

## **Brazil**

**Felipe Barros Oquendo<sup>1</sup>**

### **1. Scope of Legal Protection of Intellectual Property Rights in Brazil**

In Brazil, intellectual property is regulated by distinct legislations. Trademarks, patents, industrial designs, geographical indications, and norms for prohibiting unfair competition are regulated by the Brazilian Industrial Property Law (LPI)<sup>2</sup>. Copyright<sup>3</sup>, as well as computer programs<sup>4</sup>, are regulated by specific legislation, distinct from those intended for the protection of industrial property. Brazil also provides specific legal protection to cultivars<sup>5</sup> and topography of integrated circuits<sup>6</sup>.

Brazil is a signatory to most of the International Treaties that seek harmonization and grant a minimum level of protection for intellectual property: the Berne Convention, the Treaty of Rome, the Paris Union Convention, the Patent Cooperation Agreement (PCT) and the TRIPS Agreement. Hence, the protection afforded to the various types of intellectual property in our country is very similar to other signatory countries of these same treaties, and there are no general distinctions of great relevance. The points where the difference between Brazilian and foreign law have some impact are limited and will be dealt with particularly throughout this response. It is also important to notice that Brazil signed the Madrid Protocol earlier this year.

In Brazil, patents have a validity of 20 (twenty) years and utility models of 15 (fifteen) years, counted from the filing date of the patent application with the National Institute of Industrial Property (INPI). Regardless, a minimum period of 10 (ten) years of validity for inventions, and 7 (seven) years of validity, regarding utility models, counted from the grant of the patent.

Industrial design registrations are valid for 10 (ten) years from the filing of the INPI application, which may be extended for up to three new periods of 5 (five) consecutive years, totaling 25 (twenty-five) years of maximum protection.

Trademark registrations are valid for 10 (ten) years counted from their grant by the INPI, extendable for successive and indefinite periods of 10 (ten) years, at the request of the holder. In Brazil, there is no requirement to use the trademark prior to filing, and, as a rule, a registration of a trademark is granted to the first-to-file. The use of the trademark will not be required to extend the validity of the registration, but third parties may initiate a procedure for cancellation of the registration due to non-use after five (5) years of the granting.

---

<sup>1</sup> The rapporteur would like to thank his colleagues from the Study Committee in Competition from the Brazilian Intellectual Property Association – Lucas Antoniazzi, Ana Caroline Silva and Bárbara Leitão - for the inestimable aid with research and responding the questions.

<sup>2</sup> Federal Law N. 9.279 of May 16, 1996, first published in *Coleção de Leis do Brasil* - 1996, Page 1886, Vol. 5.

<sup>3</sup> Federal Law N. 9.610 of February 19, 1998, first published in *Coleção de Leis do Brasil* - 1998, Page 665, Vol. 2

<sup>4</sup> Federal Law N. 9.609 of February 19, 1998, first published in *Coleção de Leis do Brasil* - 1998, Page 659, Vol. 2

<sup>5</sup> Federal Law N. 9.456, of April 25, 1997, first published in Official Union Gazette, p. 8241, col. 1

<sup>6</sup> Federal Law N. 11.484, of May 31, 2007, first published in Official Union Gazette - Section 1 – Extra Edition -Page 9

Felipe Barros Oquendo

Di Blasi, Parente & Associates, Rio de Janeiro

Email: [felipe.oquendo@diblas.com.br](mailto:felipe.oquendo@diblas.com.br)

The protection of geographical indications depends on registration in the INPI, which, however, has only declaratory effects. Geographical indications do not have a pre-established period of validity, as they remain in force as long as the conditions for their recognition in Brazil, through the INPI, are verified.

The protection conferred by Copyright and Computer Program Rights is independent from registration, even though there are optional and declaratory registrations of these rights - in the case of Computer Programs, it should be noted that INPI itself is a registrar. The protection of the rights related to copyright works lasts the life of the author and extends for another 70 (seventy) years starting on January 1st of the year following his death. The protection granted by the computer program rights, however, lasts 50 (fifty years), counted from January 1st of the year following its publication or, in the absence thereof, from its date of creation.

The protection of the cultivars shall be effective for a period of 15 years from the date of the granting of the Provisional Protection Certificate, except for vines, fruit trees, forest trees and ornamental trees, including, in each case, graft, for which the duration will be eighteen years. Currently, the public organ that examines applications and awards cultivar certificates is the National Plant Protection System (SNPC).

The protection of the topography of integrated circuits will be granted for 10 (ten) years from the date of filing with the INPI or the first use, whichever occurred first.

### **1.1 Infringing Acts of Intellectual Property Rights**

In the case of trademarks, patents and industrial designs, the LPI explicitly determines what rights are awarded to the owners. The patent holder has, for example, the right to prevent third parties, without his or her consent, from producing, using, selling, exporting or importing for these purposes a patented product, a process or product obtained directly by a patented process, and, specifically, to prevent third parties from contributing to the above-mentioned acts, in civil as well as in criminal lawsuits. In other words, patent holders may prevent third parties, without their consent, from exploiting their invention or utility model, either by unauthorized manufacturing of a patented product or directly resulting from a patented process, and may prohibit the sale, export, stock keeping and import of the referred product. Patent infringement may be literal where all the essential elements of at least one independent claim are reproduced by an unauthorized third party or patent infringement may take place “by equivalence”, when it is restricted to the use of means equivalent to those claimed in the patent. The person who contributes to the infringement of a patent also accounts for such a contribution, including criminally.

Registered industrial designs guarantee their owners the rights to prevent the manufacture, exportation, sale, exhibition or offer for sale, maintenance in stock, concealment or receipt, for economic purposes, of an object that illicitly incorporates registered industrial design, or a substantial imitation that may mislead or confuse. Brazilian jurisprudence has established that only industrial design registrations whose merits were analyzed by the INPI or, at least, by a Court during discovery, can serve as a basis for infringement actions.

