

DEVELOPMENT OF INDUSTRIAL PROPERTY LAWS

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INTRODUCTION

In 1809, Brazil became the fourth country in the world after England, the United States, and France to have a patent law. Brazilian trade mark law dates to 1875, and it came into force by reason of the first trade mark infringement case in Brazil involving tobacco brands. The first Code of Industrial Property was enacted in 1945, including protection for patents, utility models, industrial models and designs, and trademarks and providing for crimes of infringement and unfair competition. The Code of 1945 was considered to be modern for its time, inspired by the most advanced European laws.

The Code of 1945 was modified in 1967, 1969, and 1971. The Code of 1971 came into force at a time of nationalism and protectionism, and this is readily apparent in the restrictions applicable to the patentability of chemical, pharmaceutical, and foodstuff products, as well as on the different treatment of domestic and foreign trademarks. The law also granted power to the National Institute of Industrial Property, the Brazilian Patent and TradeMark Office, to control the transfer of technology and licensing of patents and trade marks. This made the transfer of technology to Brazil for many years a very complicated procedure and one avoided by foreign companies.

By the 1990s Brazil has taken the first steps towards modernization of its intellectual property laws to comport with international standards, such as :

- (1) *the enactment of a law for the protection of software in 1987;*
- (2) *the proposal, in 1991, of a Bill for a new intellectual property law.*
- (3) *the ratification, in 1992, of the Stockholm revision of the Paris Convention;*

- (4) *the issuance of new regulations by the National Institute of Industrial Property (PTO), designed to deregulate the recording of agreements involving transfer of technology and the licensing of patents and trademark*
- (5) *the application of article 6 bis of Paris Convention, dealing with well-known trademarks, by the National Institute of Industrial Property and the courts, thus decreasing the number of cases of trade mark piracy, and*
- (6) *the issuance of the Trips Agreement in late 1994.*

Finally, as a final consequence of the trend observed in the 1990s, a new Industrial Property Law was enacted in Brazil on May 14, 1996 entering into force on May 15, 1997ⁱ, bringing necessary changes for the modernization of the Brazilian Industrial Property Law.

The new law entered into force one year after its publication, so that the PTO would have time to prepare itself to deal with the changes brought by the new law.

In the meantime, drafts of several Normative Acts covering trademarks, patents, industrial designs and license agreements were prepared and entered into force on May 15, 1997 together with the new law.

Those guidelines contain the basic principles on registration of trademarks and patents, such as registration procedure, steps to be followed by the Examiner on the analysis of registrability, rights provided for the applicants, terms, publications, cancellation action and nullity procedure.

These are also particularly important because they enunciate previously unwritten rules that were not known to the public, and have introduced and consolidated certain important policy changes.

PATENT

Approximately 12,000 patent applications are filed annually with the Patent Office, and more than 70 per cent of these are owned by foreign companies and individuals. Until the

enactment of the new law, Brazilian patent law was widely criticized, especially by foreign commentators. With a term of protection of 15 years from the filing date for patents of invention, restrictions on the patentability of chemicals, pharmaceuticals, and foodstuffs, and requirements for the working of a patent in Brazil, the patent law needed substantial changes. Aiming to meet the international standards, government enacted a new law, changing substantively the regulation of patents.

In the new law, prohibitions to patentability were drastically reduced. patentability of substances, matter or products obtained by chemical means or processes and food and chemical-pharmaceutical substances, matters, mixtures or products and medicaments of any type as well as their respective processes of obtention or modification can now be patentable. The term of protection for patents of invention was increased to 20 years from the filing date. Mechanisms for faster prosecution of patent applications have been introduced by the new law by eliminating the possibility of filing oppositions and appeals before the granting of the patent, reducing considerably the prosecution of the application.

NATURE IN GENERAL

Patents encompass those invention and utility models. A patent of invention is any new invention susceptible of industrial use. An utility model is any new arrangement or new form given to or introduced in a known object, provided that such new arrangement or new form serves for practical work or use. Industrial designs that used to be protected by patents are now protected by registration.

CREATION OF RIGHTS

When an application is presented for filing, it undergoes a preliminary formal examination, to receive a serial number and filing date. The publication of the application takes place after expiration of a term of 18 months as of the filing date or the earliest priority date, if any. The publication may be anticipated at the request of the applicant. Publication must include data identifying the patent application, specification, claims, abstract and drawings which will be made available to the public by the PTO. In the case of biological material essential for the practical execution of the subject matter of the application, which cannot be described in the form of this Art, and which has not been accessible to the public, the

specification will be supplemented by a deposit of such material with an institution authorized by the PTO or indicated by international agreement. Biological material will be made available to the public by occasion of the publication of the patent application.

GRACE PERIOD

A grace period is granted to the applicant that had divulged the invention within the twelve (12) months' period preceding filing of the application. The PTO. may require the inventor to make proof of the disclosure confirming its date and actual existence within sixty (60) days.

When an application is filed based on priority rights, an informal translation of the official filing receipt or equivalent document will be sufficient, either/or an affidavit containing the same information.

FILING

Applications may be filed in a foreign language. In this case, a free translation into Portuguese of the corresponding application must be filed within thirty (30) days from the filing date, under penalty of return or shelving of the documentation. Once all requirements are met, filing will be considered to have been made on the date of the receipt.

It is worthwhile mentioning that if Brazil is a designated state in a PCT application, for entry into the national phase the application must be filed in Portuguese, otherwise it will be considered withdrawn.

Applications may also be filed by mail, sending the corresponding documentation to the PTO with a receipt of acknowledgment. The applications will be considered as delivered on date of postage or on the first weekday immediately after such date.

A request for examination may be made, on payment of an examination fee, either by the applicant or by any interested third party. The request for examination must be filed within 36 months counted from the date of filing, the failure of which will result in shelving of application. A patent application may be reinstated upon applicant's request within 60

days from its shelving, on payment of a specific fee, the failure of which will result in final shelving of application. Documents and information to assist examination may be filed by interested parties between publication of the application and completion of examination. Examination will not take place prior to 60 days from publication of the application. In order to better clarify or define a patent application, applicant may effect amendments up to the date a request for examination is made, provided that such amendments be limited to the subject matter initially disclosed in the application.

