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# Patent Litigation

**Brazil**

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# BRAZIL

## Law and Practice

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## 1. Intellectual Property Rights & Granting Procedure

### 1.1 Types of Intellectual Property Rights

The protection of rights relating to inventions in Brazil is assured by means of the issue of patents for inventions or for utility models. Both types of patent are based on statutory law, specifically the Brazilian Industrial Property Act (Law No 9,279/96).

### 1.2 Grant Procedure

According to the Brazilian Industrial Property Act, Sections 8 and 9, an invention shall be patentable if it meets the requirements of novelty, inventive step and industrial application. On the other hand, an object of practical use, or part thereof, shall be patentable as a utility model if it is intended for industrial use, presents a new shape or arrangement and involves an inventive step, resulting in functional improvement in its use or manufacture.

In both cases – concerning a patent for inventions or one for utility models – the protection of rights relating to industrial property shall be assured by means of the issue of patents by the Brazilian Patent and Trademark office (BPTO)

### 1.3 Timeline for Grant Procedure

Currently the issue of a patent takes from eight to 12 years, depending on the area of the patent. The issue of patents for the area of telecommunications still takes approximately 12 years. On August 2019 the BPTO begun a special procedure to curb the backlog, according to which a fast-track grant is available to patent applications filed in Brazil that have identical claims to those already granted abroad. For this purpose, office actions are being published in large numbers giving applicants the opportunity to adapt their claims. As over 80% of all patent applications filed in Brazil are from foreign applicants that have already had their applications examined abroad, this new procedure is expected to reduce the examination delay in Brazil to four to six years, by mid-2021.

The patent application may be filed by the inventor or the right-holder or by the inventor or right-holder's attorney (Brazilian Industrial Property Act, Section 216). In this instance, a Power of Attorney shall be submitted. A person domiciled abroad is required to have a duly qualified attorney domiciled in Brazil, with powers to represent that person or entity administratively and judicially. The attorney also has the right to receive summons.

Usually, the following fees are due (bearing in mind an exchange rate of USD1 = BRL4):

- approximately USD45 when the patent application is filed before the BPTO (for a patent for an invention or for a utility model);
- approximately USD150 for a patent for an invention containing up to ten claims and approximately USD100 for a patent for a utility model (for the request for examination of an application for a patent);
- for the annuities within the ordinary term:
  - (a) for a patent for an invention:
    - (i) pending application - approximately USD75;
    - (ii) granted patent, third to sixth year - approximately USD200;
    - (iii) granted patent, seventh to tenth year - approximately USD300;
    - (iv) granted patent, 11th to 15th year - approximately USD410; and
    - (v) granted patent, 16th to 20th year - approximately USD500;
  - (b) for a utility model:
    - (i) pending application - approximately USD55;
    - (ii) granted patent, third to sixth year - approximately USD100;
    - (iii) granted patent, seventh to tenth year - approximately USD200; and
    - (iv) granted patent, 11th to 15th year - approximately USD300;
- when the patent application is granted by BPTO - approximately USD75 (for a patent for an invention or for a utility model).

### 1.4 Term of Each Intellectual Property Right

Patents are granted for 20 years as from the filing date or ten years as from the date of issue, and utility models are granted for 15 years as from the filing date or seven years as from the date of issue, whichever is of greater benefit to the owner.

### 1.5 Rights and Obligations of Owner of Intellectual Property Right

A patent shall afford its owner the following principal rights:

- to prevent others from producing, using, offering for sale or importing for such purposes without his or her consent a product that is the subject matter of a patent or the process or product directly obtained by a patented process;
- to prevent third parties from contributing to anyone in carrying out the acts mentioned above;
- to be indemnified for unauthorised exploitation of the subject matter of his or her patent, including exploitation that

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- occurs between the date of publication of the application and the date of issue of the patent; and
- to be indemnified for the damages in respect of acts that infringe industrial property rights.

In return, the patent owner's obligation is to pay the annual patent fees and use the patent in a lawful manner within Brazil.

## 1.6 Further Protection After Lapse of Maximum Term

There is no further protection available. At the end of the term of protection the object of the patent enters into the public domain.

