding their competitors.
5. The expressions used by the appellee – “The world’s best-selling ketchup” and “The best in everything it does” - are lawful, and there is no proof of material damages due to a supposed competitive advantage, in view of the use of the mentioned statements, in the case records, which eliminates the obligation to pay compensation.
  - 5.1. The appellant’s marketing material contains advertisements and expressions that are as appealing or more appealing than the appellee’s. The request to refrain from performing an act [prohibitory injunction] similar to that carried out by the dissenter itself cannot be accepted under penalty of



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violating the principle of objective good faith, in particular the part of the concept that forbids contradictory behavior (venire contra factum proprium [a party may not set itself in contradiction to its previous conduct with respect to another party]).

6. Special appeal dismissed.

## Brief history of the litigation

The company Heinz Brasil S.A. filed a lawsuit to declare the inexistence of a legal relationship together with redress of moral damages against Unilever Brasil S.A.

This lawsuit was motivated by a complaint made by Unilever against Heinz with the National Advertising Self-Regulation Council (CONAR), since the latter had been using the advertising expressions “The world’s most consumed ketchup” and “Best in everything it does” in its advertisements.

CONAR, in its ruling, ordered the suspension of Heinz’s advertisements containing the mentioned advertising expressions.

Heinz’s objective with this lawsuit was to reverse the position reached by CONAR (it ordered the suspension of its advertisements containing the phrases “The world’s most consumed ketchup” and “Best in everything it does”), to declare the inexistence of a legal relationship between the parties (since Heinz is not a member of CONAR) and any unlawfulness in relation to CONAR’s Code and Ethics, and to sentence Unilever to pay compensation to Heinz for the damages caused due to the suspension of the advertising material.

Unilever answered the lawsuit and filed a counterclaim, requesting that:

- a. the source for the research confirming the truthfulness of the phrase “The world’s most consumed ketchup” be included;
- b. the phrase “Best in everything it does” be removed from advertising material used by Heinz.

At the first instance, the judge decided to partially accept the requests made by Heinz in the complaint (no violation of the Brazilian Advertising Self-Regulation Code and Law 9279/1996, the Brazilian Industrial Property Law, in relation to the use of the phrase “Heinz, Best in everything it does” and “Heinz, the world’s most consumed ketchup” (provided that the source for the supporting research be included in the latter), as well as part of the counterclaim made by Unilever (determining that Heinz, when using the phrase “Heinz, the world’s best-selling ketchup” should begin to include the source for the research supporting this market-leading position).

Both Heinz and Unilever filed an appeal against the ruling handed down at the first instance.

The Court of Justice of the State of São Paulo (TJ/SP), the second instance, granted Heinz’s appeal, reversing the first-instance position.

Unilever filed a Special Appeal at the Superior Court of Justice (STJ), alleging violation of various articles, including Articles 27 and 32 of the Advertising Self-Regulation Code and Articles 195, 208 to 210 of the Industrial Property Law.

## The controversy and relevance of the topic

The STJ’s judgment, firstly, brings to light the conflict with a ruling previously handed down by the National Advertising Self-Regulation Council (CONAR), based on the Brazilian Advertising Self-Regulation Code.



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And, mainly, it establishes the understanding that the use of expressions “the world’s best-selling ketchup” and “the best in everything it does” is entirely lawful, and consequently does not cause any type of harm to third parties. This understanding is diametrically opposed to that which is practically settled by CONAR (that such “superlative and comparative statements with respect to the market” cannot be used, without at least providing some technical proof confirming and/or supporting their “truthfulness”).

It is interesting to note the position established in the ruling, upon mentioning that the use of the advertising phrase “The best in everything it does” does not have any derogatory connotation with respect to competitors, so there is no room to talk about unlawfulness regarding its use. It also includes an explanation and comparison of what would be misleading use compared to merely exaggerated statements for use in advertising.

The understanding established in this judgment is highly relevant as it could directly impact the use of superlatives, such as: “the best....”, “the most....”, “the biggest....” in the advertising market, in the face of a different understanding established and regulated by CONAR.

We must remain attentive to how this judgment will be accommodated within new advertising material that will certainly continue to be adopted with respect to the general public, especially in relation to the use of superlatives with a comparative effect (whether directly or indirectly).

## **The understanding set forth by the STJ and its impacts**

The reporting Justice Marco Buzzi highlighted in his vote (followed unanimously by the other Justices) that Heinz set out in its appeal arguments that, albeit indirectly, it brought to the attention of the second instance Appeal Court the issue about the obligation of publishing research indicating its leading position in the number of product sales (in relation to the use of the phrase “The world’s most consumed ketchup”).

Furthermore, the Reporting Justice raised the issue discussed at the second instance, in the sense that the expression “Best in everything it does” merely constitutes puffing, that is, the form of advertising that uses exaggeration as a method of convincing consumers.

