

# The building blocks of change

**A number of decisions in 2013 indicate significant progression in the trademarks debate in Brazil; it is to be hoped that these developments become sound foundations for future achievements**

The past couple of years have seen some major developments in how Brazilian courts interpret and enforce trademark law at all levels. This article reviews some of the latest changes related to protection for non-traditional trademarks, the special rule for determining jurisdiction in trademark infringement cases and the administrative seizure of counterfeits by Customs.

The 1996 Industrial Property Act (9,279/96) establishes a mixed trademark protection system by which an attributive arrangement grants first-to-file protection rights along with some declaratory system exceptions, such as *bona fide* six-month prior use of an unregistered trademark. Despite general satisfaction with this system, it is a fact that the law admits only the registration of visual-perceptive signs as trademarks (Section 122).

However, this limitation does not mean that non-visual signs which function as trademarks are bereft of protection. The Industrial Property Act sets out a so-called 'general clause' of unfair competition (Section 195, item III), which incorporates Article 10bis(3)<sup>19</sup> of the Paris Convention and prevents any act likely to cause consumer confusion. Such protection – especially when it involves unregistered signs – depends on the evidence submitted by the rights holder, which must show that:

- the unregistered sign is inherently distinctive with regard to its origin or has acquired secondary meaning; and
- there is a likelihood of confusion by the public.

It is therefore gratifying that recent decisions of the Brazilian courts have recognised the possibility of protecting many kinds of non-traditional distinctive sign. This is exactly what happened in two recent cases decided at second instance by the Appeal Court of the State of Rio de Janeiro.

## Brewery sees red

The first involved a trade dress dispute between two breweries (*Apelação Cível* 0004385-03.2011.8.19.0001, *Tribunal de Justiça do Estado do Rio de Janeiro*). Companhia de Bebidas das Américas – Ambev is one of the world's biggest breweries and the producer of

some of the best-selling traditional beer brands in Brazil, including Brahma. As part of a marketing relaunch, in 2010 Ambev started to sell Brahma in red cans, instead of the whitish/pale cans which are commonly used in the industry for *pilsen* beers. The company then launched a nationwide advertising campaign to promote and popularise the new cans, at no insignificant expense.

Itaipava is an increasingly popular brand of *pilsen* beer manufactured by Brazilian brewery Cervejaria Petrópolis, which also sold its beer in whitish/pale cans. However, about two months after the launch of Brahma's red cans, Cervejaria Petrópolis began to produce and sell its *pilsen* beer Itaipava in cans in a similar shade of red to those of Brahma. Ambev filed suit against Cervejaria Petrópolis, claiming damages on the grounds of unfair competition, dilution, trade dress infringement and unlawful enrichment. An *ex parte* injunction was granted in favour of Ambev and Cervejaria Petrópolis was ordered to cease producing and selling its beer in red cans immediately. Although the trial court judge eventually denied Ambev's claims, the Court of Appeals of the State of Rio de Janeiro reversed this judgment, stating that Ambev's red *pilsen* beer cans had succeeded in acquiring originality and distinctiveness, assuring the exclusivity of Brahma's new trade dress. As a result, Cervejaria Petrópolis was ordered to pay damages to Ambev.

## Angel wings keep Victoria's Secret distinct

The second case also concerned the infringement of non-traditional signs, although not in the label/packing department. It involved the famous lingerie boutique Victoria's Secret and a local fashion agency, along with its sponsors (*Embargos Infringentes* 0121544-64.2011.8.19.0001, *Tribunal de Justiça do Estado do Rio de Janeiro*). Victoria's Secret Stores Brand Management Inc is a world-famous manufacturer of women's intimate apparel and lotions. One of its outstanding market events, which has helped to build the brand, is the annual Victoria's Secret Fashion Show. This features the celebrated Victoria's Secret Angels models, who often wear angel wing accessories. The show is broadcast all over the world and consists of a traditional fashion show attended by several celebrities, with live music by famous performers.

Mega Marcus Eli e Gustavo Associados Mega Model's Agency Ltda – along with its sponsor Hypermarcas SA (the manufacturer of a well-known line of lotions in Brazil called Monange) and Globo Comunicação e Participações SA (broadcaster of the nation's number one TV channel, Globo) – promoted the fashion show called *Monange Dream Fashion Tour*, which copied some of the iconic characteristics of the Victoria's Secret Fashion Show. For

example, *Monange Tour* featured famous models and live music performances by well-known Brazilian artists. Significantly, some of the models featuring on *Monange Tour* also wore angel wings.

Victoria's Secret sued the model agency and its two sponsors for unfair competition and unlawful enrichment. The first trial court granted an injunction prohibiting the use of the typical items normally associated with the Victoria's Secret Fashion Show, particularly the angel wings, and subsequently ruled in favour of Victoria's Secret. Although the Rio de Janeiro Court of Appeals accepted the defendant's appeals, in late 2013 Victoria's Secret successfully reversed this judgment to keep the trial court's ruling in its favour. This latest decision emphasised what fashion agents and expert journalists and commentators had pointed out in their reviews – the remarkable distinctiveness of the elements involving the Victoria's Secret Fashion Show and the similarity between both events. This constitutes an important precedent by which the court established the possibility of protection for non-registrable distinctive elements as abstract as the use of angel wings in a fashion show, on the grounds of unfair competition.

