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*Advancing the Business of Intellectual Property Globally*

## **An Overview Of The Draft Rules Of Procedure For The Unified Patent Court**

DR. KLAUS GRABINSKI — Page 154

## **Patent Licensing And Document Destruction: Recent Case Law Regarding Spoliation**

BLAINE M. HACKMAN — Page 170

## **Trends In The Interplay Of IPR And Standards, FRAND Commitments And SEP Litigation**

KNUT BLIND AND TIM POHLMANN — Page 177

## **Australian Patent Enforcement— A Proposal For An Expert Panel Opinion—Part 2**

DIMITRIOS ELIADES — Page 182

## **When To Sue—Using An EP Application**

XAVIER VALLVÉ — Page 187

## **Overlooking Issues In Cross-Border Licensing Transactions**

TSUYOSHI DAI — Page 190

## **Protection Of Trade Secrets In Lawsuit Procedures In Japan**

MASASHI CHUSHO — Page 193

## **Fair Play: IP Rights And Major Sport Events— Notes On Fighting Counterfeiting, Parallel Imports And Ambush Marketing In Brazil**

GABRIEL LEONARDOS — Page 197

## **A Look Into IP Deals—The True Value Of IP**

DAVID R. JARCZYK — Page 202

## **Recent U.S. Court Decisions And Developments Affecting Licensing**

JOHN PAUL AND BRIAN KACEDON — Page 207

## Fair Play: IP Rights And Major Sport Events—Notes On Fighting Counterfeiting, Parallel Imports And Ambush Marketing In Brazil

By Gabriel Leonardos

### Introduction

Sports are currently one of the best ways to connect people worldwide. The significance of sports in today's society is a clear reflection of the influence and passion that arises in each supporter.

Considered to be the world's biggest sports competition, the Olympic Games is the leading international sporting event in which thousands of athletes and more than 200 nations participate in a variety of competitions.

Notwithstanding the aforesaid, we may say that the World Cup is even more popular in Brazil than the Olympic Games, being that Brazil is known as the soccer country and a 5-time World Cup winner—the biggest number of victories among all participant national teams.

In any international competition, the host country shall assume the obligation to prevent additional threats to the safety of participants and spectators. Among the various kinds of threats at major Sport events, one in particular captures our attention: the threat against intellectual property rights.

In the 2014 World Cup and the 2016 Olympics, whose host city is Rio de Janeiro, Brazil will have the role to prevent and repress the infringement of IP rights and shall apply its civil and criminal law to cases of counterfeiting, piracy and parallel importation. These also violate consumer's rights, since they create a false perception of the quality, nature and authorship of the work in question.

### Counterfeiting and Piracy

Counterfeiting and piracy are, in short, the unauthorized reproduction of any intellectual work. Both are used indistinctively and considered to be synonyms in Brazil as they identify the infringement of IP rights, such as trademark rights and copyrights. Trademark and copyright infringement are criminal felonies and civil torts in Brazil. There are different statutory penalties for each type of infringement.

### Trademark Infringement

Brazilian Intellectual Property Law (Law 9,279/96) provides:

*Article 189—A crime is committed against the registration of a mark by any person who:*

*I—reproduces a registered mark wholly or in part, without the authorization of the registrant, or imitates it in a manner that may induce confusion; or*

*II—alters the registered mark of a third party already applied to a product placed on the market.*

*Penalty—detention of 3 (three) months to 1 (one) year, or a fine.*

*Article 190—A crime is committed against the registration of a mark by he who imports, exports, sells, offers or exhibits for sale, hides or maintains in stock:*

*I—a product branded with an illicitly, wholly or partially, reproduced or imitated mark of a third party; or*

*II—a product from his industry or commerce, held in a vessel, container or package carrying a legitimate mark of a third party.*

*Penalty—detention of 1 (one) to 3 (three) months, or a fine.*

### Copyright Infringement

Brazilian Criminal Code (Decree-Law 2,848/1940) states:

*Article 184. Violating copyright and related to it:*

*Penalty—detention of 3 (three) months to one (1) year, or a fine.*

*§ 1 If the violation consists in total or partial reproduction, aiming to profit directly or indirectly, by any means or process, of intellectual work, performance or phonogram, without the express permission of the author, performer, producer, as appropriate, or who represents them:*

*Penalty—imprisonment of 2 (two) to 4 (four) years, and a fine.*

*§ 2 The same penalties of § 1 apply to those who, for the purpose of direct or indirect profit, distributes, sells, offers for sale, rent, introduces in the country, acquires, conceals, has on deposit, original or copy of intellectual work or phonogram reproduced in violation of copyright, right*

of the performer or the right of the producer of a phonogram, or even rent the original or copy of intellectual work or phonogram, without the express permission of the rights owners or who represents them .