Based on this issue, the Reporting Justice establishes the understanding that it would be unreasonable to prohibit companies from calling themselves the best in what they do. Because it would only be a self-assessment of their products and the goal to be achieved. And he highlights that there is no derogatory nature with respect to competitors.

The Reporting Justice mentions that the average Brazilian consumer cannot be infantilized into believing that they will be easily induced, ignoring their personal preferences.

Likewise, he highlights in his vote that Unilever itself uses similar methods in its advertisements, confirming the understanding that the occurrence of mere puffing cannot be deemed misleading when it comes to exaggerated statements for purely advertising contexts. And this type of use in advertising depends on a subjective critical analysis, making it impossible to measure objectively.

In order to support his understanding, the Justice cited the position similarly adopted in a previous judgment handed down by the same Fourth Panel of the Superior Court of Justice (Special Appeal (REsp) no. 1.377.911/São Paulo (SP), Reporting Justice Luis Felipe Salomão, judged on October 02, 2014).

And based on this, he restates that there is no misleading advertising and unfair competition when the phrase “Best in everything it does” is used, and its use is lawful.



With respect to the phrase “The world’s best-selling ketchup”, the understanding that it really was the best-selling at the time is corroborated. Therefore, reliable information corroborated in research on the number of sales of its (Heinz’s) product was being conveyed.

And the Reporting Justice in his judgment reiterated that it would be unreasonable for Unilever to demand that Heinz cease using the advertisements (with exaggerated advertising techniques), since it also uses the same technique in its advertisements, incurring contradictory behavior in relation to this issue (contradiction in the defense of arguments with respect to previously adopted conduct). In relation to this, there is a quote from the judgment handed down by the Fourth Panel of the STJ (Internal Appeal (AGInt) in Appeal in Special Appeal (AREsp) no. 1.339.580/Federal District (DF), reporting Justice Antonio Carlos Ferreira, judged on June 15, 2020.

This understanding of the Reporting Justice was unanimously followed by the other Justices on the Fourth Panel of the Superior Court of Justice.

This judgment could serve as a parameter for how the advertising market will react from hereon in its advertisements. Especially given the position established and consolidated by CONAR, which is diametrically opposed to this ruling.

The STJ substantially changed and expanded the understanding regarding advertising expressions adopted with an “exaggerated and superlative” nature compared to the position adopted years ago by CONAR.

This ruling certainly impacts the new formatting/development of advertisements in the market (which may or may not follow this same understanding), so that the Superior Court of Justice may be faced with new situations in this regard, revisiting this issue in the future, and it may or may not change its understanding established in this judgment.

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**Link to the full text of the decision:** [Special Appeal \(REsp\) 1.759.745/SP](#)



# CASE 09

(STJ - Special Appeal nº 1736786/SP)

## STJ RECOGNIZES COPYRIGHT CONTRIBUTORY INFRINGEMENT IN MARKETING CAMPAIGN TO REJECT CLAIM RELATED TO EXPIRATION OF THE STATUTE OF LIMITATIONS.

Superior Court of Justice (STJ). Special Appeal Nº. 1736786-SP, Justice-Rapporteur Antonio Carlos Ferreira, 4th Chamber, unanimously, judged on April 25, 2023.



**Authors:** Rodrigo de Assis Torres and Fernando de Assis Torres

**Fields of Law:** Copyright Law

**Topic:** Passive solidarity in poetry reproduced without authorization by advertisement.

### Summary

“CIVIL AND CIVIL PROCEDURE. SPECIAL APPEAL. INDEMNIFICATION CLAIM FOR MATERIAL AND MORAL DAMAGES. COPYRIGHT INFRINGEMENT. CONTRIBUTORY INFRINGEMENT. INJUNCTION. INTERRUPTION. STATUTE OF LIMITATIONS. APPEAL REJECTED.

1. Pursuant to art. 104 of Law no. 9,610/1998, responds jointly with the counterfeiter who uses a work reproduced fraudulently, with the purpose of obtaining gain, advantage, benefit, direct or indirect profit, for yourself or for someone else.
2. In the present case, the contractor responds jointly and severally with the counterfeiting advertising company, for using poem in advertising campaign, broadcast on television channels without authorization from the author.
3. Injunction action filed against one of the joint defendants, the interruption of the statute of limitations harms both, as provided for in art. 204, § 1, of CC/2002.
4. Special appeal rejected.”

### About the controversy

The lawsuit was filed by Edson Luiz Marques Santos (“Plaintiff”) against Leo Burnett Publicidade Ltda. (“Leo Burnett”) and FIAT AUTOMÓVEIS S/A (“Fiat”), based on alleged copyright infringement.

The Plaintiff asserts that he is a writer, poet and author of the books “Manual da Separação”, “Solidão e Mil” e “Mude”, member of the São Paulo Poetry Club and co-founder of Ordem Nacional dos Escritores, with works published in the several websites.