## 1.7 Third-Party Rights to Participate in Grant Proceedings

Third parties may oppose the granting of a patent by submitting relevant documents and information that would render the invention not patentable. This can be done:

- between the publication of the application and the end of the examination by the Patent Examiner (Brazilian Industrial Property Act, Section 31);
- within a period of 60 days after publication of any administrative appeal filed by the applicant from a first instance decision by the Patent Examiner (Brazilian Industrial Property Act, Section 231); and
- in an administrative nullity proceeding, to be filed within six months counted from the grant of the patent (Brazilian Industrial Property Act, Section 51).

## 1.8 Remedies Against Refusal to Grant Intellectual Property Right

According to the Brazilian Industrial Property Act, Section 212, any decision rendered by the BPTO can be challenged through an administrative appeal. Where the Patent Examiner issues a decision rejecting a patent application it is possible to present an administrative appeal addressed to the President of the BPTO within a period of 60 days after the publication of the decision.

Moreover, the Brazilian legal system also permits any decision of the Public Administration to be discussed before the courts within a period of five years. This is because all decisions (eg, the decisions rendered by the BPTO) are subject to the doctrine of judicial review, which provides that all legislative and executive actions are subject to review by the judiciary. Thus, a final decision rendered by the BPTO in refusing the patent application may be challenged in the federal courts by way of an appeal for an annulment.

## 1.9 Consequences of Failure to Pay Annual Fees

According to the Brazilian Industrial Property Act, Section 84, the applicant and patent owner shall be required to pay annual fees as from the beginning of the third year after the date of filing for the patent. The payment of the annual fee shall be made within the first three months of each annual period, but it may also be made – in an extraordinary term – within the following six months on payment of an additional fee.

In case of failure to make payment of the annual fee in accordance with the provisions mentioned above, the application will be shelved or, if already granted, the patent will be extinguished (Section 86 of the Brazilian Industrial Property Act).

Regarding the measures available to remedy such consequences, note that the patent application or a patent may be restored at the request of the applicant or patent owner within three months from notification of the lapse of the patent.

To obtain the patent restoration, the owner must pay a restoration fee (approximately USD185) as well as any previous fees due. If this procedure is not followed the application will not be valid.

## 2. Initiating a Lawsuit

### 2.1 Actions Available Against Infringement

It is possible to file a civil action or a criminal action. The right-holder may choose between the two or even opt for both.

As Brazil has state and federal jurisdictions, it is important to stress that enforcement is a matter of state jurisdiction, thus patent infringement actions, civil or criminal, are within the competence of state courts. In general, these lawsuits must be filed before the court of the place where the defendant has his or her main business or where the infringement happened, provided that other civil procedure rules are observed.

### 2.2 Third-Party Remedies to Remove Effects of Intellectual Property

The main remedies available are the post-grant review, the annulment lawsuit and the action for a compulsory licence.

The administrative post-grant review may be instituted ex officio by the BPTO or at the request of any person having a legitimate interest, within six months of the issue of the patent. In this case, a patent is declared null if:

- any of the statutory requirements have not been met;
- the description does not describe clearly and sufficiently the object;

- the claims are not supported on the description report;
- the subject matter of the patent extends beyond the contents of the application as originally filed; or
- any of the formalities essential for issuance were omitted during prosecution.

The annulment lawsuit may be filed before the federal courts at any time during the term of a patent by the BPTO or by any party having a legitimate interest.

Regarding compulsory licences, the Brazilian Industrial Property Act, Section 68, determines that the patent owner shall be subject to compulsory licensing of his or her patent if he or she exercises his or her rights therein in an abusive manner or if he or she uses it to abuse economic power according to the law in force, under the terms of an administrative or judicial decision.

The following also may be grounds for a compulsory licensing request:

- failure to exploit the subject matter of the patent within the Brazilian territory, failure to manufacture or incomplete manufacturing of the product, or failure to fully use a patented process – except in case of economic non-viability – in which case importation shall be admitted; or
- commercialisation that does not satisfy the market's demand.

The compulsory licence may be requested only by a party with a legitimate interest and with the technical and economic ability to effectively utilise the subject matter of the patent for the predominant purpose of the internal market. In this case the above exception (cases of economic non-viability) shall not apply.

## 2.3 Courts with Jurisdiction

Patent infringement lawsuits fall within state jurisdiction, while nullity actions should be submitted before federal courts (due to the mandatory presence of the Brazilian Patent and Trademark Office as a defendant).

Therefore, at first instance, the appropriate state or federal trial judge; at second instance, the state or federal board of appeals; and, at third instance, the Superior Court of Justice (STJ) and the Supreme Court of Justice (STF).