§ 3 If the violation consists in offering to the public by cable, fiber optic, satellite, waves or any other system that allows the user to select a work or production to receive it at a time and place previously determined by who makes the demand, with a view to profit, directly or indirectly, without express authorization, as appropriate, of the author, performer, producer of a phonogram, or who represents them:

Penalty—imprisonment of 2 (two) to 4 (four) years, and a fine.

§ 4 The provisions of §§ 1, 2 and 3 shall not apply in the case of exception or limitation to copyright or related to it, according to Law 9,610/1998, nor copying of intellectual work or phonogram, in a single copy for private use of the copyist, without intention of direct or indirect profit.

(...)

Article 186. The process is performed by:

I—complaint, the crimes stated in the heading of article 184;

II—public criminal action, the offenses under §§ 1 and 2 of article 184;

III—public criminal action in crimes to the detriment of public bodies, local authority, public corporation, or mixed capital company or foundation established by the Government;

IV—subject to public prosecution representation in the crimes specified in § 3 of article 184.

## Parallel Importation

Parallel importation occurs when genuine products are introduced to a different overseas consumer market, without the consent of the manufacturer/owner of Intellectual Property rights over the product. Article 132, item III of the Brazilian Industrial Property Law provides that the owner of a mark may not prevent the free circulation of products placed on the internal market by himself or by another with his consent.

The Third Panel of the Brazilian Superior Court of Justice has recently (on December 18, 2012) issued a unanimous decision applying with absolute accuracy the prohibition to the parallel importation set forth in Article 132, III, of the Brazilian Intellectual Property Law. The Appeal refers to a complaint filed by owners and distributors of the products aiming to

cease the undue importation (parallel importation) of alcoholic beverages “Johnie Walker”, “White Horse” and “Black & White” by the Defendant (Special Appeal to the Superior Court of Justice no. 1.249.718—CE (2011/0048434-5); Reporting Minister Sidnei Beneti; decided on Dec. 18, 2012).

The Superior Court of Justice understood in the Appeal that industrial property rights may be invoked in order to prevent or hinder the parallel importation of products. However, the Superior Court also decided that parallel importation could not be considered to be illegal, if the trademark owner took a long time to oppose it, being characterized, thus, the implied consent demanded by law.

However, the Superior Court's Justices then agreed unanimously to partially grant the request understanding that, despite the intellectual property rights holder and the distributor's tolerance to the infringement, this should not mean a complete loss of the exclusive rights established by law. Therefore, the court decided to declare illegal only the imports occurred after the filing of the complaint by the proprietor and the distributor, and not the ones occurred before such filing. The Justices, then, reversed the previous judgment of the State Court of Ceará.

In his vote, the reporting Justice Sidnei Beneti stressed that:

*“The provision of Art. 132, III, the Industrial Property Law (Law 9.279/96), requiring the consent of the owner of the trademark for the legality of importing the goods into Brazil, is clearly in opposition to the interpretation attempted by the lower court, conducive to reverse the words of the law. (...)*

*One must recognize that the lower Court ruled against this legal provision when it held that : ‘the technique of interpreting art. 132, item III, of Law 9.179/96 according to the Constitution, entails the conclusion that it only forbids the parallel importation of counterfeit products that imitate, reproduce or fraudulently falsify other trademark.’*

*Such legal provision (...) is not directed at preventing the importation of infringing products, to products ‘that mimic, reproduce or falsify other trademarks’. It is not intended to prohibit the importing of ‘pirated’ goods, for which there would*

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*not even be the need of any specific provision in the Industrial Property Law, since counterfeiting, or 'piracy' is completely forbidden in the entire system of industrial property protection, being even a crime (...)."*

## **Border Control**

Since October 2004 Brazil has an appropriate instance to handle the piracy issue, known as the National Council for the Combat of Piracy and Crimes against Intellectual Property (CNCP, in the Portuguese acronym)—an interagency body, and member of the basic structure of the Brazilian Ministry of Justice.