According to the Plaintiff, one of his poems were used by Leo Burnett, without his authorization, in the creation of the institutional advertising campaign of 25 years of FIAT in Brazil. The advertising campaign started on January 07, 2001 in the main television channels.

He finally requests an indemnification for material and moral damages.

In its reply, FIAT argued, among other points, that the advertising campaign was developed by Leo Burnett and, consequently, FIAT should not respond for damages possibly caused to the Plaintiff.

Additionally, FIAT argues that the Plaintiff previously filed an injunction action against Leo Burnett aiming at disclosure of documents. According to FIAT, the filing of the injunction action would interrupt the statute of limitations to bring an indemnification claim only in what concerns Leo Burnett. The statute of limitations to claim damages against FIAT a few years later allegedly expired due to the rule established by section 204 of the Brazilian Civil Code.



The first instance decision partially accepted the Plaintiff's claim to condemn both Defendants, Leo Burnett and FIAT, to pay economic damages still to be quantified in a liquidation proceeding, and moral damages in the amount of BRL 100.000,00.

FIAT filed an appeal challenging the first level decision, which was granted by the Court of Appeals of São Paulo in a split decision. The Panel Judges understood that the statute of limitations would be of three years, according to the rule of article 206, paragraph 3, item V of the Civil Code, and it would actually benefit both Defendants.

The Plaintiff further filed a clarification appeal based on the divergence of one of the Panel Judges, and this appeal was granted to reestablish the first level decision based on the rationale that the previous filing of the injunction action interrupted the statute of limitations, and this interruption affected both defendants due to the joint liability even considering that the cause of the interruption, i.e., filing of injunction action, originally involved only Leo Burnett. In other words, FIAT's joint liability in the central discussion involving copyright infringement would be enough to extend the effects of the interruption of the statute of limitations to both defendants, regardless of the previous filing of an injunction action only against Leo Burnett.

### **The opinion of the Superior Court of Justice**

In an appeal seeking the reversal of the Court of Appeals' decision, FIAT asserts that the decision infringes federal law and contradicts jurisprudence as there is no contributory infringement and, according to section 204 of the Civil Code, the effects of the interruption of the statute of limitations should only affect Leo Burnett.

FIAT asserts, thus, that the late filing of the indemnification claim against FIAT is not possible anymore.

However, the 4th Chamber of the STJ rejected the appeal unanimously, throwing out any argument of lack of contributory infringement.

In short, the STJ has taken the following position:

- i. The joint liability is not assumed, it results from the law and will of the parties;
- ii. Though the legal basis used by the Court of Appeals to show contributory infringement would be mistaken, FIAT and Leo Burnett's actions fit perfectly in section 104 of the Brazilian Copyright Law, that establishes that *"any person who, for the purposes of sale or the securing of direct or indirect gains, advantages or profits for himself or for another, sells, displays for sale, receives and conceals, acquires, distributes, keeps on deposit or uses a fraudulently reproduced work or phonogram shall be jointly liable with the infringer in terms of the foregoing Articles; if the reproduction has been carried out abroad, the importer and the distributor shall answer for the infringement"*.
- iii. There are precedents from other Chambers of the STJ recognizing contributory infringement in similar cases; and
- iv. According to the Brazilian Civil Procedure Code, there is no discussion about the statute of limitations. If there is joint liability, the filing of the injunction action against one of the defendants is enough to interrupt the statute of limitations against both.

Therefore, the Court recognized the infringement by both defendants and, based on FIAT's contributory infringement, the Court extended the effects of the interruption of the statute of limitations to both defendants.



# CASE 09

(STJ - Special Appeal nº 1736786/SP)

## Closing remarks

Copyright represents a relatively young branch and one still developing in law, but of increasing importance, whose legislative autonomy only arose with the advent of Law No. 5,988/73. Currently, copyright is regulated by the Brazilian Constitution in Art. 5, items XXVII and XXVIII and Law N°. 9,610 of February 19, 1998 – Brazilian Copyright Law.

Under the Brazilian Civil Code (Federal Law No 10,406/02), the obligation to compensate arises only where it is possible to establish a direct causal link between the harm and the one who caused it. Responsibility for the acts of others is only recognized in specific cases (which should be seen as exceptions), such as (among others) consumer relationships and copyright infringement. Article 104 of the Brazilian Copyright Law, in particular, establishes the co-liability of players that have contributed in some way to the dissemination of illegal content.

Therefore, indirect or contributory infringement must be considered as an exception to the general rules of liability foreseen in our Civil Code. Given that the present case deals with allegation of copyright infringement due to the use of poem without authorization, the rules of the Brazilian Copyright Law apply.