Within 60 days of an examination request, the following must be submitted, the failure of which will result in shelving of application:

- I. objections, prior art searches and the results of examination of corresponding applications in other countries, when priority is claimed;*
- II. documents required to regularize the proceedings and examination of the application, and*
- III. an informal translation of a document of origin to support a priority claim.*

By occasion of technical examination, a search and technical report will be issued with regard to:

- I. patentability of the application;*
- II. adaptation of the application to the nature of protection claimed;*
- III. reformulating of the application or division thereof, or*
- IV. technical amendment required.*

When an official report is for non-patentability or for inadequacy of the application for the nature of protection claimed or requires technical amendments, applicant will be notified to reply within 90 days. If no reply to an official action is filed, the application will be deemed as definitively abandoned. If a reply to an official action is filed, but such official action is not fully complied with, or its contents are contested, examination will proceed, regardless of arguments submitted concerning patentability or adequacy.

Once examination is concluded, a decision will be issued, allowing or rejecting the patent application. On the issuance of a notice of allowance of the letters patent, the issuance fee must be paid within 60 days from the patent allowance. Such fee may also be paid and such payment proved within 30 days from expiration of the 60 days time limit, independently of notice by payment of a specific fee, the failure of which shall result in shelving of the application in final form. The patent will be considered granted as of the date of publication of its allowance.

The letters-patent will include:

- (1) *the patent number;*
- (2) *title and nature of protection;*
- (3) *name of the inventors;*
- (3) *qualification and domicile of patentee;*
- (4) *term of validity*
- (5) *claims and the drawings,*
- (6) *priority data.*

The issuance of a patent is published in the Industrial Property Bulletin. A patent of invention is valid for a time period of 20 years and an utility model patent for a time period of 15 years, counted from the filing date. Such time period will not be less than 10 years for patents of invention and 7 years for utility model patents, counted from grant, except when the PTO is prevented from proceeding with the examination as to the merit of the application, due to a proven pending litigation or for reasons of force majeure.

BENEFICIARIES OF RIGHTS

The application may be filed by the inventor or his successor or assignee (individual, company, or state) or by joint inventors. The inventor must be named in the application. If there are two or more inventors, the application may be filed by one or all of them, each having to be named and qualified to preserve their respective rights. Foreigners or nationals living abroad must appoint an agent, domiciled in Brazil, on which process may be served. The agent must be appointed to act as the representative during the entire term of the patent.

MAINTENANCE

BRA.13 Fees - Annual maintenance fees are due as of the beginning of the third year of the application filing date. The payment should be effected within the first 3 months of each annual period, but may still be effected within the following 6 months, independently of notice, upon payment of an additional fee. Failure to pay an annual fee, will result in shelving of application or extinction of the patent.

Working requirements - Except for legitimate reasons or proof that serious and effective preparations for exploitation have been carried out, the actual working of a patent must be commenced in Brazil within three (3) years counted from grant of the patent, except in the case of non-exploitation due to economic unfeasibility, when importation will be permitted. Otherwise, the patent becomes subject to be compulsory licensed. Further, a patent can also be canceled, ex officio or at the request of any party with a legitimate interest, if after 2 (two) years from grant of the first compulsory license, such time period has not been sufficient to prevent or correct abuse or non-use, save for legitimate reasons.

TRANSFER

Assignment - A patent application or patent, may be assigned in whole or in part. The PTO will carry out the following recordings:

- I assignment, recording complete qualifications of assignee;*
- II. any limitation or burden applicable to the application or patent; and*
- III. changes of name, headquarters or address of applicant or patentee. Recordings will be effective in regard to third parties as from the date of their publication.*

Voluntary Licenses - The applicant or the owner of a patent already granted, may grant a license for the working of the invention covered by a pending application or patent already granted. The licensee may be entitled by patentee with all powers to act in defense of the patent. The license agreement must be recorded at the PTO in order to be effective in regard to third parties, but such recordal need not be recorded with the PTO for the purpose of validating a proof of use.. Any improvement included in a licensed patent belongs to the person who made it, the other contracting party being guaranteed the right of preference for licensing purposes.

License Offer - A patent owner may request the PTO to place its patent under offer for the purpose of exploitation. The PTO will advertise the offer. No exclusive voluntary license agreement will be recorded by the PTO without the offer having been withdrawn by the patent owner. No patent under an exclusive voluntary license will be subject to an offer. The patent owner may withdraw the offer at any time prior to an express acceptance of its terms by an interested party. Should patentee and licensee come not to terms as regards remuneration of the license, such remuneration can be arbitrated by the PTO upon request of the parties. The remuneration can be reviewed after 1 year of being established. A patent under license offer will have its annuity fee reduced by one half during the period between the offer and grant of the first license of any type. The patentee may request cancellation of the license if the licensee does not initiate exploitation within one year of the grant of the license, interrupts exploitation for a period longer than 1 year or, further, if the conditions for exploitation are not complied with.

Compulsory Licenses - A patent owner will be subject to having its patent compulsorily licensed if it exercises rights resulting therefrom in an abusive manner or by means of abuse of economic power proven under the terms of the law by an administrative or court decision. A license can only be requested by a party with legitimate interest and that has the technical and economical capacity to carry out efficient exploitation of the subject matter of the patent and may only be requested after 3(three) years from the grant of patent.

In case a compulsory license is granted due to abuse of economic power, a period of time, limited to 1 year, will be guaranteed to a licensee proposing to manufacture locally to proceed

with importation of the subject matter of the license, provided it has been placed on the market directly by the owner or with its consent. In case of importation for exploitation of a patent and in case of importation provided for due to abuse of economic power, the importation by third parties of a product manufactured according to a process or product patent will be equally allowed, provided it has been placed on the market directly by the patent owner or with its consent.