With respect to trademarks, LPI awards its owners with a right of exclusive use in the whole national territory. In addition, the owners have other protected interests, such as: (i) the right to assign their

registration or application for registration to third parties; (ii) the right to license its use; (iii) the right to ensure their material integrity or reputation. LPI prohibits unauthorized third parties from using and registering a trademark that is identical or improperly similar to another already registered, to identify identical, similar or related products or services. If the brand is considered of high reputation, its owner will enjoy exclusive rights in all branches of activity. In addition, the law prohibits the change of a trademark already affixed to a product placed on the market, as well as the importation, exportation, sale, offer for sale, concealment and stock keeping of products identified by trademarks that violate third party rights. It is important to emphasize that Brazil adopts the system of national exhaustion and prohibits the parallel importation of products inserted in the external market by the owner of the mark or by an authorized person.

The interests related to copyright are regulated by Copyright Law, which establishes that authors have the moral and patrimonial rights over their works. In the same Law, these two rights are listed and the doctrine understands that it is an exhaustive list.

The author's moral rights are<sup>7</sup>: (i) to claim, at any time, the authorship of the work; (ii) to have its name, pseudonym or conventional sign indicated or announced in the use of its work; (iii) to preserve the work unpublished; (iv) to ensure the integrity of the work, opposing to any modifications or acts that in any way could harm the reputation or honor of the author; (v) to modify the work, before or after use; (vi) to withdraw from circulation the work or to suspend any form of use already authorized, when the circulation or use implies an affront to his/her reputation and image; (vii) to have access to a unique and rare copy of the work, when it is legitimately in the possession of another, for the purpose of preserving its memory by means of a photographic or similar process, in a way that causes the least possible inconvenience to its holder, who, in any case, will be compensated for any damage caused to him.

The author's patrimonial rights include the exclusive right to use, enjoy and dispose of the literary, artistic or scientific work<sup>8</sup>.

The interests of the holders of computer programs are defined in the Copyright Law, and are the same ones conferred to the copyright holders, except for the moral rights, except for the author's right to claim the paternity of computer programs, and the author's right to oppose unauthorized changes, where they entail deformation, mutilation or other modification of the computer program, which may harm his or her reputation or honor<sup>9</sup>.

The protection of plant varieties is based in the reproductive or vegetative propagation material of the whole plant. The legal protection awarded with the plant variety registration assures its holder the exclusive right to commercial reproduction in Brazilian territory. Moreover, during the protection period, unauthorized commercial production, offering for sale or commercialization of propagating material of the plant variety will be forbidden to third parties.

Finally, the registration of integrated circuit topography gives its owner the exclusive right to exploit it, and to exclude third parties without the owner's consent from: (i) reproducing the topography, in

---

<sup>7</sup> Article 24 of Brazilian Copyright Law.

<sup>8</sup> These rights are pretty standard vis-a-vis other copyright laws, and encompass (i) partial or full reproduction; (ii) editing; (iii) adaptation, musical arrangement and any other transformations; (iv) translation into any language; (v) inclusion in phonogram or audiovisual production; (vi) distribution, when not intrinsic to the contract signed by the author with third parties for use or exploitation of the work; etc; as well as any other forms of use existing or which may be invented.

<sup>9</sup> Article 2nd, §1st of Computer Program's Law.

whole or in part, by any means, including incorporating to an integrated circuit; (ii) importing, selling or otherwise distributing, with commercial purpose, a protected topography or an integrated circuit in which a protected topography is incorporated; or (iii) importing, selling or otherwise distributing, for commercial purposes, a product that incorporates an integrated circuit in which a protected topography is incorporated, only to the extent that it continues to contain an illicit reproduction of a topography.

## **1.2 Legitimacy to Enforce IPRs**

In all cases, the rule is that the owner of the intellectual property right can take action against any infringer.

Exceptionally, the licensee can defend in its own name the right granted by the licensor. In the case of license of patents, trademarks and industrial design registrations, as well as topography of integrated circuits, the agreement must be written, expressly provide that the licensee may defend in its own name the right granted by the licensor, and be recorded with the INPI, in order that it may have effects against third parties.

Ultimately, it should be noted that compulsory licensees are always entitled to defend in court the licensed IP rights without need for the participation of or authorization from the compulsory licensor.

## **1.3 Restrictions on Obtaining or Exercising Intellectual Property Rights**

Regarding the restriction of the right to obtain a patent, it is necessary to clarify that, in Brazil, an invention that is patentable, in general, consists of a technical and concrete solution to an existing problem also applied to the technical field. Article 10 of the LPI provides what is not considered to be an invention or a utility model<sup>10</sup>.

In other words, LPI (i) excludes from the scope of patentability everything that cannot be considered as a technical solution to a technical problem and (ii) distinguishes inventions and utility models from solutions that are restricted to the field of abstract utility, such as, for example, mathematical methods that do not meet the requirement of industrial applicability.

In addition to this provision, LPI also provides in its article 18 that a patent should not contain anything contrary to public morals, values, security or health, anything that results from the transformation of the atomic nucleus, as well as all or part of living beings except for microorganisms.

In this sense, it is important to clarify that such prohibitions were motivated by political or philosophical issues, since possible inventions or utility models that meet all the patentability requirements listed in article 8 of the same law<sup>11</sup>, but fall under any of the items listed above, are not eligible for patent protection.

---

<sup>10</sup> Discoveries, scientific theories and mathematical methods; purely abstract conceptions; commercial, accounting, financial, educational, advertising, draw, and inspection schemes, plans, principles or methods; literary, architectural, artistic and scientific Works, or any aesthetic creation; computer programs *per se*; presentation of information; rules of games; surgical techniques and methods, as well as therapeutic or diagnostic methods, for application to human or animal body; all or part of natural living beings and biological materials found in nature, even if isolated therefrom, including the genome or germoplasm of any natural living being, and the natural biological processes.

<sup>11</sup> Art. 8° An invention is eligible for patentability if it meets the requirements of novelty, inventive activity and industrial application.

Regarding the restriction of the right to obtain an industrial design registration, LPI, in its article 100, indicates that designs contrary to morals, or offensive of honor or image of persons, as well as common and ordinary shapes or designs determined by technical functions cannot be registered.

That is, Brazilian legislation prohibits the registration of industrial designs of certain creations not only for political and philosophical reasons, in the same lines with the restriction set forth under article 18 of the LPI, transcribed above, but also for the only form that allows a function to be performed by the object.

Regarding the restrictions of registration of a trademark in Brazil, it should be noted that trademark protection can be granted for a product or a service, provided that the trademark is able to distinguish it from identical, similar or akin products and services. Also, only visual signs are registrable as trademarks, in accordance with article 122 of the LPI<sup>12</sup>.