## 2.4 Specialised Bodies/Organisations for the Resolution of Disputes

Currently, there is one specialised chamber for dispute resolution in Brazil regarding IP matters, including domain name conflicts, named CSD-PI, related to the Brazilian Association of Intellectual Property (ABPI).

## 2.5 Prerequisites to Filing a Lawsuit

There are no prerequisites to filing a lawsuit. However, warning letters are usually issued by right-holders and have the advantage of defining the date on which the offender was informed of the violation for indemnification purposes in a future lawsuit.

## 2.6 Legal Representation

Parties in intellectual property matters must be represented by a lawyer. The parties cannot act as plaintiff or defendant before Brazilian courts without a lawyer.

## 2.7 Interim Injunctions

Interim injunctions are available. An interim injunction may be granted by the judge when there is:

- a likelihood of success for the complainant; and
- the need for an urgent decision.

The judge must also weigh up the hardship caused by the decision granting the injunction, as opposed to the hardship caused by not granting it. The plaintiff may be required to provide a bond or a fiduciary guarantee, if the judge deems it necessary.

## 2.8 Protection for Potential Opponents

A potential defendant may appeal against an interim injunction. It is also possible to require a bond to be posted by the owner, but it is important to clarify that it will be up to the judge to determine whether the party should submit a bond, and its value.

Additionally, it should be noted that according to Brazilian Civil Procedure Code, the party that requests the injunction is responsible for the injury that the enforcement of the injunction causes the other party.

Alternative steps that may be taken by the potential opponent are to:

- file a non-infringement declaratory action, aiming at obtaining a court decision attesting that there is no infringement; or
- file a separate patent annulment lawsuit before the federal courts, aiming at obtaining a court decision attesting that the patent is null.

## 2.9 Special Limitation Provisions

Special limitation provisions do apply in intellectual property matters. According to the Brazilian Industrial Property Act, Section 225, proceedings for damages suffered because of intellectual property rights violations may not be brought after five years, while the usual deadline for legal action in the Brazilian Civil Code is ten years.

## 2.10 Mechanisms to Obtain Evidence and Information

The Brazilian legal system does not have mechanisms by which a party to an intellectual property matter can obtain relevant information and evidence from the other party or a third party. There is no discovery proceeding in Brazilian procedural law. However, plaintiffs can ask the court to determine the search and seizure of relevant documents as well as the infringing products.

## 2.11 Initial Pleading Standards

There are no special provisions for lawsuits in intellectual property proceedings, the same pleading standards as in other civil litigation apply.

## 2.12 Representative or Collective Action

The Brazilian legal system does permit class actions for patent proceedings in certain situations. If damage is caused to the public as a whole or to the honour or dignity of a racial, ethnic or religious group, a civil action may be filed by public prosecutors or by any public group that is affected (Act No 7,347/85). The decision in this civil action will bind everyone, unless the decision is to dismiss the action on grounds of lack of proof, in which case anyone can file an individual complaint.

## 2.13 Restrictions on Assertion of Intellectual Property Right

The Brazilian Industrial Property Act, Section 45, establishes that a person who, in good faith, benefited from the patent within Brazil, prior to the filing or priority date of a patent application, shall be entitled to continue benefitting under the same form and conditions, without incurring liability. Thus, the owner of the patent cannot prohibit the use of the patent by a third party acting in good faith.

In addition, Section 43 of the Act establishes certain acts and circumstances that the patent owner cannot preclude:

- acts carried out privately and with no commercial purpose by unauthorised third parties, provided that these acts do not prejudice the economic interests of the patent owner;
- acts carried out by unauthorised third parties for experimental purposes, if related to studies or scientific or technological research;
- the preparation of a medicine in accordance with a medical prescription in individual cases, and carried out by a qualified professional, or the medicine thus prepared;
- a product manufactured in accordance with a process or product patent that has been placed on the internal market directly by the patent holder or with his or her consent;
- other persons who, in the case of patents related to living matter, use the patented product, without economic pur-

pose, as an initial source of variation or propagation in order to obtain other products; and

- other persons who, in case of patents related to living matter, use, place in circulation, or market a patented product that has been lawfully placed on the market by the owner of the patent or his or her licensee, provided that the patented product is not used for commercial multiplication or propagation of the living matter concerned.