A compulsory license will not be granted, if at the date of its request, the patent owner:

- I. justifies non-use for legitimate reason;*
- II. proves that serious and effective preparations for exploitation have been made; or*
- III. justifies lack of manufacture or commercialization due to legal obstacles.*

ADMINISTRATIVE CANCELLATION PROCEEDING

A cancellation procedure may be initiated ex officio or by request of any person having a legitimate interest, within 6 months from the patent allowance. Cancellation of a patent will be administratively declared in the event that:

- (1) any of the legal requirements have not been met;*
- (2) the specifications and the claims do not meet legal provisions;*
- (3) the scope of protection of the patent extends beyond the contents of the application as originally filed; or*
- (4) any of the essential formalities required for grant has been omitted during prosecution.*

The patentee will be notified to respond within 60 days after the publication of cancellation procedure, and independently of a reply having been filed, the PTO will issue an opinion, notifying the patentee and plaintiff to reply within a period of 60 days. Once the period of time for a reply of the patentee and plaintiff has elapsed, even if no replies have been submitted, a decision will be issued by the President of the PTO, the administrative instance the administrative instance being thus closed.

JUDICIAL CANCELLATION PROCEEDING

Cancellation proceedings can be started at any time during the life of a patent either by the PTO or by any third party having a legitimate interest. The judge may, in a preventive or incidental ruling, determine suspension of the effects of a patent provided that the relevant procedural requirements are properly complied with.

Cancellation actions will be entered in Federal Court, and the PTO, when not a plaintiff, will intervene in the suit. The legal term for defendant's reply will be 60 days. Once the decision on a cancellation procedure is final, the PTO will publish its conclusion for the benefit of third parties. Cancellation of a patent may be disputed at any time, as a matter of defense.

INTERNATIONAL ASPECTS

A foreign applicant may file an application in Brazil claiming priority rights accorded by an international convention to which Brazil is signatory within the time limits established in the agreement. Such filing shall not be invalidated nor jeopardized by facts occurring within such time limits.

Since Brazil is signatory to the Patent Cooperation Treaty (PCT), applications may be filed in accordance with its rules. Special attention must be paid to the terms for filing the free translation of the priority certificate (basic application) and for requesting the substantive examination. The translation of the priority certificate must be filed 60 (sixty) days as from the entering on the national phase. The request for substantive examination must be filed within 36 months as from the international filing date or 60 (sixty) days as from the entering on the national phase, the one that expires later.

ATTACKS ON OWNERSHIP

PRIOR INVENTORS OR USERS

To be patentable, an invention must meet requirements of novelty, inventive activity and industrial application an invention is considered new when not comprised in the "state of the

art”. The “state of the art” comprises everything made accessible to the public before the date of filing of a patent application, by written or oral description, by use or any other means, in Brazil or elsewhere. An invention shall be deemed to involve inventive activity when, to someone skilled in the art, it does not appear to evidently or obviously derive from the state of the art. Inventions and utility models are deemed of industrial application if capable of being produced or used in any kind of industry.

Disclosure of an invention or utility model occurring during the twelve months preceding the patent application filing date or the earliest priority claimed will not be considered as part of the state of the art, provided that such disclosure is made by:

- I. *the inventor;*
- II. *the Brazilian PTO through official publication of a patent application filed without consent of the inventor and based on information obtained from the inventor as a result of its acts;*
- III. *third parties, on the basis of information received directly or indirectly from the inventor or as a result of its acts.*

The PTO may require the inventor to submit a declaration regarding such a disclosure, accompanied or not by evidence.

An individual who in good faith, prior to filing date or to the priority date of a patent application, exploits its object in Brazil, will be warranted the right to proceed with such exploitation, in the previous manner and condition, with no burden whatsoever.

PUBLIC INTEREST

An invention which is held to be of concern to national defense will be processed in secrecy and will not be subject to publication. The PTO will immediately forward the application to a qualified government agency for the purpose of issuing an opinion regarding secrecy within 60 days. Upon expiration of such time period without receiving an opinion from that agency, the application will be processed on an ordinary basis. Except when express authorization is given by a qualified government agency, the filing of a patent application abroad, which subject matter is deemed of interest to national defense, as well its disclosure, is prohibited.

BRA.25 Certificate of Additional Invention - The new patent law permits the request of a certificate of addition by the applicant or patentee to protect an improvement or development introduced in the subject matter of an invention even if lacking inventive activity, provided that it shares the same inventive concept.

INFRINGEMENT ACTIONS

CRIMINAL ACTION

Under criminal law, the owner of a patent, as the aggrieved party, may file a criminal complaint based on patent infringement, claiming a crime of private interest, i.e., the defendant can be prosecuted only at the initiation of the aggrieved party. Only the owner of the patent may institute the criminal action. The licensee cannot institute such an action since he has no proprietary rights in the invention.

While executing a search and seizure judicial order, involving crime against a process patent, the court server will be accompanied by an expert who will preliminary verify the existence of the unlawful act, the judge being entitled to order seizure of products obtained by the infringer through the patented process.

Allegation of nullity of a patent on which judicial proceedings is based may constitute matter of defense in a criminal proceedings. Acquittal of the defendant, however, will not result in a cancellation of the patent, which can only be requested by means of specific proceedings before the court.

The idea behind the filing of this type of criminal complaint is to hold the infringing party, the director or administrator of a company, personally liable for his acts, with imprisonment as a penalty, if convicted. A criminal complaint must be preceded by a search and seizure order whereby the so called “vestiges of the crime” or **corpus delicti** are assembled and placed before two court experts who identify the evidence and prepare an official report of their

findings. The purpose of this procedure is to collect irrefutable evidence that the infringement is taking place.

CIVIL ACTION

In General A civil action may be used to obtain an injunction against the infringer, under penalty of a daily fine, coupled with a request for damages.

Action to Claim Ownership of Patent - An action to claim ownership of a patent is not provided by the Industrial Property Law, but it is admitted under the general principles of law which regulate declaratory judgment actions. This is recognized as the only way to assure the inventor the proprietary rights under a patent which was granted to a third party. The patent rights will be assigned to the inventor, under judge's order.