In addition to this restriction on the registration of non-visually perceptible marks, such as sound, taste and olfactory marks, LPI also presents in its article 124 a series of hypotheses that restrict the obtaining of a trademark registration, such as lack of distinctiveness, immoral and official signs and signs pertaining to third parties.

Finally, it should be pointed out that, although as a rule a trademark registration in Brazil will be granted to the first applicant for a particular sign, article 129, paragraph 1<sup>st</sup> of the LPI establishes an exception to such rule for the previous good faith user: an individual (person or undertaking) who has been using a trademark in good faith for at least six months prior to the filing of the third party's trademark application has a right of precedence to its registration, provided that this prior good faith user files the trademark application in up to 60 (sixty) days counted from opposition to the third party's trademark application. It should however be noted that the interpretation of this exception is controversial and is a cause for divergence in the Brazilian Courts, especially regarding the moment in which such right should be argued.

Geographical indications cannot be registered when the geographical name has become commonly used in the designation of a product or service<sup>13</sup>.

With respect to copyrights, article 8 of the Copyright Law establishes the subject matters which are not eligible for copyright protection, such as ideas, normative procedures, systems, methods, schemes, plans or rules for performing mental acts; commonly used information such as calendars, schedules, entries or subtitles; isolated names and titles, as well as the industrial or commercial exploitation of the ideas contained in the works.

The Law of Protection of Plant Varieties determines that it is possible to protect the new plant variety, or the plant variety essentially derived from any genus or plant species. Likewise, plant varieties that have already been offered for sale up to the date of application may be protected, according to the following cumulative conditions: (i) that the application for protection be submitted no later than twelve months after the SNPC discloses the plant species and their descriptors' minimum requirements for enabling applications; (ii) that the first commercialization of the plant variety occurred within a maximum of ten years from the date of the application for protection. Therefore, failure to comply with these deadlines entails a limitation on entitlement.

---

<sup>12</sup> Art. 122. Any visually perceptible sign is eligible to trademark registration, granted that it does not fall under the legal prohibitions.

<sup>13</sup> Art. 180 of the LPI

#### 1.4 Restrictions on Asserting the Right Generally, or Against Particular Categories of Persons

Regarding the limitations on the exercise of rights arising from the granting of the patent privilege, article 43 of the LPI lists a series of uses that are free of payment or any other liens on the exploitation of patents, such as private and non-commercial use without prejudice to economic interest of the patentee, experimental use in research, etc.<sup>14</sup>:

In this sense, it should be pointed out that the interpretation of these limitations must take into account the maximum efficiency in the scope of the function of each one of them together with the minimum burden to the patentee necessary to satisfy the objectives of such free uses, since they are hypotheses of limitation to the exercise of patent right and not hypotheses of compulsory licenses.

In addition, the owner of a valid patent cannot assert its rights against a third party that in good faith explored the subject matter of the patent in Brazil before the filing/ priority date.

Regarding the limitations to the exercise of industrial design right, LPI determines in its article 109, sole paragraph, that the free uses of an industrial design are restricted to scenarios similar to patents<sup>15</sup>.

Regarding the limitation to the exercise of trademark rights, it should be clarified that Article 17 of TRIPS, an international treaty to which Brazil is a signatory, states that "*Members may establish limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties*".

Thus, in the exercise of this faculty, the LPI provides in Article 132 that an owner of a registered trademark cannot prevent use of the trademark by third parties to market or promote the original product, the use of registered trademarks in speech, as well as the circulation of a trademarked product once national exhaustion sets in<sup>16</sup>.

As an example of the application of such article, there are several hypotheses of commercial exploitation in which the citation to a third party's trademark exempts previous consent of the holder and does not constitute any illegality, as occurs when the trader cites in an advertising leaflet the trademarks of the products he has for sale in his establishment; service providers who disclose the brands of the products

---

<sup>14</sup> "(i) In a private and non-commercial manner, provided that they do not prejudice the economic interest of the patent holder; (ii) For experimental purposes, related to studies or scientific or technological research; (iii) For the preparation of a pharmaceutical product, according to medical prescription, for individual cases; (iv) Related to a product manufactured under a process or product patent that has been placed on the domestic market directly by the patent owner or with his consent; (v) In the case of patents relating to live material: the non-economic use for initial source of variation or propagation for obtaining different products; circulation and marketing of patented product which has been lawfully introduced in commerce by the patent owner or its licensee, as long as the patented product is not used for multiplication or commercial propagation of the living matter in question; and (vi) Exclusively to produce information, data and test results, in order to obtain, after the expiry date of the patent, a registration of commercialization of the patented product or of a product obtained directly by a patented process."

<sup>15</sup> "(i) acts undertaken by unauthorized third parties, in a private and non-commercial manner, since they do not harm the economic interest of the registration holder; (ii) acts undertaken by unauthorized third parties, with experimental purposes, related to studies or scientific or technological research; and (iii) a product that has been placed on the domestic market directly by the owner of the industrial design or by a third party with his consent."

<sup>16</sup> The text of the law is as follows: "I – prevent merchants or distributors from using their own distinctive signs along with the mark of the product, in its promotion and commercialization; II - prevent manufacturers of accessories from using the trademark to indicate the purpose of the product, provided that fair competition practices are followed; III – prevent the free circulation of a product placed on the domestic market by himself or by another with his consent; and IV – prevent the mention of the trademark in a speech, in a scientific or literary work, or in any other publication, provided it is done without commercial connotation and without detriment to its distinctive character".

they are able to repair; a specialized magazine or a measuring or supervisory entity publishes the results of comparative tests of performance between certain trademarked products or services; and an artist quotes another's trademark on the lyrics of a particular song or the plot of a movie, play, or book.

In this sense, it should be pointed out that the exercise of trademark rights may also be limited when the trademark is not used, that is, the non-fulfillment of its social function in the market, in as much as Article 143 of LPI provides that rights relating to a trademark may be extinguished if, after five (5) years of its grant, and without sufficient justification the use of the trademark has not been initiated in Brazil, the use of the trademark has been interrupted for more than 5 (five) consecutive years, or, for the same period, the trademark has been used with a modification that implies a change in its original distinctive character.