## 3. Infringement

### 3.1 Necessary Parties to an Action for Infringement

The complainant can be the owner of the intellectual property or the licensee, when the patent licence agreement expressly foresees it and if the agreement is recorded by the BPTO. The defendant is the alleged infringer.

### 3.2 Direct and Indirect Infringement

A direct infringement occurs when all the patent claims granted by the Brazilian Patent Office are violated and indirect infringement occurs when, although not all claims of the patent are literally infringed, the offender uses means equivalent to the subject matter of the patent.

### 3.3 Scope of Protection for an Intellectual Property Right

The scope of protection of a patent is determined by the claims as granted by the Brazilian Patent Office. However, it is possible to establish an indirect infringement by the doctrine of equivalence. This is because the Brazilian Industrial Property Act provides that a patent infringement may be established even if the violation does not affect all claims under the patent or if it is limited to the use of means equivalent to the subject matter of the patent.

### 3.4 Defences Against Infringement

The usual defences involve the following matters:

- prior use rights,
- products or processes are different;
- nullity of the patent;
- own patent rights;
- compulsory licence; and
- patent exhaustion.

### 3.5 Role of Experts

It is very common that parties request the judge to nominate a court expert to give evidence in patent infringement and invalidity lawsuits. This is because patent claims usually involve complex discussions and it is common to find Brazilian judges who do not have any expertise in the matter.

The court expert will be required to provide the judge with a full report with his or her opinion on any questions raised by the parties (and accepted by the judge) and also on questions possibly raised by the judge himself or herself. After the judge nominates the court expert the parties can indicate their own technical assistants, who will co-operate with the court expert to better understand the matter before he or she prepares his or her technical report.

The courts tend to give much credit to the expert's opinions, although judges are not obliged to follow the expert's understanding when ruling on the case.

### **3.6 Procedure for Construing the Terms of the Patent's Claim**

In Brazil, separate procedures for construing the terms of the patent's claims do not exist. The Brazilian Industrial Property Act provides that the term of a patent is 20 years as from the filing date or ten years as from the date of issue and the patentee may not extend this term.

## **4. Revocation/Cancellation**

### **4.1 Reasons and Remedies for Revocation/Cancellation**

A patent may be invalidated if it is granted contrary to any of the provisions of the Brazilian Industrial Property Act, particularly if it lacks novelty, an inventive step, or an industrial application or does not disclose the full contents of the invention.

There are two possible ways of obtaining the declaration of nullity of a patent:

- by way of an administrative nullity action at the Brazilian Patent Office, to be filed within six months of the issue of the patent; or
- by way of a judicial nullity action at the federal courts, to be filed at any time during the life term of the patent.

### **4.2 Partial Revocation/Cancellation**

Partial revocation or cancellation is possible. According to the Brazilian Industrial Property Act, Section 47, the nullity of a patent may apply to all the patent claims or to part of the claims. However, in case of a partial nullity it is necessary that the remaining claims constitute patentable subject matter in themselves.

### **4.3 Amendments in Revocation/Cancellation Proceedings**

Amendment is possible in revocation or cancellation proceedings, but it is unusual. According to the Brazilian Industrial

Property Act, Section 32, the amendments may be proposed by the applicant until the time of the request for examination of the patent application. However, the amendments may be only reductions of the scope of the claims.

### **4.4 Revocation/Cancellation and Infringement**

Revocation or cancellation and infringement cases are not heard together, infringement lawsuits should be filed before the state courts while annulment lawsuits are filed before the federal courts. This is because in annulment lawsuits the BPTO must participate as a mandatory defendant together with the patent owner, and in Brazil the competent court to hear cases in which the BPTO is party to is the federal court.

Therefore, it is common that there is a difference in timing between decisions in these actions.

## **5. Trial & Settlement**

### **5.1 Special Procedural Provisions for Intellectual Property Rights**

The Brazilian Industrial Property Act lays out certain special procedural provisions for lawsuits in patent proceedings, such as:

- according to Section 56, paragraph 2, the judge may grant an injunction suspending the effects of the patent as long as appropriate procedural requirements are met upon registration.
- according to Section 57, annulment lawsuits shall be tried by the Brazilian Federal courts and the BPTO is a mandatory defendant, together with the patent owner.
- according to Section 57, paragraph 1, there is a longer term (60 days, instead of the standard 15-day term) for the patent owner to submit its reply to an annulment lawsuit.