NATURE OF INFRINGEMENT

Patent Rights - The following acts constitute violation of patent rights:

- (1) *the manufacture of an invention subject of a patent, without the consent of its owner;*
- (2) *the use of means or process which is subject of patent rights,*
- (3) *exportation, sale, exhibition and offer for sale of a product in violation of a patent of invention or that is obtained by a patented means or process for economic purposes;*
- (4) *importation of a product in violation of a patent of invention for economic purposes that has not been placed on the external market directly by the proprietor or with his consent.*
- (5) *supplying a component of a patented product, or material or equipment for carrying out a patented process, provided that the final application of the component, material or equipment necessarily leads to the exploitation of the subject matter of the patent.*

ACTION FOR DAMAGES

A civil action for damages can be brought by the owner of the patent to obtain recovery from the losses caused by the violation of his rights. A compensation will be determined by the benefits the injured party would have obtained had the violation not occurred. Loss of profits will be fixed following a criterion most favorable to the injured party, viz:

- I. *The benefits that would have been obtained by the injured party should the violation had not occurred;*
- II. *The benefits obtained by the perpetrator of the violation; or*
- III. *The remuneration the perpetrator of the violation would have paid to the holder of the violated rights under a license that would have lawfully authorized the use of such rights.*

INJUNCTION

In order to avoid irreparable damages or damages difficult to remedy, the judge may grant, on the proceedings record, a temporary injunction determining for interruption of a violation or of an act leading to a violation, prior to citation of the defendant, also demanding for posting or a fiduciary bond, if deemed appropriate. The granting of a preliminary injunction will depend on the proof submitted by the owner of a patent of his better rights and the infringement. Permanent injunctions are obtained only when court gives a decision on the final merits.

CONFISCATION

Confiscation of products may be obtained at a decision by the court on final merits. In general, an order for the destruction of goods is not available.

CUSTOMS ACTION

The law does not provide for customs remedies regarding patents. However, it does provide that customs authorities may ex officio or upon request of an interested party seize, at the time of checking, any products bearing falsified, altered or imitated trademarks or false indication of provenience. Such provision can thus be used to obtain seizure of the infringer goods by means of a court order.

COPYRIGHT

Nature. In General

Under current law,¹ copyright protection is available to all creations of the spirit fixed in any medium of expression.

CREATION OF RIGHTS

A work does not need to be registered in the competent office to be protected. The registration merely constitutes prima facie proof of authorship. Copyright protection arises automatically regardless of any registration. However, the law provides for a registration which is declaratory of rights. Nevertheless, registration in Brazil provides greater certainty that the work is properly protected, and it constitutes readily available evidence when needed.

The author is the owner of the copyright and the moral rights. According to Brazilian law, moral rights are not assignable.

BENEFICIARIES OF RIGHTS

Under Brazilian law, it is presumed that the author is the person in whose name the work was first registered, unless proven otherwise. If the identity of the author is unknown, the rights under the work belong to the first person who published it. However, if the author becomes known, he will have his rights vested, subject to the rights already acquired by third parties.

DURATION

Copyright lasts for the author's life. The remaining successors will benefit from copyrights inherited from the author for a period of 60 years, counting from 1 January of the year

subsequent to the author's death. In the case of works of joint authorship, the term of protection in the event of descent or other type of succession will be the same as single authorship, and such term will be counted as from the date of the death of the last surviving author. For anonymous authorship, the term of copyright protection will be 60 years, counted as from 1 January of the year immediately subsequent to the first publication.

TRANSFER

Copyright may be assigned, in whole or in part, except as to the author's moral rights, which are not assignable. The assignment must be executed in writing, and it is presumed to be for valuable consideration.

1 - Law 5.988 of 14 December 1973.

INTERNATIONAL ASPECTS

Brazil is a member of the Bern Convention since its promulgation by means of Decree Number 115.53 of 21 June 192 ad of the Washington Convention, as ratified on 18 May 1949.¹ Foreign protection is extended by law to Brazil on the basis of reciprocity, irrespective of registration which, as mentioned above, merely constitutes prima facie proof of ownership.

Following five years of negotiations, Brazil and another 125 countries focused on protection in computer programs via a new international treaty on intellectual property. In December 1996, a Diplomatic Conference established a new treaty aiming to achieve a balance between author's interests in protecting their work and public and industry interests. The main point of the treaty is to allow development and use of new technologies without causing damages to authors' rights. Important provisions are set forth by this new treaty, such as the right of temporary copy, meaning free information and consultation, the right of limited use when profits are not involved, right of hiring, and the protection for 50 years of computer programs. The treaty will enter into force after ratification by 30 countries, and Brazil will be able to

evaluate whether the results reached during negotiations are adequate to the Brazilian development expectancy and to Brazilian users. If so, Brazil will certainly become a party to the treaty after its approval and ratification by the Brazilian Congress.

ATTACKS ON OWNERSHIP

According to articles 13 and 20 of the Copyright Law, it is presumed that the author is the person in whose name the work was registered, as well as the person in whose name the work is divulged, in absence of proof to the contrary. Therefore, a declaratory judgment action may be brought by the actual author of a work to have his authorship recognized.

INFRINGEMENT ACTIONS. IN GENERAL

An action based on copyright infringement must be preceded by a special preliminary measure, an inspection of the counterfeit goods in the presence of two court experts. It is advisable to carry out this measure at the same time of a search and seizure, which is effected by two court bailiffs. The main action must be filed within 30 days, counted from the date on which the search and seizure is effected.

NATURE OF INFRINGEMENT

Civil Law - In accordance with the law, a copyright infringer is required to deliver to the author the remaining inventory of the infringing work and to indemnify the author for infringing works which were actually sold or appraised. The author will be entitled to obtain the seizure of the samples of the work reproduced, published, or used by any means without his consent, as well as to demand the suspension of the publication or use of the work, without prejudice to a request for damages.