Regarding the limitations to the exercise of copyrights, it should be clarified that the Brazilian Copyright Law temporarily limits the property rights related to a particular work, determining, in its article 41, that the author may enjoy its right during its entire life, and that successors may also do so, but for only seventy (70) years, counted from the first day of January of the year following the death of the author.

In addition, the Copyright Law also limits the exercise of copyright with the hypotheses of free use found in its articles 46 (legal exceptions)<sup>17</sup>, 47 (parody/ paraphrase exception)<sup>18</sup> and 48 (panorama exception)<sup>19</sup>.

---

<sup>17</sup> Article 46 - The following shall not constitute violation of copyright:

I - the reproduction

- (a) in the daily or periodical press of news or informative articles, from newspapers or magazines, with a mention of the name of the author, if they are signed, and of the publication from which they have been taken;
- (b) in newspapers or magazines of speeches given at public meetings of any kind;
- (c) of portraits or other forms of representation of a likeness, produced on commission, where the reproduction is done by the owner of the commissioned subject matter and the person represented or his heirs have no objection to it;
- (d) of literary, artistic or scientific works for the exclusive use of the visually handicapped, provided that the reproduction is done without gainful intent, either in Braille or by means of another process using a medium designed for such users;

II - the reproduction in one copy of short extracts from a work for the private use of the copier, provided that it is done by him and without gainful intent;

III. the quotation in books, newspapers, magazines or any other medium of communication of passages from a work for the purposes of study, criticism or debate, to the extent justified by the purpose, provided that the author is named and the source of the quotation is given;

IV - notes taken in the course of lessons given in teaching establishments by the persons for whom they are intended, provided that their complete or partial publication is prohibited without the express prior authorization of the person who gave the lessons;

V - the use of literary, artistic or scientific works, phonograms and radio and television broadcasts in commercial establishments for the sole purpose of demonstration to customers, provided that the said establishments market the materials or equipment that make such use possible;

VI - stage and musical performance, where carried out in the family circle or for exclusively teaching purposes in educational establishments, and where devoid of any profitmaking purpose;

VII. the use of literary, artistic or scientific works as proof in judicial or administrative proceedings;

VIII. the reproduction in any work of short extracts from existing works, regardless of their nature, or of the whole work in the case of a work of three-dimensional art, on condition that the reproduction is not in itself the main subject matter of the new work and does not jeopardize the normal exploitation of the work reproduced or unjustifiably prejudice the author's legitimate interests.

<sup>18</sup> Article 47

Paraphrases and parodies shall be free where they are not actual reproductions of the original work and are not in any way derogatory to it.

<sup>19</sup> Article 48

Works permanently located in public places may be freely represented by painting, drawing, photography and audiovisual processes.

In this sense, it is necessary to clarify that in Brazil all of the above described hypothesis must be interpreted restrictively, so that all the requirements described in each one of them must be respected in order not to characterize a copyright infringement<sup>20</sup>.

With regard to software, the Computer Program's Law provides in its article 6 some acts that do not constitute an offense against the rights of the holder of software rights, such as reproduction for backup, didactic use, merely functional similarities and integration exception<sup>21</sup>.

The Law on Protection of Cultivars states in its article 10 acts undertaken by third parties that are not considered a violation of right to property on the protected cultivar, such as reservation and planting of seeds for own use, use in research, use in familial context, etc<sup>22</sup>.

Finally, regarding the topographies of integrated circuits, Federal Law N. 11.484 provides that the rights conferred by the registration cannot be exercised in some cases, such as use in research, exhaustion of rights and independent creation<sup>23</sup>.

### 1.5 Compulsory Licensing Provisions

In general, the mechanism of compulsory licensing has been used by several members of the World Trade Organization in relation to the pharmaceutical market, for the following purposes: (i) meeting the domestic demands of certain countries in specific cases of public health need, and (ii) as a remedy against anticompetitive conduct of certain players.

---

<sup>20</sup> For further information and deeper analysis of this subject, we direct the reader to the Brazilian Group's Report to LIDC on limitations of copyright: F. B. Oquendo, Brazil. In: B. Kilpatrick, P. Kellezi and P. Kobel (ed), *Antitrust Analysis of Online Sales Platforms & Copyright Limitations and Exceptions*, LIDC, Springer, pp. 375-389.

<sup>21</sup> <sup>21</sup>: (i) the reproduction, in a single copy, of a copy legitimately acquired, provided that it is intended for backup or electronic storage, in which case the original copy will serve as a safeguard; (ii) the partial citation of the software for didactic purposes, provided that the software and the respective rights holder are identified; (iii) the occurrence of similarity of a software to another, pre-existent, when due to the functional characteristics of its application, observance of normative and technical precepts, or limitation on alternative expressions; (iv) the integration of a software, maintaining its essential characteristics, to an application or operational system, which is technically indispensable to the needs of the user, provided that it is for the exclusive use of the person who promoted such integration.

<sup>22</sup> The text of the law provides the following: "(i) reservation and planting of seeds for own use, in its own establishment or in the establishment of third parties whose possession the person holds; (ii) use or sales as food or raw material the product obtained from its planting, except for reproductive purposes; (iii) use of the plant variety as a source of variation in genetic improvement or scientific research; (iv) being a small rural producer, multiplying seeds, for donation or exchange, exclusively for other small rural producers, in the context of programs for the financing or support of small rural producers, conducted by public agencies or nongovernmental organizations authorized by the Government; (v) multiplication, distribution, exchange or commercialization of seeds, seedlings and other propagating material in the capacity of family farmer or family undertaking that meet the criteria of the law."

<sup>23</sup> "(i) acts undertaken by unauthorized third parties for purposes of analysis, evaluation, teaching and research; (ii) acts consisting in the creation or exploitation of a topography resulting from the analysis, evaluation and research of protected topography, provided that the resulting topography is not substantially identical to the protected one; (iii) acts involving the importation, sale or distribution by other means, for commercial or private purposes, of integrated circuits or products incorporating them, put into circulation by the holder of the respective integrated circuit topography registry or with their consent ; (iv) acts of import, sale and distribution for commercial purposes of protected topographies, when practiced or determined by those who did not know, on the occasion of obtaining the integrated circuit or product, or had no reasonable basis for knowing that the product or the integrated circuit incorporates a protected topography, unlawfully reproduced; and (v) the holder of the integrated circuit topography registration may not exercise its rights in respect of an identical original topography that has been independently created by a third party".