### **5.2 Decision Makers**

A trial judge will preside in a first instance case. He or she is not usually a technical expert. The decisions issued by the trial judge may be questioned before state courts and the superior courts.

The parties have no influence on trial judges, state courts or the superior courts. It is important to mention that the Civil Procedure Code provides that if the party has any personal connection with the judge, the judge must be replaced.

### **5.3 Settling the Case**

The parties may reach an agreement to settle the case at any time during the course of the lawsuit. Furthermore, according to new Brazilian Civil Procedural Code (in force as of 18 March 2016), after the plaintiff files the complaint, and unless the plain-

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tiff expressly states that he or she has no interest in a possible conciliation, the defendant will be summoned to appear in a preliminary conciliation hearing/conference, where the judge will try to settle the case.

This conciliation hearing, however, may only take place in infringement cases and not in invalidation lawsuits. Only private parties and not the BPTO are permitted to enter into such agreements.

## 5.4 Other Court Proceedings

Pending a validity decision of the BPTO, an infringement proceeding may be suspended, but it is not mandatory. Any of the parties can request suspension and the judge may determine it ex officio.

The same procedure is followed when there is an annulment lawsuit and an infringement lawsuit in progress: the parties may request the suspension of the infringement lawsuit until the final decision of the annulment lawsuit and the judge can determine it ex officio, but it is not mandatory.

## 6. Remedies

### 6.1 Remedies for the Patentee

The main remedies available for the patentee in infringement lawsuits are search and seizure orders, restraining orders and other kinds of injunctions, plus damages. In Brazil, judges can only order remedies based upon the request of the interested party.

### 6.2 Rights of Prevailing Defendants

The prevailing defendant is usually entitled to receive court fees and other expenses incurred during the case, including the court-appointed expert's fees.

### 6.3 Types of Remedies

All remedies are available for all kinds of intellectual property rights, regardless of type.

### 6.4 Injunctions Pending Appeal

If the first instance judge reaches the conclusion that the patent is valid and the defendant has infringed it, the judge will most probably rule in the plaintiff's favour and will grant an injunction to order the defendant to stop using the product or process covered by the patent immediately. Naturally, the defendant will be in a position to not only appeal against the merits of the decision but also to try to suspend the effects of the injunction while the appeal is pending.

## 7. Appeal

### 7.1 Special Provisions for Intellectual Property Proceedings

There are no special provisions concerning the appellate procedure for intellectual property right proceedings. All appeals follow the same path and procedure.

### 7.2 Type of Review

The appeal implies a full review of the facts of the case.

## 8. Costs

### 8.1 Costs Before Filing a Lawsuit

In Brazil, lawsuits are usually preceded by warning letters. A party may also take various steps to build a strong case, such as hiring an independent expert and commissioning a technical report confirming the validity of the patent and the infringement perpetrated by the opposite party. All these costs are paid by the interested party and are not recoverable in a lawsuit.

### 8.2 Calculation of Court Fees

Costs are calculated by each court, taking into consideration procedural expenses and other mandatory fees, which also vary by type of action (eg, a nullity lawsuit, an infringement lawsuit, etc). Court fees, even though they might be different in each state, are usually low, and seldom exceed USD2,000.

### 8.3 Responsibility for Paying Costs of Litigation

If the plaintiff is a foreign plaintiff, he or she may be ordered to post a bond in Brazilian currency before the court to secure the payment of judicial expenses. This bond is usually set in the amount of 20% of the value given to the lawsuit. However, if the plaintiff is successful, this bond is returned and duly adjusted according to the official inflation rates in Brazil.

Regarding the court fees and expenses, the losing party is responsible for reimbursing the winner for all the disbursed expenses built up in the course of the lawsuit by the winning party.

In Brazil, attorneys' fees are not reimbursed by the losing party.

## 9. Alternative Dispute Resolution

### 9.1 Type of Actions for Intellectual Property

Alternative dispute resolution (ADR) is not commonly used to settle patent cases or even intellectual property cases.

Through Resolution No 84 of 11 April 2013, the Brazilian patent and trademark office (INPI) formally adopted a mediation

procedure that was organised jointly with the World Intellectual Property Organization (WIPO) and had, as its main goal, enabling the parties in a trade mark dispute to mediate their disagreement. However, INPI insisted that after a successful mediation, the settlement agreement would not be binding to INPI and it could still reject a trade mark application despite the fact that the opponent had already consented to it. As a result of the lack of effectiveness of the procedure, this form of mediation did not become popular, but it is still possible to use the system.