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**Link to the full text of the decision:** [Special Appeal \(REsp\) 1736786/SP](#)



# CASE 10

(STJ - Special Appeal nº 2.008.122 /SP)

## STJ UNDERSTANDS THAT PAID CLIPPING OF JOURNALISTIC ARTICLES AND COLUMNS MADE WITHOUT AUTHORIZATION CAN VIOLATE NEWSPAPER COPYRIGHTS.

Brazilian Superior Court of Justice (STJ). Special Appeal No. 2.008.122/SP. Reporting Justice: Minister Nancy Andrighi. Third Panel. By majority of votes. Judged on August 22, 2023. DJe: 28/08/2023.



**Author:** Patricia Carvalho da Rocha Porto

**Field of Law:** Copyright Law

**Topic:** Copyright. Civil Liability. News clipping. Lack of Authorization. Patrimonial Damage Established. Moral Damages. Illegitimacy.

### Summary

- “ (...) 4. Authors have the exclusive right to use, publish or reproduce their works (art. 5, XXVII, of CF/88).  
5. The creations of the spirit derived from journalistic activity are works protected by the Copyright Law, and consequently belong exclusively to their respective owners, the right of public use and economic exploitation (arts. 28 and 29 of Law 9.610/1998, [Brazilian Copyright Law (LDA)].  
6. The production and commercialization of news clipping services is an activity that does not fall within the scope of the rules of items I, “a”, and VII of article 46 of the LDA.  
7. Limitations on the property rights of copyright holders must pass the “Three-Step Test” before being applied to a specific case, due to Brazil’s commitment as a signatory to the Berne Convention and the TRIPS Agreement. Doctrine.  
8. According to the “Three-Step Test”, the unauthorized reproduction of third-party works is only allowed when the following cumulative requirements are met: (i) in certain special cases; (ii) that do not conflict with the normal commercial exploitation of the work; and (iii) that do not unjustifiably harm the legitimate interests of the author.  
9. The activity of marketing news clippings carried out by the defendant conflicts with the normal commercial exploitation of the appellant’s works, unjustifiably harming its legitimate economic interests.  
10. Under the terms of art. 36 of Law 9.610/98, the economic use of writings published by the daily or periodical press constitutes a right belonging exclusively to the respective owner of the work.  
11. The clipping service, in hypotheses such as the one in this case, does not fall within the factual framework of the rule in Article 10.1 of the Berne Convention, since the applicant’s news stories are used as an input for the product marketed by the defendant, and not as mere quotes.  
(...)  
14. Special appeal partially heard and partially upheld.”

### Brief history of the litigation

In 2014, the well-known Brazilian news outlets Folha de São Paulo and Agora São Paulo, through their administrator, the company Folha da Manhã S.A (“Folha” or “plaintiff”), filed an action for copyright infringement against another company (“Linear” or “defendant”), which specializes in news clipping and journalistic columns. The plaintiff’s argument is that the defendant produced and marketed news clippings reproducing journalistic articles and columns edited by the plaintiffs and owned by them without authorization or remuneration, in clear infringement of their copyright, given that there was an economic profit there exploited by the defendant, also inferring, in this sense, the existence of unfair competition in the conduct.

Folha argued that “the author has the exclusive right to use, enjoy and dispose of the literary, artistic or scien-



# CASE 10

(STJ - Special Appeal nº 2.008.122 /SP)

tific work” (Art. 28, of the Brazilian Copyright Law - LDA), and that the use of his work “depends on prior and express authorization from the author (Art. 29, LDA). The plaintiff also argues that its claim is also protected by Art. 36 of the LDA, which states that “the right to economic use of writings published by the press, daily or periodical, with the exception of those signed or with a reservation sign, belongs to the publisher, unless otherwise agreed.”

That said, Folha’s requests were: (i) that Linear Clipping refrain from using Folha’s articles and journalistic columns in the clippings it produced and marketed, (ii) that all the content unduly used be immediately deleted from the defendant’s database, (iii) that the defendant compensates the plaintiff for material and moral damages, as well as compensation for any continued use (by imposing a fine).

In its defense, the defendant argued that the unauthorized use of the plaintiff’s journalistic works in the form of clippings would be permitted under Article 46, I, a of the LDA, which states that “the reproduction in the daily or periodical press of news or informative articles published in newspapers or periodicals, with the mention of the author’s name, if signed, and the publication from which they were transcribed, does not constitute an offense to copyright”. The defendant also based its defense on item VIII of the same article, which allows “the reproduction, in any work, of small excerpts from pre-existing works, of any nature, or of the entire work, in the case of plastic arts, provided that the reproduction itself is not the main purpose of the new work and that it does not harm the normal exploitation of the reproduced work or cause unjustified damage to the legitimate interests of the authors”. Finally, Linear argued that its conduct would be supported by Article 10.1 of the Berne Convention, which stipulates that “it shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries”.

At first instance and on appeal, the Court of Justice of the State of São Paulo (TJ/SP) denied Folha’s requests, dismissing them and accepting the defendant’s arguments.

