

# Brazil's New Law on Forum Selection Clauses: Throwing the Baby out with the Bathwater?

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Brazil has changed its law on international forum selection clauses. In June this year, a new statutory provision came into force, adding, unexpectedly, new requirements for their enforceability. In this attempt to redistribute *domestic* litigation, the Brazilian legislator may well have thrown out the baby, *international* forum selection clauses, with the bathwater.

## The Recognition of International Forum Selection Clauses Under Brazilian Law

International forum selection clauses are among the most controverted topics in Brazilian Private International Law. Although the positive effect of such clauses has been generally accepted in Brazil since 1942, their negative effects have been in center of the legal debate ever since. Until very recently, Brazilian courts would not enforce a clause that selected a foreign forum, arguing that parties could not, by agreement, oust the jurisdiction of Brazilian courts established by law — an approach quite similar to that adopted by U.S. courts prior to the landmark U.S. Supreme Court decision in *Bremen v Zapata Off-Shore Co.* (1972).

Brazilian courts seemed to follow suit in 2015, when — as a result of serious efforts by legal scholars — a provision explicitly recognizing the derogatory effect of forum selection clauses was included in the latest reform of the Brazilian Code of Civil Procedure (CCP). According to Art. 25 CCP, Brazilian courts do not have jurisdiction over claims in which the parties have agreed to the exclusive jurisdiction of a foreign forum. The provision references Art. 63 §§1-4 CCP, which sets out the requirements for national forum selection clauses. Thus, national and international forum selection clauses are subject to similar requirements for

validity, including that the agreement must be in writing and relate to a particular transaction.

## **The New Amendment of June 2024: A Setback for Party Autonomy**

What seemed settled since 2015 is now back in the center of debate. On June 4, 2024, the Brazilian National Congress passed a law amending Art. 63 CCP and creating additional requirements for forum selection clauses. According to the new wording of Art. 63 §1 CCP, a forum selection clause is valid only if the chosen court is “connected with the domicile or residence of one of the parties or with the place of the obligation.”

Essentially, this new law significantly limits the autonomy of the parties in selecting a forum of their choice. Before the amendment there were no restrictions on the forum to be selected; now Brazilian courts will only enforce clauses in which the chosen forum is related to the dispute. In practice, the choice of a “neutral” forum in a third State will not be enforceable in Brazilian courts.

## **International Forum Selection Clauses: The Wrong Target?**

The application of the new requirements also to international clauses may have resulted from an oversight on the part of the legislator. The explanatory memorandum accompanying the draft bill indicates that the main objective of the reform was to address a problem of domestic, not international, forum shopping. The document specifically cites the current congestion of the courts of the Federal District, the federal unit in which Brazil’s capital, Brasília, is located. It is known for its efficient courts, which have increasingly received disputes that have no connection to the court other than a forum selection clause. Unlike common law jurisdictions, Brazilian courts may not decline jurisdiction based on *forum non conveniens*. Rather, forum selection clauses, if valid, will bind the jurisdiction of the chosen court. Describing this practice as “abusive” and “contrary to the public interest,” the legislator sought to address this (domestic) issue.

The memorandum makes no mention of international forum selection clauses. Nevertheless, it seems clear that the amendment also applies to international

forum selection clauses. The explicit reference of Art. 25 CCP to Art. 63 §1 leaves little room for an argument to the contrary.

The circumstances of this apparent oversight have led to strong criticism. Scholars have argued that the legislative process lacked publicity and public participation, especially from legal experts. The process was indeed fast-paced. Less than 14 months elapsed between the introduction of the draft bill and its enactment. After less than 10 months in the Chamber of Deputies, the bill was approved in the Senate under an emergency procedure and entered into force immediately after its publication on June 4, 2024.

## **And Now? First Clues in Recent Case Law**

The implications of the new amendment for courts and parties remain unclear. First, is the new amendment applicable only to forum selection agreements concluded after its entry into force, on June 4, 2024, or for court proceedings commenced after that date? Second, what is a sufficient connection of the chosen court to “the domicile or residence of one of the parties or with the place of the obligation” under Art 63 §1 CCP?

Three recent decisions provide a few clues. A district court in the county of Santos, São Paulo, addressed the temporal application of the rule in a decision of November 7, 2024, holding that the new amendment applies only to contracts concluded after June 4, 2024, since the selected forum and the enforceability of the clause have a significant impact on the parties’ risk calculation when entering into the contract. Applying the law as of before the amendment, the court enforced a forum selection clause in a bill of lading that selected New York courts to hear the dispute, even though both parties to the contract were seated in Brazil.

On June 24, 2024, another decision, this time by a district court in the state of Ceará, enforced a jurisdiction clause in which the chosen forum had no direct connection with the dispute or the domicile of the parties. The dispute arose between a Brazilian seafood retailer and the Brazilian subsidiary of the global shipping company Maersk. Without even mentioning the new amendment, the court stayed proceedings on the basis of the forum selection clause contained in the bill of lading, which selected the courts of Hamburg, the German headquarters of Maersk’s parent company, Hamburg Süd, as having jurisdiction

over the dispute. This leaves open the question of whether, in the future, the choice of the seat of the parent company of one of the parties as the place of jurisdiction will constitute a sufficient connection as required by the new amendment.

Another interesting decision was rendered on September 4, 2024, in the county of Guarulhos, also in the state of São Paulo, concerning a forum selection clause in a publishing contract between an author and a publisher, both domiciled in Brazil. The clause selected Lisbon, Portugal, as the forum for hearing the dispute. In enforcing the clause, the court stayed proceedings brought by the author in Brazil. Although the new amendment was not explicitly mentioned in the decision, the court's reasoning included the justification that the clause was enforceable since the contract provided that the title, which was the subject of the publishing contract, was also to be marketed in Portugal. This could be an indication that the place of performance of the contract establishes a sufficient connection with the "place of the obligation" pursuant to Art. 63 §1 CCP. Referring to Article 9 of the Law of Introduction to the Brazilian Civil Code, scholars argue that the place of conclusion of the contract may also satisfy this requirement.

## **Conclusion**

Ultimately, the broader or narrower approach taken by the courts in interpreting the new requirements will determine the extent to which the amendment will restrict the parties' ability to choose where to litigate their disputes. Equally important for parties, as a factor of predictability, is the question of how consistent this interpretation will be among the various courts in Brazil. To date, I am not aware of any decision in which a Brazilian court has expressly refused to enforce a forum selection clause on the basis of the new wording of the law. How this will play out in practice remains to be seen.

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