ADR is commonly used for domain name disputes, as Brazil has an administrative domain name resolution system (commonly known by its acronym in Portuguese, SACI) that is based on ICANN's Uniform Domain-Name Dispute-Resolution Policy (UDRP) but incorporates several other causes for action, and a complaint under SACI may be based not only on trade mark rights (as happens with the UDRP), but also in other intellectual property rights.

As for the use of ADR in litigation, one must differentiate between invalidity and infringement lawsuits. Invalidity lawsuits must be filed before the federal courts, where ADR is not allowed because INPI understands that only a court of law may decide on the validity of rights. Infringement lawsuits must be filed before the state courts and are disputes between private parties that may be negotiated freely. The new Brazilian Civil Procedure Code that recently (on 18 March 2016) entered into force, created a mandatory conciliation pre-dispute phase and it is now expected that more disputes will be settled at this early stage, before the defendant has even presented his or her defence.

Mediation is only now slowly starting to become more popular in several areas of law in Brazil. Since Brazilian law is based on civil law, legal professionals lacked a statutory basis for mediation, despite the obvious fact that mediation may be solely based on contract law. A Mediation Act was finally passed as Law No 13,140 of 26 June 2015. Nevertheless, in practical terms mediation is still not being used to solve patent disputes.

Arbitration is also not commonly used in patent disputes, despite the development in the use of arbitration in other areas of law in Brazil. However, Brazil's Arbitration Act was enacted through Law No 9,307 of 23 September 1996, and the past two decades have seen a significant increase in the use of mediation in Brazil.

## 10. Assignment and Licensing

### 10.1 Requirements or Restrictions for Assignment of Intellectual Property Rights

According to the Brazilian Industrial Property Act, a patent application or a patent, the contents of which are indivisible, may be assigned in whole or in part.

Regarding patents, the BPTO may make the following recordals (entries to the trade marks database):

- assignment, stating full particulars of the assignee;
- any limitation or condition placed on the application or patent; and
- the changes to the name, headquarters or address of the applicant or the owner (regarding third parties, recordals shall have effect as from the date of their publication in the Official Gazette).

It is important to note that the assignment between a foreign company and a Brazilian company when onerous must be recorded in BPTO to obtain the corresponding recordal certificate, otherwise the Central Bank of Brazil will not authorise the payment of royalties of remittances abroad.

For the assignment recordal, the following documents are required by BPTO:

- transfer petition, completed with the data of the assignee;
- proof of payment of the governmental fee;
- the assignment document, which should contain:
  - (a) the complete qualification of the assignor and the assignee;
  - (b) the powers of representation of the signatories of the assignment document and their signatures (the representatives' signatures need to be notarised by the Notary Public and the signature of the Notary Public then needs to be legalised by apostille or by the Brazilian Consulate); and
  - (c) the application number or the number of the patent and the date on which the assignment document was signed;
- Power of Attorney of the assignee; and
- sworn translation into Portuguese of documents that were created in a foreign language.

### 10.2 Procedure for Assigning an Intellectual Property Right

After reviewing the relevant documents in accordance with the requirements discussed in **10.1 Requirements or Restrictions for Assignment of Intellectual Property Rights**, if they are all in order, the following steps are taken:

- the assignment fee is paid;
- the assignment petition is completed, together with the data of the assignee, the application or the number of the patent and related documents;
- the petition is sent to the BPTO, which will generate a protocol number;
- the assignment petition is analysed by the BPTO; and
- the notice of assignment is published on the Official Gazette.

The recordal certificate attesting to the assignment is then issued.

### 10.3 Requirements for Restrictions to License an Intellectual Property Right

It is important to mention that in Brazil a patent owner or applicant may execute an exclusive or non-exclusive licensing contract for exploitation with a third party. To be enforceable against third parties the licence agreement must be recorded at the BPTO.

The recordal of a patent licence agreement by the BPTO is mandatory for the following:

- to obtain presumption of knowledge of the contract by third parties (Brazilian Industrial Property Act, Section 62);
- to authorise, when the agreement expressly allows it, the licensee to act by himself or herself before Brazilian courts in defence of the licensed patent;
- to authorise the remittance of royalty payments abroad; and
- to allow royalty payments to be deductible for withholding income tax purposes.