The person who sells, or exposes for sale, an infringing work must be jointly responsible to the infringer and, if the copy has been made in a foreign country, the importer and distributor will also be considered as infringers. Transmissions, retransmissions, reproductions, or publications made by any means without the consent of the copyright owner also are

considered infringement works. The author of any copyrighted work has the right to be identified as the author of such work. The person who fails to indicate the name of the author will be liable to divulge the name of the author, who will be entitled form compensation based on infringement of moral rights.

Criminal Law - Under criminal law, the reproduction by any means, of intellectual work, sound recordings, or video tapes, in whole or in part, for the purpose of commerce, without express consent of the author, as well as the sale, exposure for sale, entry into Brazil, acquisition, hiding, or maintenance in stock for sale, of the original or copy of intellectual work, sound recording, or video tapes is a violation of copyright, with imprisonment as a penalty.

TRADE AND SERVICES MARKS

NATURE. IN GENERAL

Brazil is a first to file country, thus, the first party to file an application for trademark registration is the one to have rights over that trademark (attributive system). All rights derive from registration, despite the legitimate creation and use of the mark elsewhere. The attributive system has two exceptions that are now expressly foreseen in the new law:

- (1) the well known mark (trade or service mark) under article 6 bis of the Paris Convention, will enjoy special protection, independently of whether they have been previously filed or registered in Brazil.
- (2) the protection granted to any person who in good faith at the date of priority or of the application was using an identical or similar mark for at least 6(six) months in the country, to distinguish or certify a product or service that is identical , similar or akin, will have preferential right to registration

Principles against unfair competition and parasitism shall also be applicable to protect unregistered marks, showing that the attributive system is not absolute when referring to clear violation of the legal rules of competition.

The Industrial Property Law provides for the definition of product or service mark, certification and collective marks. Brazilian law has introduced the concept of certification and collective marks and at the same time abolished the house mark. It also sets forth the registration of famous mark, which has a different concept from the well-known mark of article 6 bis of the Paris Convention. This kind of registration confers a special protection of a certain mark in all classes of goods and services.

CREATION OF RIGHTS

Usually, from the filing date of the trademark application up to the granting of its registration, a 24 months period elapses. However, this period shall be reduced with the new filing system which has cut down the possibilities of appeal, making it easier for an application to become a registration. As mentioned above, Brazil uses the first-to-file system. Trademark rights arise if the trademark is registered with the PTO. The certificate of registration is prima facie evidence of the exclusive right to use of the mark in connection with the identified products or services. It is always advisable to register one's mark expeditiously to avoid piracy, despite the fact that Brazil has put into its internal law the protection of well-known mark and for the user that was using the trademark in good faith. Trademarks of foreign origin may be filed in Brazil, claiming priority rights based on international conventions to which Brazil is signatory, provided that the country of origin grants reciprocal rights for the registration of Brazilian marks.

After a trademark application is filed with the PTO, the protocol staff will be responsible for examination of the application to determine compliance with the minimum requirements to receive a filing date. Once a trademark application is filed, it will be submitted to a preliminary formal exam, which will be limited to verification of the official filing form, labels and proof of payment of filing fee. If the application is in due order concerning those provisions, it will receive a serial number and a filing date.

If any of those formalities are not met, the PTO will request that applicant provides the missing documents in a period of five days. If such request is not complied with, the application will be retrieved and deemed as never having being filed.

Filing date will be considered as having been made on the date of presentation of the application once all filing requirements have been met.

The application will be published in the Official Gazette for third parties' acknowledgment and for the filing of eventual oppositions, which must take place within a period of sixty days. If the opposition is based on a bad faith request for registration or on a well-known trademark, the opposer will have sixty (60) days as of filing of the opposition to apply for his trademark. Once the period for opposition has elapsed or, if it has been filed, examination will be conducted after the period for reply.

After publication of the application, trademark examiner shall examine the application to determine whether it meets the formal legal requirements necessary to obtain a registration and if it complies with all the rules of the Industrial Property Law. For instance, if the mark is found to be confusingly similar to another mark previously registered, the Examiner will not grant the application. During such examination, the Examiner will conduct a search of trademark registrations and pending trademark applications to determine whether any conflicting marks will be verified in view of the existing prior trademark applications and/or registrations.

If any of the formal requirements are not met, an office action will be published in the Official Gazette. Any office action issued must be responded within sixty (60) days as from its publication in the Official Gazette under penalty of abandonment of the application. The examiner has no discretion to extend the response period, which is set by the law. Nevertheless, if the requirements made in the office action are partially addressed, the examiner, at his sole discretion, may grant an extension of time for completion of the remaining requirements. Once examination has been concluded, a final decision will be issued, allowing or rejecting the application.

However, in certain circumstances, proceedings taking place outside the confines of the examination will have an effect on the final disposition of the application. The new guidelines set forth that where those proceedings have not been concluded by the time the application is in a condition for a final decision, a publication suspending prosecution of the application will be made, pending resolution of those external proceedings. In this case, the applicant may

request removal of the application from suspension by submitting arguments to convince the examiner.

Applicants may only file an appeal against a rejecting decision. Under the new law, effective as of May 1997, possibility of appeals against granting decisions is eliminated, thus speeding up trademark proceedings. Therefore, if no appeals are filed against refusal of a trademark, the application will be published as abandoned, ending the administrative sphere.

Once the application is allowed, a subsequent sixty (60) day term is automatically opened for the applicant to pay the final fees for issuance of the corresponding registration certificate. Registration will then be published in the Official Gazette, said publication being considered as granting date for the registration.

BENEFICIARIES OF RIGHTS

Any private individuals or private or public legal entities may apply for registration of a mark. private legal entities may apply for the registration of a trademark only when this relates to the activity effectively and lawfully performed by the applicant directly or through an undertaking directly or indirectly controlled by applicant, such a condition to be stated in the application. The registration of a collective mark may only be requested by a legal entity representing a group and able to exercise an activity different from that of its members and of a certification mark can only be requested by a person without any direct commercial or industrial interest in the product or service being certified.