### Determining jurisdiction

Besides trade dress and protection for other types of non-traditional sign, other relevant issues have been argued in the Brazilian courts in the last year, positively shaping the practice of trademark litigation. One of these relates to the definition of courts' territorial jurisdiction to assess trademark infringements.

The Civil Procedure Code establishes a general rule determining that any action must be filed at a court where the defendant is based. However, this provision can result in some serious problems, as not every judicial district in Brazil has courts that specialise in intellectual property (only the city of Rio de Janeiro has both state and federal IP courts). Moreover, many defendants are headquartered in the countryside, where the courts may not be as independent as those in major capitals are expected to be or as the law requires them to be. Therefore, securing an appropriate venue is crucial.

Notwithstanding this, Section 100.V.a of the code provides a valuable exception to the general rule, allowing claims for damage indemnification to be filed where the violation is taking or has taken place. Therefore, if the plaintiff can provide evidence that the alleged infringement has taken place in its home town or in a city which has an IP court (eg, Rio de Janeiro), then this court will be granted jurisdiction to prosecute and decide the matter. As a strategy, therefore, plaintiffs can order samples of infringing products online and have them shipped to their home address, thus proving that the infringement has spread over the whole country.

In recent years there have been many decisions of state courts either accepting or refusing the special venue provision mentioned above. However, in 2011 the Superior Tribunal of Justice's ruling in *Embargos de Divergência em Agravo de Instrumento* (783.280-RS) confirmed that: "upon confirmation of the trademark violation or the unfair competition practice, under sections 129 and 189 of Law 9,279/96, it is applicable the understanding according to which the lawsuit for damages can be prosecuted at the venue where the infringing act or fact has taken or took place, even if the defendant's business place is located in another place."

Since this is a superior court decision designed to end the split, the expectations are that first-instance courts will begin to accept the application of the special venue statute whenever infringement claims are combined with requests for damages – which enables the rule to apply.

### New steps forward in administrative seizures

Finally, last year the Superior Tribunal of Justice asserted that Customs

can seize counterfeit merchandise, even when these are in transit to another country. This subject has long been debated between rights holders and Brazilian Customs – the latest occurrence under a limited interpretation of both the Trade-Related Aspects of Intellectual Property Agreement (TRIPs) and the Industrial Property Act.

The core of the matter is Section 198 of the act, which affirms that "the customs authorities, *ex officio* or at the request of an interested party, may seize, at the time of checking, any products carrying falsified, altered or imitated marks or a false indication of source". Although the law expressly provides for the administrative seizure of counterfeit goods by Customs, regrettably Brazilian Customs requires rights holders to file a court action against the importer seeking the judicial seizure of the counterfeits; otherwise, the products must be released.

The Superior Tribunal of Justice's decision in *Agravo Regimental em Recurso Especial* 725,531-PR was therefore widely welcomed by rights holders. The tribunal stressed that the border measures foreseen in Section 198 (and consequently Article 55 of TRIPs) are administrative procedures and do not require interference from a judicial authority. Additionally, the decision stated that the administrative detention of counterfeit goods can also involve unregistered signs, such as trade dress. In this case, counterfeit batteries branded 'Powercell' – which were a clear trade dress copy of the acclaimed Duracell batteries – were in transit to Paraguay and were detained by Customs at the port of Paranaguá in southern Brazil. Although the products were not destined for Brazil, the tribunal ruled that Brazilian sovereignty allowed Customs to seize the infringing merchandise.

Despite this decision, Brazilian Customs still has a narrow interpretation of the applicable legal provisions and still requires rights holders to file lawsuits against importers. It is highly recommended that rights holders file suits to ensure that counterfeit goods are seized and that Customs does not release them – especially if a considerable amount of counterfeits is involved. On the other hand, if the quantity of products is minimal or irrelevant when compared to the costs associated with filing a judicial claim, it worth the risk of not taking judicial action and simply filing an administrative request for destruction (although there is no guarantee that this will be accepted, in view of Customs' position).

One practical issue is to figure out against whom the action should be filed, since the Tax Law allows importers' data to remain confidential. There are two ways of getting around this:

- Rights holders can file a writ of mandamus against Customs in order for it to release the information and then file the lawsuit against the importer; or
- Rights holders can file an ordinary action against an unknown defendant demanding service by publication (*citação por edital*) and requiring an injunction against Customs in order for it to release the necessary information.

Once the importer's name has been disclosed, the plaintiff can then simply amend the lawsuit so that it contains the importer's correct name and address.

These decisions reveal significant progression in the trademark debate in Brazil, as the economy grows and becomes more international in nature. It is to be hoped that these become solid foundations for future achievements. [WTR](#)

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