In Brazil, the LPI deals with compulsory licenses exclusively for patents, describing the hypotheses in which a compulsory license must be granted and establishing the development and phases of the process of granting such license.

According to the LPI, a compulsory license may be granted for the following reasons:

- (a) the insufficiency of exploitation of a patent;
- (b) The abusive exercise of the patent rights;
- (c) the dependence of another prior patent on its exploitation; and
- (d) Public interest or national emergency.

In Brazil, compulsory licenses will always be granted without exclusivity, and the act of granting a compulsory license must always establish the term of validity of this license and the possibility of its renewal.

Outside the scope of the Industrial Property Law, there is provision for compulsory licensing of intellectual property rights in the Law of Protection of Plant Varieties and in the Law that establishes the protection of Topographies of Integrated Circuits.

In the first case, the license shall be granted for a maximum period of three (3) years, at the request of an interested party demonstrating that the granting of the license is necessary to achieve availability of the plant variety in the market at reasonable prices, where maintenance of regular supply is unreasonably impeded by the right holder, or regular distribution of the plant variety and maintenance of its quality, all while assuring reasonable remuneration to the right holder. Also, it is important to indicate that the compulsory license of plant varieties is subsidiarily governed by the Industrial Property Law.

As regards the topographies of integrated circuits, the law provides that compulsory licenses may be granted to ensure free competition or to prevent abuses of right or economic power by the right holder, including not meeting the market in terms of price, quantity or quality.

Ultimately, it should be noted that all compulsory licensees are entitled to defend in court, in their own name, the licensed IP right against infringers.

### **1.6 Exhaustion of Rights under Intellectual Property Laws<sup>24</sup>**

There is no law specifically dealing with exhaustion of rights, but the LPI states that goods that incorporate intellectual property rights cannot be prevented from circulating in the national market, provided that they are placed therein by the owners or with their consent (art 43, IV, art 68 §3 and 4, and article 132, III).

The legislative option, therefore, is that of national exhaustion, and this fact is reinforced when considering the amendment of the original wording of Bill No. 824/1991, which became the LPI, that employed the expression "external market" in a device that would regulate the exhaustion of rights, whereas in the final approved text such expression was suppressed.

---

<sup>24</sup> For further details on the topic of exhaustion of rights, see the Brazilian Group's Report to LIDC on Online Exhaustion of IP Rights: P. P. M. Mendes, Brazil. In: B. Kilpatrick, P. Kellezi and P. Kobel (ed), *Compatibility of Transactional Resolutions of Antitrust Proceedings with Due Process and Fundamental Rights & Online Exhaustion of IP Rights*, LIDC, Springer.

However, the Superior Court of Justice (STJ<sup>25</sup>), the highest body for the review of court decisions regarding infraconstitutional matters, has issued decisions accepting international exhaustion, provided that the good has been acquired from the owner or from a third party himself authorized, for a long time and without opposition from the intellectual property rights owner.<sup>26</sup>

Nevertheless, in 2016, the STJ itself changed its position by requiring a written agreement to characterize consent and therefore legal import of products identified by a trademark registered in Brazil.<sup>27</sup>

Article 10 of the Computer Program's Law, in its Paragraph 1, establishes that the clauses of license agreements that limit the production, distribution or commercialization of software based on respective intellectual property rights are null and void. On the other hand, article 2, §5 of the same law assures the right holder of the software the exclusive right to authorize or prohibit commercial lease, which right is not subject to exhaustion by the sale, license or any other form of transfer of intellectual property rights.

As already said, the exhaustion of trademark rights is national. In an attempt to partition the market in spite of national exhaustion, some owners of trademark rights have established in their contracts of purchase and sale clauses of exclusivity, clauses of territorial restriction, limitations of service in technical assistance, establishment of differentiated guarantees or loss of guarantee in the case of products acquired outside the country, and various post-sale barriers, such as clauses that prohibit resale or redistribution. However, not all of these restrictions will be accepted or held as valid in Brazil<sup>28</sup>, since most of these contracts are of adhesion, so that clauses that imply the waiver of rights by the adhering party are held as null and void *ex lege* (Article 424 of the Civil Code). In addition, such restrictions could be considered as abusive under article 36, §3, item XIX of the Brazilian antitrust law<sup>29</sup>.

According to article 378 of the Code of Civil Procedure (Law No. 13.105 of 2015)<sup>30</sup>, the burden of proof befalls whoever claims the fact, and whoever claims exhaustion of rights must prove that the purchased product were inserted in the Brazilian market by the owner or by an authorized third party. However, Article 6, VII of the Consumer Protection Code provides that the consumer is entitled to the reversal of the burden of proof, when the production of proof is within the defendant's reach, not the plaintiff's.

---

<sup>25</sup> Portuguese acronym for *Superior Tribunal de Justiça*.

<sup>26</sup> Superior Court of Justice. Ruling on the Special Appeal N. 1200677 / CE.

<sup>27</sup> Superior Court of Justice. Ruling on the Special Appeal N. 1323401/RJ.

<sup>28</sup> São Paulo State Court of Appeals. Appeal N. 1000994-02.2014.8.26.0008. 30th Chamber of Private Rights, ruled on February 25, 2016. São Paulo State Court of Appeals. Appeal N. 1004663-73.2016.8.26.0564. 27th Chamber of Private Rights, ruled on October 18, 2016.

<sup>29</sup> Art. 36. The acts which under any circumstance have as an objective or may have the following effects shall be considered violations to the economic order, regardless of fault, even if not achieved:

I - to limit, restrain or in any way injure free competition or free initiative;

II - to control the relevant market of goods or services;

III - to arbitrarily increase profits; and

IV - to exercise a dominant position abusively.

§ 3 The following acts, among others, to the extent to which they conform to the principles set forth in the caput of this article and its clauses, shall characterize violations of the economic order:

(...);

XIX - to abusively exercise or exploit intellectual or industrial property rights, technology or trademark.