MAINTENANCE

Trademark protection is perpetual, provided that the registration is renewed after each 10-year period. In accordance with the new Trademark Law, the use of a registered trademark must be initiated within five years from the date of registration, under penalty of forfeiture to be declared on request of a third interested party. The new law has extended the period of tolerance of the non-use from two to five years, thus, complying with the TRIPS that Brazil ratified in 1994, which requires a minimum of three years for the use of a mark.

TRANSFER

License - The proprietor of a registration or the applicant of an application for registration may enter into a license contract for use of a mark, without prejudice to his right to exercise effective control over specification, nature and quality of the respective products or services. Contracts must clearly indicate their objects, remuneration or royalties, term of duration and execution. Although it is not necessary to record license contracts to validate proof of use, such agreements still must be recorded at the PTO in order to be effective in regard to third parties.

Assignment - A trademark may be assigned without the goodwill of the business. Identical or similar marks for the same goods or services in the name of the same owner must be assigned simultaneously to the same assignee under penalty of cancellation of the registrations not assigned or shelving of the applications not included in the assignment.

ADMINISTRATIVE CANCELLATION PROCEEDING

Within 180 days from the issuance of the registration, third parties or the PTO may start cancellations proceedings to have the decision which granted the registration administratively revised. Such action is published in the Official Gazette and, as from this publication, a 60 day term runs for the trademark owner to answer the cancellation petition. Once the period referred has passed and even if no response has been presented, the procedure will be decided by the President of the PTO, thereby terminating the administrative instance.

Registrations may also be challenged in court by the PTO or by any party having a legitimate interest, provided it has been issued contrary to any law provisions. The time limit to institute cancellation proceedings in court expires in 5 years counted from the registration date. Cancellations proceedings must be entered in a Federal Court, and the PTO, when not a plaintiff, will participate in the litigation as an intervening party. The time period for reply by the defending owner of the registration is 60 days. Upon rendering of a final court decision on a cancellation procedure, the PTO will publish its conclusion for the benefit of third parties. A

great innovation of the new law is that the judge may, in the documents of the nullity action, grant an injunction suspending the effects of the registration and of the use of the mark, provided the appropriate procedural requirements are met. In this way, it is not necessary to file a preliminary injunction before the ordinary action, reducing substantively costs of the procedure.

INTERNATIONAL ASPECTS

Brazil acceded to the entirety of the Stockholm Revision of the Paris Convention on the Protection of Industrial Property, as set forth in Decree Number 635, of 21 August 1992. Since 1991, Brazil has applied articles 6 bis, 8 and 10 bis of the Paris Convention to cancel registrations and refuse applications of well-known marks unduly obtained by local individuals. With the new law application of article 6 bis of the Paris Convention became mandatory, complying with the above mentioned tendency. To obtain a favorable decisions proprietors of a well-known mark shall demonstrate that the use of that trademark by a third party would indicate a connection between those goods or services and the legitimate owner of the well known mark and that the registration of the trademark was made in bad faith. Owners of these marks must prove the filling of an application for the registration of the mark in accordance to Brazilian Law within 60 days.

ATTACKS ON OWNERSHIP

PRIOR USERS

As mentioned above, a trademark registration may be reviewed in the administrative sphere if it was granted in conflict with the provisions of the Brazilian law.

PUBLIC INTEREST

The PTO can request administrative cancellation of a registration.

INFRINGEMENT ACTION. IN GENERAL

Civil Actions - An ordinary action, which must be filed within five years counting from the date on which the infringement first took place, is used to compel the pirate to stop infringing the mark, under penalty of a daily fine, coupled with a request for damages. Civil actions need not necessarily be preceded by civil search and seizure.

Criminal Action - As mentioned above for cases of patent infringement, a criminal complaint may be filed based on trademark infringement.

NATURE OF INFRINGEMENT

The following events are considered as infringements of registered trademarks:

- (1) *reproduction of a registered trademark in whole or in part, without authorization of the owner, or imitates it in such a manner that may lead to confusion;;*
- (2) *modifies the registered trademark of a third party already in use on a product placed on the market;*
- (3) *import, export, sale, offer or display for sale, conceals or keep in stock of a product marked with an unlawful reproduction or imitation, in whole or in part, of a third party's trademark and a product from its industry or commerce, held in a vessel, container or package carrying a trademark legitimately belonging to a third party.*

INJUNCTION

Temporary injunctions may be obtained against the infringer by request to the judge. The granting of the preliminary injunction will depend on the proof offered by the owner of the trademark of its better rights and the infringement. Permanent injunctions are only obtained at a decision on final merits. The judge may, in the course of a cancellation proceeding grant an injunction to suspend validity of the registration and interrupt use of the trademark, provided that procedural requirements are properly complied with.

CONFISCATION

The confiscation of a product may be obtained at a decision on final merits. However, as a temporary injunction, the interested party may request seizure of a falsified, altered or imitated trademark at its origin or wherever it can be found, prior to use for criminal purposes and destruction of a counterfeited trademark on packages or products before these are distributed, even such packages or products themselves have to be ultimately destroyed

CUSTOMS ACTION

The customs authorities may, ex officio or, upon request of an interested party, seize, at the time of checking, any products bearing falsified, altered or imitated trademarks.

TRADE AND SERVICE NAMES

NATURE. IN GENERAL

The protection granted to a trade name is national, but it can be restricted to certain areas of Brazil and a field of activity if a conflict with another trade name arises. The rights to the trade name result from its use, and the registration of the by-laws on the Registry of Commerce is not mandatory but a mere element of proof. Article 8 of the Paris Convention sets forth the protection for trade name regardless of registration.

According to the Law of the Public Registry of Companies¹, the protection to the trade name results automatically from the registration of the by-laws and/or articles of incorporation on the Registry of Commerce. The trade name should respect the principles of truthfulness and novelty.

CREATION OF RIGHTS

The exclusivity assured by the Brazilian Constitution, by the Paris Convention and by ordinary laws provide not only a positive right to use a trade name, but also a negative right to prevent third parties from using the trade name. According to Law Number 8.934 of 18 November 1994, protection of a trade name will be assured automatically from the filing of the

by-laws of the company with the Board of Trade. However, such filing is not necessary for the protection, as Brazil is a member of the Paris Convention, which grants protection to trade names regardless from any registration.