In 2022, Folha filed a special appeal before the Superior Court of Justice (STJ), reiterating the application of the articles of the LDA that protect the copyright of journalistic works and arguing that a different understanding cannot be adopted for clipping, which consists of repeated unauthorized reproduction and distribution of content owned by the plaintiff.

## **The controversy and relevance of the topic**

The main goal of the decision commented was, in short, to clarify whether there would be copyright infringement for reproducing journalistic articles and columns in an unauthorized way (in whole or in considerable parts) for commercial purposes, in a news compilation and distribution activity known as clipping.

However, the controversy lies precisely regarding copyright protection in Brazil for journalistic works. On the one hand, under national legislation, the economic use of writings published by the daily or periodical press constitutes a right belonging to the respective owner of the work, and its use depends on the author’s or owner’s prior and express authorization, on the other hand, as already mentioned, the same law contains legal provisions that may impose limitations on copyrights relating to news and informative articles published in newspapers and periodicals.

Thus, the crux of the controversy to be settled by the STJ in this case is to clarify how national copyright legislation should be interpreted regarding the conduct carried out by the defendant.

The position established by the STJ in the judgment of REsp. No. 2.008.122/SP is relevant insofar as it delineates the limits between free initiative and copyright in clipping activities and has the potential to establish a solid un-

derstanding of the use of third-party journalistic works by these companies.

### **The understanding set forth by the STJ and its impacts**

In the Third Panel of the Superior Court of Justice, the winning vote, delivered by the Reporting Justice, Nancy Andrighi, initially established the premise that journalistic works have the nature of intellectual works subject to copyright protection (arts. 28 and 29 of the LDA). Furthermore, the vote was concerned with signaling that what was under discussion was not the guarantee of exclusivity over journalistic facts, since these cannot be the object of appropriation, but rather the recognition of the journalistic story with its specific contours of form and content as a legally protected work of authorship.

Subsequently, it was explained that copyright in journalistic works can sometimes be limited by Articles 46, items I, a, and VIII of the LDA. The Reporting Justice noted that the articles are the embodiment in the national legal system of what Article 10.1 of the Berne Convention directs, clarifying that, as a rule, the provisions of this treaty are not directly applicable in the private law legal relations of the subjects of the contracting countries, their application being limited to the declaration of their reception.

In the case in question, the leading vote held that the limitation on copyright conferred by art. 46, I, a of the LDA did not apply. The Reporting Justice argued that the activity carried out by the defendant did not fall within the factual framework required by the rule, since the clipping service does not constitute “reproduction in the daily or periodical press”, but rather media monitoring carried out in accordance with the client’s specifications, compiling the monitored data and making it available on a website developed especially for the client’s access.

In relation to the exception provided for in article 46, VIII of the same law, the vote also ruled that it did not apply to the case in question since, even if it were recognized that the defendant’s conduct could be classified as reproduction of “small excerpts from pre-existing works”, the second part of this article was not complied with. According to the winning vote, the defendant did not comply with the requirements set out in the final part of the rule in question, which states that the reproduction must not be the main purpose of the work, nor must it prejudice its normal exploitation, nor cause unjustified damage to the legitimate interest of the authors.

The Reporting Justice explained that these requirements are part of the “Three-Step Test”, a rule laid down in the Berne Convention and TRIPS, according to which the unauthorized reproduction of third-party works is allowed: (i) in certain special cases; (ii) that do not conflict with the normal commercial exploitation of the work; and (iii) without unjustifiably harming the legitimate interests of the author. According to the Reporting Justice, news clipping conflicts with the normal exploitation of the reproduced work, since the reader of the clipping, by having access to the compiled news, is discouraged from searching for such news in the newspapers published by the plaintiff. In addition, the clipping activity carried out by Linear has an incontrovertible profit objective, unjustifiably harming Folha’s legitimate interests.

Finally, the Reporting Justice pointed out that Article 10.1 of the Berne Convention would also not apply to the case in question, since this provision refers to quotations, which is not the case of the defendant’s conduct, “since it uses journalistic articles as an input for the product it sells, and not as mere quotations”.

Therefore, the winning vote held that the defendant’s clipping service did not satisfy the Three-Step Rule and that its conduct violated the plaintiff’s copyright.

As for damages, the Reporting Justice recognized the plaintiff’s right to patrimonial damages, correctly denying moral damages, due to the lack of legitimacy in the claim, as Folha is the owner of the reproduced journalistic works, but not their author. According to art. 27 of the LDA, the moral rights of authors are inalienable and cannot be transferred.



# CASE 10

(STJ - Special Appeal nº 2.008.122 /SP)

The dissenting vote of Justice Moura Ribeiro understood that the dissemination of news offered by clipping does not constitute an offense to copyright, mainly because it understands that news or informative articles portray factual circumstances and cannot be considered creations of the mind protected by copyright. The vote was not followed by the other justices on the panel.