<sup>30</sup> Federal Law N. 13,105 of March 16, 2015, Official Union Gazette - Section 1 - Page 1

The exhaustion of intellectual property rights occurs only in relation to that singular good, and not to the intellectual property itself, since the immaterial right subsists beyond any physical support.

Scholars and lawyers have been discussing the possibility of preventing a product legally inserted in the domestic market from being resold on a platform that is considered incompatible with the brand value. For example, in this discussion, some admit that the owner of a trademark that identifies luxury watches could prevent the resale of such a good on a popular site of resale of used products. The basis for this doctrine is the defense against dilution, which could occur even at an after-sales moment, as well as consumer protection, considering that the secondary market is usually less careful with information, packaging and product conservation.

## **2. Remedies against False Claims of Intellectual Property Rights Available under Brazilian Law**

### **2.1 Remedies under Procedural and Intellectual Property Law**

In Brazil, those who are forced to answer lawsuits for alleged infringements of intellectual property rights that, in the course of the proceedings, prove to be non-existent, may, according to article 79 of the Code of Civil Procedure (CPC)<sup>31</sup> file court actions for reimbursement of the amounts they ceased to receive as a result of such false claims, as well as the amounts relating to damages they have suffered which were caused by bad-faith litigation. This legal provision is in addition to other extra-contractual damages to image, reputation or material damages already provided for in civil law.

In addition, Article 81 of the CPC<sup>32</sup> *caput*, allows the court or tribunal to convict a party who advanced false claims to the payment of a fine, indemnity and to bear the amounts related to legal fees and procedural expenses that gave cause.

The LPI establishes as a crime to falsely claim to own a patent or registration of industrial design. Although there is no specific mention of other industrial or intellectual property rights, such as trademarks, it seems to us that the false claim of ownership of trademark registrations and other intellectual property rights could easily fall under civil rules which prevent unfair competition.

The LPI also establishes as a crime and civil infringement to publish, by any means, as well as to provide and divulge a false affirmation, in detriment to a competitor, with a view to obtaining advantage, which could be relevant if the false claim of infringement is divulged or published with malicious intent.

### **2.2 Remedies under Competition Law**

In Brazil, competition policy is made in particular by the federal legislator<sup>33</sup> and by the Administrative Council for the Defense of Competition (CADE), an administrative court endowed with jurisdiction on

---

<sup>31</sup> Art. 79. Whoever litigates in bad faith, as plaintiff, defendant or third party, shall be liable for damages.

<sup>32</sup> Art. 81. The judge shall, *ex officio* or by request, order the malicious litigant to pay a fine that must be over one percent and under ten percent of the value of the claim adjusted for inflation, to compensate the opposing party for losses sustained and to bear the legal fees and expenses incurred.

<sup>33</sup> Besides the Antitrust Law (Federal Law N. 12.529/11, published in the Official Union Gazette of December 1<sup>st</sup>, 2011, Section 1, page 1) the Brazilian legal system is made by several laws that indirectly regulate the competition (v.g. Copyright Law) or regulate a specific market (laws that create a Regulator Agency).

competition matters nationwide, to analyze and approve / reject merger acts and to decide on the occurrence of violation of the economic order, to apply penalties provided by law and to generally enforce it.

Although not all lawmakers understand intellectual property, bills are usually drafted and discussed with the assistance of experts in the relevant area and in the areas affected by the bill. As for CADE, based on the fact that the entity issued several decisions involving intellectual property rights, we can conclude that the counselors who judge the cases must have at least a basic understanding of the matter.

For instance, CADE decided on cases about *sham litigation* involving the fraudulent enforcement of alleged IP rights in which they were required to show at least a basic knowledge of intellectual property in order to assess whether the enforcement of such IP rights were abusive. The below mentioned Administrative Proceeding 08012.004283/2000-40, about the abusive use of an alleged copyright (*Shop Tour* case), and Administrative Proceeding 08012.011508/2007-91 (*Eli Lilly* case), about the abusive enforcement of an alleged patent are other examples. Therefore, we can affirm that the competition policies in Brazil are elaborated by people who understand intellectual property.

On the other hand, as mentioned above, Brazil is a signatory to several international intellectual property treaties (CUP, Rome, Berne and TRIPS) and also protects intellectual property rights at both constitutional and infra-constitutional levels; therefore, it can be said that policymakers in Brazil do not have much discretion to distrust it or to ignore the importance of intellectual property enforcement. In addition, Brazil relies heavily on international investment, which requires strong protection at the national level of intellectual property rights. Thus, from a commercial and legal point of view, it can be said that, in general, policy makers in Brazil have intellectual property rights in high regard.

### **2.2.1 Interplay between Intellectual Property Rights and Competition Law**

Competition and intellectual property laws have the same hierarchy and therefore are generally balanced or at least balanced *a priori*. As an example, article 36 of the Brazilian antitrust law provides an open list of acts that can be considered as an antitrust violation, one of which is the abuse of intellectual property rights.

In fact, CADE has ruled on several cases of sham litigation and alleged abuse of intellectual property rights in which CADE acknowledged the importance of intellectual property rights, while understanding that, in the specific case, the economic agent did abuse its intellectual property rights. These cases are discussed in more detail throughout this report.

The only restriction on the exercise of intellectual property rights is its abusive use, which is prohibited not only by Article 36 of the Brazilian Antitrust Law, but also by Article 68 of the Brazilian Intellectual Property (applicable exclusively to patent rights), which provides for the compulsory license of a patent in case of abuse of a patent.

Empirically, one can notice a difference in the way in which competition laws are applied by courts and regulatory bodies *vis-à-vis* the exercise of rights by an intellectual property holder. Courts of law tend to rule intellectual property conflicts from a private perspective, that is, by focusing only on which party has the better right. When intellectual property conflicts are ruled by a Regulatory Body, such as the CADE or the regulatory agencies, they tend to focus more on the public perspective of the conflict, that is, the goal

is not to decide which party has the better right, but if the enforcement of legitimate rights at the outset affects free competition. But, of course, this is just a tendency, reinforced by the specific proceedings and structure of each judging body – for instance, contrary to regulatory bodies, the courts of law are not specialized in antitrust law, and rarely on intellectual property law, lacking economic analysis background. This tendency does not mean that the courts of law are *a priori* incapable of properly applying competition law upon identifying abuse assertion of intellectual property rights.