BENEFICIARIES OF RIGHTS

Any national or foreign company, enterprise, corporation, or individual firm may be beneficiaries of rights in a trade name.

MAINTENANCE

The registration of a trade name with the Board of Trade will be kept in force and will last for the company's life. To keep its registration, the company must file a petition or any other brief at least each 10-year period. If no filing is made during the 10-year period, the company must inform the Board of Trade that it still intends to continue its activities, under penalty of having its registration canceled ex officio. A company incorporated for a determined term will have its registration canceled as soon as its term expires. However, since registration is not mandatory for the protection of a trade name, it is protected while in use.

TRANSFER

The firm name, trade name, service name, and trade sign can be assigned only together with goodwill. Decree Number 916/1890, still in force, prohibits the acquisition of a trade name independent from its goodwill.

CANCELLATION

Article 3, paragraph 2, of Law Number 6.404 provides that, if the trade name is identical or similar to the trade name of an existing company, the latter has the right to request its cancellation or modification, either in administrative proceedings or in court, coupled with a request for damages. Court decisions provide for terms of 10 years or 20 years to file an action for violation of a trade name and five years to obtain compensation.

UTILITY MODELS

Utility models are subject to the same rules and procedures as apply to patents.

INDUSTRIAL DESIGNS

NATURE. IN GENERAL

An industrial design is considered to be any ornamental plastic form of an object or any ornamental combination of lines and colors that may be applied to a product, providing new and original visual result in its external configuration, and that may serve as a type of industrial manufacture. In order to register an industrial design, basically three requirements must be met, which are: novelty, originality and industrial use. The concept of industrial designs given by the new law was extended, covering what was previous defined as industrial models.

NON REGISTRABLE INDUSTRIAL DESIGN

An industrial design is not registrable for:

- (i) *that which is contrary to moral and good customs or which offends the honor or image of people or is contrary to the liberty of conscience, belief, religious cults or ideas and feelings worthy of respect and veneration;*
- (ii) *the necessary common or ordinary shape of an object or, further, that which is determined essentially by technical or functional considerations.*

BENEFICIARIES OF RIGHTS

It is important to mention that the new industrial property law has introduced a new type of protection for industrial designs. Instead of being protected by patents, they are now subject to registration, thus conferring a more effective protection. An application for an Industrial Design registration may be filed by the author, his or her successors, by the assignee or by

whoever the law or a work service contract determines to be the owner. When created jointly by two or more persons, registration may be applied for by all or anyone of them. The author will be named and qualified, but he may request his authorship not to be divulged.

If two or more authors have independently devised the same Industrial Design, the right to obtain a registration will be assured to whoever proves the earliest filing, regardless of the dates of invention or creation.

Notwithstanding, a person who, in good faith, prior to the date of filing or of the priority of an application for registration, already exploits the subject matter in this country, will be guaranteed the right to continue exploitation in the previous manner and conditions, without onus.

APPLICATION FOR INDUSTRIAL DESIGN:

An application for an Industrial Design registration must contain:

- (1) a form;
- (2) specification and claims if applicable;
- (3) drawings and/or photographs;
- (4) field of application of the object, and
- (5) evidence of payment of filing fee.

CREATIONS OF RIGHTS

A Certificate of Registration gives the owner the right to prevent third parties from manufacture, use, offer for sale, sale or import for any purposes without his consent. The right conferred by this registration can be assigned, by transfer or lease, but together with the business or enterprise or part thereof, which has direct relation to exploitation of the object of registration.

Prosecution of the application: Once presented, the application will be submitted to a formal preliminary examination and, if in due order, will be filed, the filing date being

considered to be the date of the presentation. The application will be immediately published and the registration simultaneously granted, being the respective certificate issued. It is important to mention that if all conditions required by law are met, protection is automatically granted, without any opinion on its merit. A registrant of an industrial design may, at any time during the term of registration, request examination as to novelty and originality of the object of the registration and the Patent Office will issue an opinion on merit. Depending on this decision, Patent Office may request ex officio registration cancellation based on the fact that registration was granted on violation of the provision set forth by law.

Term of protection - Registration confers a protection of 10 years counted from the date of filing and will be renewable for three successive periods of 5 (five) years each.

Administrative Nullity of Registration - Administrative nullity proceedings may be instituted ex-officio or at request of any person having legitimate interest within 5 years from registration grant. The legitimate interest may also be a confusingly similar trademark registration or a previous patent for Industrial Design or Model. A request or ex officio institution will suspend the effects of grant of a registration if presented or published within 60 days from grant.

The registrant will be notified to respond within 60 days counted from the date of the publication and after that, the PTO will issue an opinion notifying the registrant and the applicant to respond within 60 days. Even if no responses have been presented, the process will be ruled upon by the president of the PTO thereby finishing the administrative instance. Nullity proceeding will continue even when the registration is extinct.

Judicial Cancellation Proceeding - Same provisions established for patent are applicable to industrial designs.

Maintenance - The owner of a registration is subject to the payment of a quinquennial fee as of the second quinquennial fee from the filing date and payment of the second quinquennial fee will be made during the 5th year of the term of the registration.

INDUSTRIAL DESIGN INFRINGEMENT

A crime is committed against an industrial design registration by one who:

- (i) exports, sells, exhibits or offers for sale, maintains in stock, hides or receives for economic purposes, an object that illicitly incorporates a registered industrial design, or a substantial imitation thereof that may lead to error or confusion;
- (ii) imports a product that incorporates an industrial design registered in this country, or a substantial imitation thereof that may lead to error or confusion, for economic purposes, and which was not placed on the external market directly by the registrant or his consent.

Legal Remedies - Considering that Industrial Design infringement is a criminal offense and a civil tort, the owner of a registration may apply for injunctive reliefs in the criminal and in the civil area.