The STJ's decision in this case has the potential to impact the news creation and circulation market, paving the way for other press outlets to try to prevent other clipping companies or companies with similar activities from using the journalistic texts owned by them. Nevertheless, it is important to note that the balancing of rights must be carried out according to the specific case, and the hermeneutics used here should not be applied as a single model in other cases, without considering the characteristics and peculiarities of the disputes to be settled. In any case, the STJ's position undoubtedly sets an important precedent for the resolution of similar disputes.

It is also important to stick to the first observation of the leading vote, which correctly pointed out that what is eligible for copyright protection is the literary expression of the news and not the journalistic facts themselves.

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**Link to the full text of the decision:** [Special Appeal No. 2.008.122/SP](#)



# CASE 11

(STF – Extraordinary Appeal  
n° 702362/RS)

## THE STF UNDERSTANDS THAT THE FEDERAL COURT HAS JURISDICTION TO PROSECUTE AND JUDGE CRIMES OF COPYRIGHT INFRINGEMENT OF A TRANSNATIONAL NATURE.

Brazilian Federal Supreme Court (STF). Extraordinary Appeal No. 702362/RS. Reporting Justice: Minister Luiz Fux. Plenary, by majority vote. Judged on December 08 and 18, 2023. DJe: January 09, 2024.



**Authors:** Patricia Carvalho da Rocha Porto e Jade Seibnitz

**Fields of Law:** Copyright Law

**Topic:** Copyright Law. Federal Constitutional Law. Criminal Law and Criminal Procedure Law. Illegal reproduction of CDs and DVDs. Transnationality of the crime. Definition of jurisdiction.

### Summary

The Court, by a majority, considering theme 580 of the general repercussion, granted the extraordinary appeal and established the following thesis: “It is up to the Federal Court to prosecute and judge the crime of transnational copyright infringement”, in the terms of the Rapporteur’s vote, with Justices Cristiano Zanin, Dias Toffoli and André Mendonça partially defeated. Plenary, Virtual Session from 8.12.2023 to 18.12.2023.

### Brief history of the litigation

In 2009, the Federal Public Prosecutor’s Office (MPF) brought charges of importing pirated media (notably CDs recorded with signs of counterfeiting) into Brazil, i.e. reproduced in violation of copyright (art. 184, § 2, of the Brazilian Penal Code). The case took place in southern Brazil and the defendant confessed that he had obtained the CDs in Paraguay.

The MPF’s complaint was originally filed before the Federal Court. The Federal Court declined jurisdiction on the grounds that the State Court is responsible for prosecuting copyright infringement. On appeal, the Federal Court of the 4th Circuit (TRF4) upheld the decision to decline jurisdiction, on the grounds that: (i) the crime involved only private interests, and that (ii) there was no direct damage to any property, service or interest of the Union.

Unsatisfied, the MPF filed an Extraordinary Appeal before the Brazilian Federal Supreme Court (STF). The MPF claimed that the TRF4 had violated Article 109, V, of the Brazilian Federal Constitution, which provides for the jurisdiction of the Federal Court to judge “crimes provided for in an international treaty or convention” and of transnational nature. Thus, since copyright infringement crimes are included in various international treaties and conventions, the MPF argued that the Federal Court has jurisdiction to protect these rights.

### The controversy and relevance of the topic

In this case, the main controversy revolves around the jurisdiction to prosecute and judge transnational copyright infringement crimes in Brazil today.

Thus, the relevance of the issue is precisely (i) in the interpretation of the scope of transnational copyright infringement crimes (whether they harm the interests of the Union), (ii) in the competence to deal with transnational copyright infringement cases, as well as (iii) in the application of the international commitments made by Brazil in the protection of these rights.



## The understanding set forth by the STJ and its impacts

Initially, it should be noted that the general repercussion of the theme has been recognized. General repercussion is a procedural institute provided for by the Brazilian Federal Constitution and the Brazilian Civil Procedure Code that reserves to the STF only the judgment of issues brought in extraordinary appeals that present relevant issues from an economic, political, social or legal point of view. The general repercussion theme applies to appeals in which the legal issue discussed is identical and repeated frequently in the courts of origin. These issues can be highlighted and identified and forwarded to the higher courts so that they have a uniform solution to be adopted by the lower courts.

The STF, in its judgement of RE 702362, looked mainly at the interpretation of the provisions of these two articles:

- Art. 184, §2, of the Brazil Penal Code, which notes the crime of distributing, selling, introducing into Brazil an intellectual work or phonogram reproduced in violation of copyright;
- Art. 109, V of the Brazilian Federal Constitution, which establishes two concomitant and necessary requirements for the Federal Court to have jurisdiction over an offence: a) the existence of an international treaty or convention to which Brazil has signed up, protecting the legal asset in question; and b) the transnational nature of the conduct.