This difference is made clear, for example, in cases of sham litigation in which only the regulatory body was able to see the larger framework in which the intellectual property holder was abusively asserting its rights.

Another criticism already expressed by patent attorneys is the lack of limits on the filing of petitions for patent examination subsidies with the INPI, which may give a financially superior part an undue advantage by forcing, with several petitions, a part endowed with limited financial resources to intensely litigate and exhaust its resources.

### **2.2.2 Sham Litigation Cases Involving Assertion of Intellectual Property Rights in Brazil**

Two cases of sham litigation and misuse of law that resulted in conviction, ELI LILLY and SHOP TOUR, are noteworthy.

In the first case, the Court of CADE condemned, in June 2015, the companies Eli Lilly do Brasil Ltda. and Eli Lilly and Company for sham litigation (Administrative Proceeding 08012.011508 / 2007-91). The fine was BRL 36.6 million. The Court of CADE held that Eli Lilly, through contradictory, fraudulent and misleading actions tried to enforce an alleged patent (that was obviously irregistrable) and were able to obtain, temporarily, the exclusive sale of the corresponding drug. CADE concluded that, through these manoeuvres, the defendant companies obtained a temporary monopoly of the product in July 2007 at the Federal Regional Court the 1st Circuit, which ordered the National Health Surveillance Agency - ANVISA not to grant authorization to other competitors to market pharmaceuticals for treatment of breast cancer similar to Gemzar. The monopolistic protection lasted until March 2008, when the Superior Court of Justice understood that maintaining the granted preliminary injunction could cause serious damage to public health and public economy. "The company practiced sham litigation in filing an action against ANVISA to obtain exclusive marketing of the Gemzar product, even though it knew that the patent application covered only the production process, without informing the Federal District Court that the amendment to the application had been denied in a lawsuit filed in Rio de Janeiro", explained the counselor.

The ShopTour Case was the first decision of the Court of CADE that convicted a company for sham litigation. Administrative Proceeding N. 08012.004283 / 2000-40 was established on the basis of a representation of the Commission for the Defense of the Consumer, Environment and Minorities of the Chamber of Deputies in the face of Box 3 Vídeo e Publicidade and Léo Produções e Publicidade, alleging attempts to dominate the sales on television programs. As reported by the representation, Box 3, based on a fraudulent copyright register, filed several lawsuits requesting preliminary injunctions, with the intention of removing its competitors' programs from the air, claiming that it had a copyright on the format of the ShopTour sales program. However, the registration of the format of a television program in the National

Library does not generate copyright protection, since it has a purely declaratory nature and because "no company could claim to be the owner of the format of a television program". In the end, the Rapporteur concluded that the actions of Box 3 had great economic incentives, as it eliminated competitors from the market and made it possible to raise prices by other market players. In addition, it emphasized that the actions did not have a minimum legal basis, that is, they were objectively baseless claims, entailing competitive damages.

In addition to these cases, CADE also ruled a conflict between ANFAPE, an association of manufacturers of repair parts for automobiles, and some automobile companies, manufacturers of the original parts and owners of intellectual property rights in and to the industrial designs of those parts. ANFAPE argued that the assertion of industrial design rights on spare parts against players in the secondary market is abusive. After a long and complicated proceeding, during which CADE at times seemed to be going towards a general prohibition of enforcement of industrial designs against repair parts sellers and manufacturers, CADE ultimately decided that it should not analyze whether or not there was conduct of violation of the economic order by the automobile companies in the enforcement of their rights on industrial designs, since these rights are provided for in the Industrial Property Law, which does not make any distinction between primary and secondary markets. Thus, even though the enforcement of the IP rights entailed the increase of the prices, CADE held that this did not signify abusive enforcement and the possible abuse of these rights would only have effects between individuals.<sup>34</sup>

### **2.3 Other Statutory Remedies**

The recipient of unjustified allegations of intellectual property infringement may appeal to the judicial and administrative courts (CADE or regulatory agencies) requesting that the party that made the allegation of infringement be required to refrain from such harassment. An example of how this recipient may request judicial safeguard of his rights is filing a lawsuit to obtain a declaration of non-infringement from a District Court, with the request to allow the manufacturing, importation and/or sales of the allegedly infringing product, or to prevent the intellectual property owner who, for example, issued a C&D letter, from obtaining a court injunction against the recipient based on his allegedly violated rights. It should be remembered, as already pointed out, that asserting non-existent industrial and intellectual property rights is in some cases a crime and, in all cases, unfair competition punishable by law, without differentiation between manufacturer or importer/ distributor.

In addition to the restrictions provided for in the Brazilian intellectual property law, others are established in specific legal acts, for example, in the Consumer Protection Code which sets as a national policy the effective avoidance and repression of all abuses committed in the consumer market by means of abuse of intellectual property rights.

The INPI has, on several occasions, already expressed its position on the importance of protecting the interests of the consumer as, for example, in cases where despite the owners of two similar trademarks having entered into a coexistence agreement, the INPI still ends up rejecting the later trademark application, based on the protection to the final consumer. This stance was made normative by the Technical Opinion

---

<sup>34</sup> Administrative Procedure N. 08012.002673/2007-51. Decided on March 14, 2018.

INPI/CPAPD n°. 001/2012, issued in connection with case files 52400.03559-9/2012-35, and is currently incorporated in the Trademark Handbook issued by the INPI.

In addition to what is established in the Consumer Protection Code, another type of restriction is related to the issue of the policy on access to pharmaceuticals and STJ's decisions regarding the use by ANVISA of laboratory tests presented by the owners of reference pharmaceuticals, with the purpose of applying for commercial registrations of generics and the like.

Approval of a generic drug usually takes from 120 days to 365 days, but ANVISA may take longer than that, if it provides a justification. The aspects that may interfere with the granting of approval for generic pharma are: a) if the reference drug is on the "reference list" or not (otherwise the applicant should request and await inclusion) and b) if the generic drug for which registration is required is the first related to a particular reference drug (the first generic drug will be given preference in the analysis against other generic drug registration requests). The validity period of the approval is of 5 years and can be renewed.