Criminal Actions - Under criminal law, the owner of a registration may file a criminal complaint based on Industrial Design infringement. The criminal action may only be instituted by owner of the registration. Licensee cannot institute such kind of action since he has no proprietary rights on the design. A criminal complaint must necessarily be preceded by a search and seizure order whereby the so-called vestiges of the crime or corpus delicti are assembled and placed before two court experts who identify the evidence and prepare an official report of their findings. The purpose of this procedure is to collect irrefutable evidence that the infringement is taking place.

Penalties may be up to one year imprisonment and fines, which may be increased by one third to one half when the party was a representative, proxy, agent, partner or employee of the registrant or, further, his licensee.

The police may be requested to effect raids to seize the infringing goods and customs may be incited by court to seize imports of counterfeit products.

Civil Actions - Usually the competent court to review such actions is the state court of the defendant's domicile, and in case of more than one defendant living in different states, plaintiff may choose one of these state courts as he desires. In some cases, plaintiff may choose the state court where the infringement act is taking place. No Jury Trial is available in such cases, which are decided by one judge at the State Courts and by a three Justice panel at the Court of Appeals. Temporary and permanent injunctions may be obtained under request of the plaintiff to the judge against the infringer. The judge may grant a preliminary relief on an extra parte basis. The granting of a preliminary injunction will depend on likelihood of prevailing on the merits and on the risks of irreparable harm. Permanent injunctions are only obtained at the final merit's decision. As opposed to the previous system, the same civil action may now combine injunctive claims for infringement and recovery of damages. The new law also sets forth new criteria for assessment of damages namely: loss of profits, illegal enrichment or reasonable royalties, whichever is higher.

Alternative Protection Available for Industrial Designs - Besides specific registration that may be obtained with the PTO to protect Industrial Designs, it is still possible to obtain protection through trademark registration and copyright. The new Industrial Property Law, also brought major changes regarding trademark protection, stating that any visually perceptible, distinctive sign, when not prohibited under law shall be susceptible of registration as a mark. However, the necessary, common or usual shape of a product or its packaging or, shapes that cannot be disassociated from a technical effect cannot be registered as a trademark. To sum up, it is possible to secure registration of trademarks consisting in the form of the product or of the packaging, provided they are distinctive and have no technical effect.

The major advantage of a trademark registration is that it can be renewed forever, being however submitted to strict preliminary exam before getting registration, and to cancellation actions due to non-use during its whole validity.

Brazil is also a member of the Bern Convention, granting protection through copyright despite any kind of registration, and according to Law No. 5,998 of December 14, 1973, protection is granted during the lifespan of the author's design and 60 years after his death to pieces of design, painting, printing, sculpture and lithography.

Thus, considering that a design fulfills all the requirements needed for obtaining trademark and industrial design registration and copyright protection, it is possible to get simultaneously, three kinds of protection for a design, namely: trademark and industrial design registration and copyright.

AESTHETIC DESIGNS AND PATTERNS

In Brazil, there is no specific protection for aesthetic designs and patterns. However, they may be protected as copyrights, patents, and trade marks, and under the provisions of unfair competition.

LICENSING

Technology Transfer, Technical Assistance, Licensing and Franchising

The P.T.O. will process the recording of contracts regarding transfer of technology, franchising and the like so that these can be effective in regard to third parties. The recording of such agreements is a sine qua non condition to allow the remittance of payments abroad and for the fiscal deduction of such payments by the local company.

According to Directive No. 135 of April 15, 1997, the agreements shall indicate their object, remuneration, term of validity and execution and further clauses. The application for recordal shall contain an original copy of the agreement, legalized with the Brazilian Consulate, its translation into Portuguese, a letter-request explaining the reasons of the agreement, filing form, as adopted by the PTO, and proof of payment of filing fee.

TAX RULES

For almost 30 years, Brazilian legislation did not allow the tax deduction of royalties related to the license of patents and trade marks and for the payments regarding the technical assistance between a Brazilian subsidiary and a foreign parent company.² The government also

prohibited the remittance of royalties between these companies, specifically when they referred to trade mark and patent license agreements.³ Law No. 8,383 of 30 December 1991 introduced several innovations in the Brazilian tax system and changed the rules applying to the payments of royalties made by a local subsidiary to its parent company abroad. To stimulate foreign investment in Brazil, the new law extinguished many of the existing restrictions.

1 Directive Number 22/1991, art. 14, paragraph 1.

Article 50 of Law No. 8,383/91 authorizes the tax deduction of payments of royalties for technical assistance made by a Brazilian subsidiary to its foreign parent company and permits the remittance abroad of those payments. Consequently, after the enactment of Law No. 8,383/91, the payment of royalties by a Brazilian subsidiary to its parent company abroad can be remitted abroad and deducted for tax purposes locally, provided that the agreement has been recorded by the P.T.O. .

To encourage the exchange of technology, Presidential Decree No. 1157 of 21 June 1994 reduced to zero the rate of the tax on financial transactions of payments arising from technology transfer agreements recorded with the P.T.O..

FRANCHISE AGREEMENTS

The franchise law came into force on 15 February 1995. to allow the remittance of royalties from a Brazilian franchisee to a foreign franchiser, franchise agreements shall be recorded with

the P.T.O. and registered with the Central Bank of Brazil. The law imposes a mandatory condition on the execution of franchise agreements: An offering circular (“basic disclosure document”) which must contain:

- (1) *the franchisers background, balance sheets, and financial statements relating to the last two fiscal years;*
- (2) *an accurate report on all pending court proceedings involving the franchiser, its parent companies, and owners of intellectual property rights;*
- (3) *a detailed description of the franchise;*
- (4) *a profile of the “ideal franchisee”;*
- (5) *estimated initial investment required for the franchise purchase, implementation, and beginning of operation;*
- (6) *value of the initial membership fee or franchise and guarantee fee;*
- (7) *estimated value of the installations, equipment, and initial inventory;*
- (8) *payment terms and accurate information with regard to periodic fees and other values to be paid by the franchisee to the franchiser; and*
- (9) *royalties, advertising fees, and minimum insurance.*

² Law No. 4,506/1964, arts. 52 and 71.

³ Law No. 4,131/1962, art. 14.

ⁱ Law 9.279 of May 15, 1996