In fact, Brazil is a signatory to many international treaties and conventions dealing with copyright protection. These include the Berne Convention (Decree 75.699/1975), the Inter-American Convention on the Rights of the Author in Literary, Scientific and Artistic Works (Decree 26.675/1949) and the Universal Copyright Convention (Decree 48.458/1960).

Justice Luiz Fux, the rapporteur of the case, summarizes in the winning vote the understanding of the Supreme Court by stating that “transnationality, in such cases, attracts the jurisdiction of the Federal Court, even if the crime is not expressly typified in a treaty or convention, since the commitment made by the Federative Republic of Brazil to protect copyright has been configured”.

Therefore, for the reporting justice, “there is an imputation of facts that fit into a criminal offense of a transnational nature, violating a legal asset that, by means of an international treaty or convention, Brazil has obliged itself to protect, which is why the Federal Court is responsible for its prosecution and trial, under the terms of art. 109, V, of the CF/88 [Brazilian Federal Constitution]”.

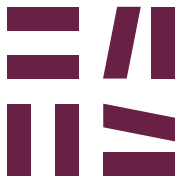
The vote was followed by the majority of the justices of the Supreme Court.

The STF’s decision correctly applies what the Brazilian Federal Constitution already determines regarding the jurisdiction of the Federal Court in the trial of crimes against rights provided for in international treaties, as such copyright infringement, and of a transnational nature. This precedent has settled a long conflict of lower courts positions, establishing, without a doubt, a firm and unified orientation. In addition, the recognition of the general repercussion of the matter will generate speed and procedural economy for actions of this nature.

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**The Reporting Justice’s vote can be found at the following link:** [Extraordinary Appeal No. 702362/RS](https://www.stf.jus.br/portal/verProcesso?acao=detalheProcesso&idProcesso=702362)





# CASE 12

(STJ - Special Appeal nº 1864620/SP)

## **STJ REAFFIRMS THAT DIFFERENT LEGAL ENTITIES (BELONGING TO THE SAME ECONOMIC GROUP) MAY BE HELD LIABLE FOR THE SAME UNLAWFUL CONDUCT, AS LONG AS THE CORRESPONDING ASSESSMENT IS PERFORMED IN FULL OBSERVANCE OF THE DISREGARD OF LEGAL ENTITY DOCTRINE.**

Brazilian Superior Court of Justice (STJ) Special Appeal (REsp) 1864620/SP, Reporting Justice Antonio Carlos Ferreira, Forth Panel, unanimously, judged on September 12, 2023, DJe September 19, 2023.



**Author:** Caio Richa

**Field of Law:** Civil Procedure Law

**Topic:** Civil Procedure Law. Enforcement of judicial decisions. Constriction of legal assets. Third party. Same economic group as Defendant. Observance of the disregard doctrine. Separate proceedings that apply.

### Summary

“(…) in turn, this provision of subsidiary civil liability, inherent to the material law, does not exclude the observance of procedural norms, that aim at guaranteeing the adversarial principle and the due process of law, such as, among others, the incident applicable to the disregard of legal personality.

In this aspect, in a systematic interpretation of the Brazilian Consumer Law, it is noted that the provision of subsidiary civil liability of companies belonging to the same group is foreseen within the same section that deals with the disregard of legal personality.

Under this scenario, when a company belonging to the same economic group of the Defendant suffers patrimonial constriction, the latter must be preceded by specific procedures applicable to the disregard of legal personality (disregard doctrine) ... in accordance with art. 134 of the Brazilian Civil Procedure Law.”

### Brief history of the litigation

In a nutshell, by mid-2019, the Brazilian company DGC Participações e Incorporadora Ltda. suffered a judicial constriction order against part of its assets, due to a debt owed since 2010 by another Brazilian company named CGN Construtora. The latter company was the only Defendant within a lawsuit brought more than twenty years ago by Plaintiff Galli Incorporações Ltda. aiming precisely at discussing such obligation. Legal entities DGC and CGN, although belonging to the same economic group – with a few shareholders in common – have never shared financial obligation(s) in respect to Galli.

That is the reason why DGC decided to enter the ongoing lawsuit, specifically to request the Judge to waive the constriction order against its assets, under the main claim that its normal business activities were put under serious threat.

In the first and second instance, DGC lost the case. Basically, the Court of Justice of the State of São Paulo (TJ/SP) understanding was that the case justified application of the Brazilian Consumer Law, more precisely its Article 28, §2º, which foresees that “in case of abuse or excess use of power, unlawful, or any alike violation in detriment of the consumer (...) groups that are part of any partnerships or controlled partnerships are also responsible”.

As the TJ/SP imposed no other formalities to be met, without further discussions of details behind the case – in fact, the Court has broadly stated that “it is enough for the main debtor not to have assets available to resolve the debt so that the other members of the group may have their assets affected” – DGC lodged a Special Appeal towards the Superior Court of Justice (STJ).