The CNCP's first strategic plan was designed in 2005 and this work resulted in a set of 99 specific actions to combat piracy in Brazil. In the past few years the Customs Authorities, the Federal Police Department and the Federal Transit Police Department broke all records of seizures of fake goods, arrests and investigations and filed several lawsuits against counterfeiters. Recognized internationally, the Brazilian job of combating piracy has been mentioned in several countries as an example to be followed.

Given the dynamic nature of the phenomenon of piracy, the Council constantly presents new guidelines and priorities to deal with this phenomenon in Brazil.

As part of the Council's National Plan for the Combat of Piracy—which was launched in 2009 listing 23 actions against piracy to be taken until 2012—on May 6 2011, the Brazilian Ministry of Justice announced that it will create the National Trademark Owners Directory (DNTM, in the Portuguese acronym), a new body that aims to build a database of trademark owners which are likely to suffer counterfeiting, and to improve the communication between the several government bodies responsible for border measures. The CNCP will be in charge of DNTM's administration.

The registration of trademarks with the DNTM is voluntary, and can be made either by the trademarks owners themselves or their licensees. The registration may also be made through a representative, who must present a power of attorney with specific powers allowing him to perform such registration and be in charge of its prosecution before the DNTM.

The DNTM's database shall only be accessed by officers of the Federal Police Department, Federal Transit Police Department, Customs Authorities, Federal Prosecutors, States' Prosecutors, Homeland Security, Police Departments and the Forensics Laboratories. The access will be controlled by the Executive Body of the CNCP, which will provide logins and passwords to those authorized to access this database.

Another innovation for border control was brought through Decree no. 7,496 of June 8, 2011, which established the Strategic Plan for Borders, whose coordination is exercised by Ministers of State of Justice, Defence and Finance in order to strengthen the prevention, the control, surveillance and repression of border crimes and offenses committed on Brazilian border.

The objectives of the plan are: the integration of public security actions, customs control and the Union's Armed Forces with the action of states and cities located along the border; implementation of joint actions, as well as exchange of information between public safety agencies, federal and state governments, Brazil's Federal Revenue Secretariat and the Armed Forces; the partnerships with neighboring countries, and the expansion of staff and structure for the prevention, control, surveillance and prosecution of border offenses.

An illustrative list of measures to be carried out are: actions to integrate federal, state and cities located along the border; implementation of projects to strengthen the government presence in the border region; actions of international cooperation between neighboring countries.

## **Ambush Marketing in Times of World Cup and Olympic Games**

In addition to the above figures, there are other situations of particular concern in the field of intellectual property. We will briefly analyze, in particular, the figure of ambush marketing, also a very common infringement that usually occurs throughout a major sports event.

Ambush marketing or marketing "by association" in the field of sports is a strategy represented when a commercial/advertising maneuver is adopted by a non-sponsor entity that falsely associate themselves with the name or brand of a sports event, without the organizers' authorization, in order to obtain benefits and advantages.

As the first of the next great sports event in Brazil, the 2014 World Cup has become subject to several issues related to trademark protection.

With the protection of its trademarks and the success of the 2014 World Cup in mind, FIFA signed an agreement with the Brazilian Patent and Trademark Office to speed up the process of granting trademark registrations for both the federation and the official sponsor companies that apply for registrations of trademarks associated with the World Cup.

As for the Olympic Games, Rio de Janeiro, since elected as host city of the 2016 Games, has assumed

the commitment of combating threats against Intellectual Property rights, such as piracy/counterfeiting and ambush marketing, and is receiving full support from the IOC to prevent these illegal activities.

A typical case of ambush marketing in a major sport event happened in the South Africa World Cup, 2010, where a group of 36 women attended the game between Holland and Denmark wearing orange dresses available from the Dutch beer brand BAVARIA. They were expelled from the stadium and arrested under the Contravention of Merchandise Marks Act, which prevents companies from benefiting from an event without paying for advertising rights.



Given that the organization of these great sports events involves significant sums of money, the false association of non-sponsor companies to these following events in Brazil is a concern that already has FIFA and the International Olympic Committee (IOC) joining forces to prevent.