Note that in general, freedom to contract prevails, but the BPTO may provide some limitations, such as:

- The BPTO only authorises the remittance of royalty payments for a patent registration, not for patent applications.
- In the case of a patent application, it is possible to deposit the due royalties from the filing date of the agreement before the BPTO into an escrow account in Brazil, but the remittance will only be authorised by the BPTO after the grant of the licensed patent; when the patent is issued, the applicant shall request the up-to-date corresponding certificate of the recordal, asking for payments to apply retroactively to the filing date of the recordal of the agreement.
- The BPTO limits tax deductions in order to limit the remittance of payments among companies that have any shareholder relationship; if the licensor and the licensee have any shareholder relationship, besides taking into consideration the usual rates of the market, the deductibility ceilings established by Law No 4131/62 should be observed as well as the

Ordinance of Treasury Ministry 436/1958 and Article 50 of Law No 8383/91.

- Usually, a patent licence agreement will be in force in accordance with the periods of validity of the licensed patents (20 years as from the filing date of the patent application or ten years as from the date of issue).

Regarding improvements, the Brazilian Industrial Property Act determines that an improvement made to a licensed patent shall belong to the person who has made it and the contracting party shall be afforded a preferential right to a license.

For the licence recordal, the following documents are required by BPTO:

- the BPTO's forms duly filled in by the parties:
  - (a) the recordal application form (called *Requerimento de Averbação*); and
  - (b) the entity's register data (called *Ficha Cadastro de Entidade*);
- proof of payment of the government fee;
- Power of Attorney of either party;
- simple translation into Portuguese of documents in a foreign language;
- the licence agreement notarised and legalised (for apostille or the Brazilian Consulate) – all pages of the agreement must be countersigned; and
- a letter briefly justifying to the BPTO the reasons that led the parties to formulate the patent licence agreement.

Finally, it is important to mention that patents may be subject to compulsory licences. The Brazilian Industrial Property Act, Section 68, determines that the patent owner shall be subject to compulsory licensing of his or her patent if he or she exercises his or her rights in the patent in an abusive manner, or if he or she uses it to abuse economic power according to the law in force, under the terms of an administrative or judicial decision.

The following also may be grounds for a compulsory licensing request:

- failure to exploit the subject matter of the patent within Brazilian territory or failure to manufacture or complete manufacturing of the product, or failure to fully use a patented process, except in case of economic non-viability, in which case imports shall be admitted; or
- commercialisation that does not satisfy the market's demand.

This compulsory licence may be requested only by a party possessing a legitimate interest and having the technical and economic ability to effectively use the subject matter of the patent

predominantly for the purposes of the internal market, in which case the exception above, to do with economic non-viability, shall not apply.

#### **10.4 Procedure for Licensing an Intellectual Property Right**

After execution by the parties and two witnesses, the notarised and legalised licence agreement must be submitted to the BPTO which will then conduct a review and, upon acceptance, issue for the licensee a certificate of recordal, enabling the licensee to pay royalties (if this is the case). Subsequently, a very short extract with basic information about the contract is published in the BPTO's Official Gazette but the contract itself remains confidential and the BPTO does not furnish copies to third parties.

# BRAZIL LAW AND PRACTICE

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**Kasznar Leonardos Intellectual Property** provides tailored solutions to the most complex IP issues, both nationally and internationally, with a deep understanding of different cultures and business industries. Specialised in the management of intellectual assets, the team has 23 partners and more than 240 employees, with correspondents in every state of Brazil and a broad international network. The firm is nationally and internationally recognised for its excellence in the provision of services in all areas of IP, with almost a century of professional experience. It acts as legal advisers on contractual matters, as

industrial property agents with the Brazilian Patent and Trademark Office, and as lawyers, arbitrators and mediators in litigation and extrajudicial dispute resolution. The firm's main areas of practice are patent and trade mark prosecution, industrial designs, regulatory law, life sciences, digital law, marketing and entertainment law, sports law, biodiversity, copyright, unfair competition, plant varieties, technology transfer, geographical indication, trade secrets, franchising and licensing, fashion law, licence compliance and anti-piracy.

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**Rafael Lacaz Amaral** litigates in IP matters before the state and federal courts, and provides consultation services on licensing agreements, patents, trade marks, copyrights and unfair competition, as well as trade mark prosecution, arbitration and mediation in the IP field. He is also the

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