In the latter Special Appeal (Resp 1864620/SP), DGC brought out violations of (i) Law no 8.078/1990, the Brazilian Consumer Law (CDC), as well as (ii) Lei nº 13.105/2015, the Civil Procedure Law (CPC), since both foresaw specific and formal proceedings/requirements related to the disregard doctrine – applicable whenever a not-directly-involved legal entity was about to be participated in a certain legal discussions, by means of its assets or not – what has been blatantly overlooked in the present case.

### **The controversy and relevance of the topic**

The decision aimed to define whether, for purposes of the provisions of article 28, §2º, of the CDC, the formal requirements/proceedings foreseen in the more recent alteration of our Civil Procedure Law (in force since 2016) – and widely perceived as enforceable to every situation where the disregard doctrine is targeted – should be applied or not.

The decision in question is of great importance in helping to standardize national jurisprudence on the disregard doctrine, especially in cases dealing with violation of consumer's sphere of rights (usually seen as very fragile and worthy of outstanding legal protection) *vis-à-vis* the formation of complex and intricate economic groups (often qualified as deliberate maneuvers to overturn judicial obligations). It is also relevant under the judicial point of view of creditors, as it helps pave the way toward debt fulfillment in alike situations (let alone that it helps in risk assessment when it comes to adopting certain legal efforts in Brazil).

### **The understanding set forth by the STJ and its impacts**

In Brazil, corporations are separate legal entities and the liability of company officials in a corporate structure is, as a general rule, limited. There are exceptions to this general rule, however, in cases such as frauds against creditors, violations of law or gross mismanagement. Such acts may permit the court to disregard the corporate entity (“disregard doctrine”) and hold the directors, officers and partnered companies personally liable to meet financial damage.

The Brazilian courts have frequently applied the “disregard doctrine” in all sorts of matters: case law confirms such understanding regarding fraud and abuse of power and lack of economic autonomy, especially in companies used by individuals to buy assets of personal use, and in economic groups where the “control is under a management, labor and economic unity, constituting one unique formal structure, and, as so shall being regarded as a single company”.

In terms of Law, Article 50 of the Brazilian Civil Code is the one that sheds the higher amount of light over the applicability of the doctrine locally: the article sets forth that if the actions of a director cause a deviation from the company's purpose or result in the commingling of assets, the court may find the director personally liable for the company's obligations and debts. Apart from that, Article 28 of the Brazilian Consumer Law also permits the corporate veil to be pierced where consumers' interests are in issue.

Over the years, an issue has risen in terms of formalities to be met prior to submitting an entity to the disregard doctrine: would it require a specific lawsuit/proceeding with the purpose of obtaining the judicial declaration that the partners are personally liable, observing the constitutional due process of law principle? And when it comes to economic groups, should such assessment be perceived as easier or more difficult?

In 2016, the new Brazilian Civil Procedure Law came into force, thus dedicating a whole Section to the disregard doctrine – inserted in the chapter that disciplines the participation of third parties within lawsuits – and establishing, for example, that (i) the request shall be addressed through a specific motion, acceptable in any stage of the lawsuit (Art. 134) (ii) that any party and/or the Public Prosecutor's Office could bring such motion (Art. 133) and (iii) once the motion has been filed, the member or the legal entity shall be served with the sum-

mons, to submit a defense (if interested).

Even then, the STJ, until very recently, tended to disregard such specific proceedings: its understanding was that “once the due requirements are verified, the judge may, in the enforcement action, pierce the corporate veil to deem liable the partners involved in the illegality, intending to prevent fraud against the law or third parties”. In cases dealing with higher debts, the tendency was even bigger to be lenient in face of the corresponding legal configuration.

The is precisely while the precedent deriving from REsp 1864620/SP qualifies as appropriate and bold at the same time: it officially recognized that, within Brazilian territory, the disregard theory must be applied with caution and under full observance of the rite prescribed in law for such goal. Within certain types of discussions, it even helps diminishing the risk of having the Judge unjustifiably standing on the side of the creditor.

The conclusion is that the precedent sets new standards in terms of existence/termination of legal entity, without abandoning the widespread belief that, whenever an equity holder uses its corporate form with malice, the legal separation of the company and its equity investors shall be ignored. One can also say that the decision in question comes handy to the ones that need to design legal strategy within Brazil, and at the same time are having to dismantle intricate corporate groups, as it provides higher legal certainty and a clearer process of law whenever such type of obligation fulfillment is involved. In the field of intellectual property rights, this decision is particularly relevant to IP infringement actions, as it is common for infringers to adopt corporate linkage strategies between several legal entities in the same group.

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**Link to the full text of the decision:** [Special Appeal \(REsp\) 1864620/SP](#)

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