The World Cup 2014 in Brazil may involve investments as high as US \$9.42 billion, overcoming twice as much expenses incurred at the South Africa World Cup, whereas the 2016 Olympic Games is expected to reach the approximate amount of US \$15 billion.

### **New Acts Passed by the Brazilian Congress Related to the Olympic Games and the FIFA World Cup**

Brazilian Federal Law 12,035/2009 created the Olympic Act aiming at the 2016 Summer Olympics and Paralympics Games in the city of Rio de Janeiro. Article 6 of the law establishes that Brazilian Federal authorities shall act in control, surveillance and repression of illicit acts which infringe the rights of the Olympic symbols and Olympic “names”—Olympic Games, Olympic Games Rio 2016, XXXI Olympic Games, Rio 2016, XXXI Olympic Games, Rio Olympics, etc—including trademarks.

Thus, the Law prohibits the use of any symbols related to the 2016 Games, for commercial purposes

or not, except with the prior written permission of the Organizing Committee for the 2016 Games or the IOC. For the first time, ambush marketing by association with the event has also been considered as an illegal act in Brazil, albeit only a civil tort.

Moreover, the Law 12,035/2009 suspends from July 5 to September 26, 2016 any marketing agreements and advertisement in airports and other areas of interest to the 2016 Rio Games, such as areas close to where the games will be held.

There are, in addition, specific statutes protecting the Olympic Games, namely: the Nairobi Treaty, which secures protection to the Olympic symbol (the “Olympic rings”); and the “Pelé Law” (Law no. 9615/98), which regulates all aspects of sports in Brazil, and secures, in its article 15, §2, exclusive rights to the use of flags, mottos, anthems and Olympic and Paralympic symbols, as well as exclusive use of the expressions “Olympic Games”, “Olympics”, “Paralympic Games” and “Paralympics”.

Comparable to the Olympic Act, Law 12,663, of June 5TH 2012, provides specific rules for advertisements and campaigns during the 2013 Confederations Cup and the 2014 World Cup. The “World Cup Act” was approved by the Brazilian Congress almost 3 (three) years after the Olympic Act, and it is a much more comprehensive statute than the latter. In the World Cup Act, ambush marketing by association with the event is considered not only a civil tort, but also a criminal felony.

The regulation of the restriction areas in the World Cup Act is also much broader than in the Olympic Act, regardless of both statutes being equally concerned with this matter, aiming to prevent any illicit marketing activity, unauthorized traders, counterfeit goods and ticket touts around the competition areas, by defining these restrictions.

The World Cup Act enacts the Commercial Restriction Areas (CRAs), which comprise the Official Competing Locations and its surrounding (within a maximum radius of 2 kilometers—1.24 miles). In these locations, only FIFA and authorized parties may divulge their marks, distribute, sell, publicize or advertise products and services as well as render other promotional activities.

These restriction areas are a justified concern to the organizers, since it affects every form of commerce in these 1.24 miles around the competing locations, preventing several non-sponsor companies from continuing their regular commercial activities, which can also be played out as a constraint to the legal rights of freedom of expression and free competition.



Possible restricted area around maracana stadium, in rio de janeiro, for the 2014 World Cup. ©2012 FIFA.

As a possible way to avert this idea, in its official website,<sup>1</sup> FIFA states that “the CRAs are specifically intended to easily identify and effectively deal with marketing activities that focus on the physical presence of non-sponsor companies in and around event

globalization, and major international sports events such as the Olympic Games are the perfect stage for those who wish to have an undue advantage from the huge investments needed to organize such events. ■

sites, such as stadiums” and continues declaring that “any commercial activity that is not specifically targeting the event or its spectators to obtain a promotional benefit should not be limited by the CRAs.”

Certainly, in events of this magnitude, the limits to the restriction of the society rights compared with the organizer’s privileges have to be cautiously considered.

### Conclusion

Infringement of intellectual property rights are a constant issue in today’s world, and combating such illegal practices is an urgent matter.

This battle attracts global efforts, given that these illegal conducts, such as counterfeiting, piracy and parallel importation, are certainly aggravated by

1. [www.fifa.com/worldcup/organisation/marketing/brand-protection/surveillance/index.html](http://www.fifa.com/worldcup/organisation/marketing/brand-protection/surveillance/index.html)