In order to guarantee the protection of test data in Brazil, these must be kept confidential and submitted to ANVISA, which will not divulge any of the data received. Although ANVISA is obliged to maintain the confidentiality of the data, as long as it is kept confidential by its owner, the vast majority of the Justices of the STJ have already opposed the exclusivity of test data for human pharma. In addition, public health is taken into account, as well as the strengthening of the Brazilian generic market.

This was the chief basis for the decision issued on the Lundbeck<sup>35</sup> case, in which it was decided that the application of the 10-year exclusivity term, applied for veterinary pharmaceuticals, fertilizers and agrochemicals, cannot be extended by analogy to pharmaceutical products intended for human use, and that suspending commercialization of generic drugs based on this exclusivity term would weaken the national policy of access to generic medicines and worsen the public health. It is important to keep in mind that data protection is based only on protection against unfair competition.

Ultimately, it should be noted that the lawyer himself can be held liable for unjustified or false claims. The Brazilian Statute of Lawyers and its Code of Ethics prescribe, in article 32: *"The lawyer is responsible for the actions that, in the professional exercise, he takes with intention or negligence"*.

### **3. Legal and Practical Effects of Differences between the Parties in Conflict**

The law itself does not favor large players or create disadvantage to small undertakings. On the contrary, there are laws and regulations in place that facilitate access to protection of intellectual property rights for microenterprises, small businesses, educational institutions and individuals. However, moving through the stages of registration and patenting itself demands time and money that many smaller players often do not have. For example, it is much more advisable to seek the protection of intellectual property advised by a lawyer, which increases the costs involved and favors those with more resources. In particular, patent filing in Brazil entails higher fees than other types of protection, demanding, among other costs, the payment of annuities to maintain the application and the patent. Renewal fees, filing fees, and judicial or extrajudicial litigation can ultimately seal the defeat of a small player against a large player, even if the former has the better right.

---

<sup>35</sup> Lundbeck AS and Lundbeck Brasil Ltda vs. ANVISA. Superior Court of Justice - STJ - SLS n° 1425 / DF

A particularly serious expression of this disparity are practices of judicial harassment, including the practice of forum shopping, the unlawful competition undertaken by means of sham litigation and the abusive exercise of intellectual property rights. Rarely, however, do these practices come to public knowledge and there is no relevant scientific data on these acts.

Hence, from a competition point of view, additional evidence would be needed to make an assessment of the existence of an issue involving unjustified intellectual property infringement claims in Brazil or that intellectual property owners are inhibited in the legitimate assertion of intellectual property rights. The available evidence only allows us to affirm that the competition policy currently in force by CADE has been able to avoid cases of abusive use of intellectual property rights. On the other hand, from the point of view of intellectual property rights, it may be noted that patent owners, especially in the pharmaceutical segment, tend to find ways to extend patent term by means of secondary meaning and evergreening. In any case, it seems difficult for intellectual property owners to be inhibited in the legitimate assertion of intellectual property rights.

#### **4. Concluding remarks**

We understand that the main problems related to abusive assertion of intellectual property rights stem from the fact that courts hardly focus on the public perspective of the case under scrutiny, which is yet another cultural problem that would not be solved by a change in legislation, including because the law currently in force already highlights the social function of intellectual property rights. From the political point of view, it would be better if the LPI and the Antitrust Law had a better integration.

In this sense, recently, the Federal Courts, with jurisdiction to hear invalidation lawsuits of intellectual property rights granted by the INPI, also started to rely on specialized courts in the field of competition law. Enforcement of competition law by CADE has been considerably uniform. Concerning the enforcement of intellectual property and competition law by the courts, the scenario is of divergence and lack of uniformity, as there are many courts with different understandings, and sometimes with poor knowledge of intellectual property and competition law, and only a few issues have been pacified by the Superior Court of Justice. We understand that the most relevant Brazilian legal disposition on the subject is the possibility of determining the compulsory license of a patent in the case of its abusive use. However, it is rarely employed as a remedy against abuse of patent rights.

On the other hand, a clearer and well-defined incorporation of the three-step-test, as set out in article 9 of the Berne Convention<sup>36</sup>, and specifically its embodiment in the United States Law<sup>37</sup>, would help to prevent abusive exercise of intellectual property rights. Another point to consider is the inclusion of the

---

<sup>36</sup> “It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.”

<sup>37</sup> Codified at 17 U.S.C. 107, which provides four factors that constitute fair use of copyrighted matter: “1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; 2) the nature of the copyrighted work; 3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and 4) the effect of the use upon the potential market for or value of the copyrighted work”. As determined by case law, the defendant does not need prevail on each and every factor; they must be rather balanced by the court hearing the infringement allegations.

public interest requirement for awarding preliminary injunctions in intellectual property enforcement lawsuits (in particular, patents), as defined in US federal law.

In any event, as Brazil is a signatory to the most relevant international treaties (including the Hague Treaty), the Brazilian law has few relevant differences in relation to the law of other jurisdictions that are also signatories to such treaties and, therefore, this difference should not be considered a problem.

Specifically, there is clear harmonisation in the characterization of the practice of sham litigation by means of abusive enforcement of intellectual property rights in the United States and Brazil, since CADE bases its analysis on FTC precedents.

Considering the Brazilian scenario described above, in which the harmony of Brazilian legislation with international law already covers all types of intellectual property rights, we do not envisage current possibilities for the expansion of this harmonisation for other types of intellectual property rights or other jurisdictions.

In addition, greater harmonisation with the laws of other jurisdictions is not necessarily desirable, as each country can treat intellectual property rights under different public policy perspectives, and each jurisdiction will – at least ideally – apply legislation that best fits its public policy.

From an exclusively legal perspective, in view of the principles of sovereignty and territoriality, we cannot discern a case in which a decision rendered in another country may limit or affect the performance of the Brazilian government in the application of its internal public policies. However, there is nothing to prevent the Brazilian public authorities from adapting the internal public policy – be it directly in the legislation or in the policy of regulatory bodies such as CADE - to judgments rendered in other jurisdictions.

All in all, we understand that Brazil has a fairly balanced legislation regarding the enforcement of intellectual property rights and the prohibition of abuse of this right. There is, however, room for improvement in the application of the law by the courts, administrative or judicial, by adopting a policy to improve the training of judges who hear cases of unfair competition or infringement of intellectual property, so that in their decisions they also take into account the public perspective and, in general, a more appropriate balance between public and private interests.