CHAPTER 33

Brazil

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1 BACKGROUND

Litigating employees' or service providers' intellectual property rights cases in Brazil can take a long time, starting with procedural incidents challenging court competence aspects, going through the evidence phase at the heart of the classification analysis stage, which often includes hearing witnesses, and finally, discussing at length the assessment of accounting criteria and award quantification, that can affect 50% of the company's net profits.

The relationship between an employee's invention and the employer's field of activities is not foreseen as a classification criterion in statutory law, based predominantly on a two-factor system: existence of the employee's inventive or creative duties in the contract and their use of the company's resources.

The definition of who is considered an 'employee' or an 'intern' and the extent of their duties are regulated by the Brazilian Labour Laws Consolidation ('CLT', of 1943), while the intellectual property rights of the parties have their framework in different acts, depending on the contemplated technological, plant variety, software, literary, artistic or scientific creation.

Key statutory provisions present some ambiguities and have long not been updated. In an era of open innovation, fairly assigning intellectual property rights to the parties directly involved in the creative process presents constant challenges in Brazil. Involving a complex set of rules, three main fields of law require consideration: labour,

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intellectual property and contract, not to mention the changes that the country is experiencing in its economic, cultural and educational objectives.[1]

Public policies in Brazil take account of the needs of its growing market, e-commerce, developing local R&D, and innovation funding by the government. At the same time, a model attracting private investment in new technologies must be continuously encouraged.

Although all employees are potential inventors, regardless of their contractual function, the subject matter of this chapter finds no guidelines in international treaties and it was introduced in the Brazilian legislation in 1943, by the country's above-mentioned CLT, that contained a general rule regarding employment contracts in its Article 454, establishing that in the course of an employment contract, inventions developed by an employee using the employer's equipment belonged to both parties, except if the employee was hired for research. In this case, the invention title was given to the employer, who had one year to start using it, as from the date of the granting of the patent. Otherwise, the employee would gain the exclusive rights to the invention.[2]

The first Brazilian Industrial Property Law ('BIPL') was entered into force in 1945. As from this Act, employees'/employers' rights were transferred from the Labour Act and received closer attention. In time, with the country's development, new acts on industrial property, copyright, plant variety, software and semiconductors were enacted, all containing provisions on this matter.[3]

The resulting scenario is a set of rules based on labour law principles, spread out in different acts, most of which have similar provisions.

As a general provision, The Brazilian Federal Constitution of 1988, currently in force, provides a frame for the employees' social rights, among which their participation in the profits or results of the companies, independently of their remuneration, is foreseen in Article 7, XI as an open possibility, not related to intellectual property creations or innovations. The support to the companies that invest in research, training and remuneration systems that grant to the employees participation in the economic gains resulting from their productivity is also encompassed by the Federal Constitution, in paragraph 4 of its Article 218.

Inventions, utility models and designs have had the greater persistence, detail and organisation with regard to employees' rights, addressed in a general rule set forth by Article 5, XXIX of the Federal Constitution, which ensures that the creator of the invention is entitled to obtain the patent, considered by scholars as the most important

1. Professor Jeremy Philips highlighted employee inventions as a 'truly multidisciplinary problem' and outlined the non-legal aspects involved in his *Employees' Inventions: an Analysis of the Nature of the Subject*, in *Employees' Inventions – A Comparative Study* 7-40 (Fernsway Publications).
2. Decree-Law No. 5,452 of 1 May 1943. This Labour Act is still in force, but its Art. 454 was revoked by the subsequent Industrial Property Law.
3. In the Industrial Property area: Ordinance No. 7,903 of 27 August 1945 followed by: Ordinance No. 253 of 28 February 1967 (as from which the subject deserved a broader regulation), Ordinance No. 1,005 of 21 October 1969, Law No. 5,772 of 21 December 1971 and Industrial Property Law No. 9,279 of 14 May 1996, currently in force.

faculty within the material rights to the invention.[4] The Brazilian system adopts the 'inventor principle' (*Erfinderprinzip*), which establishes that the privilege to protect an invention belongs to its creator (natural person). In practice, however, they often turns out to be a different person, not the inventor, who is allowed to apply for the patent either by a legal or a contractual provision.[5] The first legal standard regarding ownership is therefore the rule that the inventor's heirs or successors, legal entities and assignees,[6] provided that they prove such, may acquire the patent for protection of the invention. Furthermore, whenever an invention or utility model is created jointly by several persons, the patent may be claimed by all or any of the co-inventors, being granted to all in co-ownership, by naming and qualifying the others to guarantee their respective rights.[7]

Chapter XIV of Title I of BIPL on employees' inventions applies also to patents resulting from any other contractual relationship, such as R&D contracts between natural or legal persons, and also to public servants. It classifies inventions into three categories, which are further described below.

While the inventor's right to have their name mentioned on the letters patent[8] is a moral right and as such cannot be renounced, independently of the invention's category, material rights can be waived to different degrees, according to the corresponding category.

In view of the existing laws applicable to the different intellectual property assets that can be generated, it is highly recommended, in Brazil, in order to avoid disputes and to secure the parties' rights, to draw up a comprehensive and clear contract when hiring employees, interns and outsourced service providers in general, and not only those who deal with R&D work, considering that jurisprudence on the interpretation of the legal classification is under constant construction when the contracts lack definition. However, the parties' will is subject to limited flexibility, since many labour law rules are mandatory (of public order) and labour principles are, as mentioned above, at the root of the Brazilian system. Moreover, without a written contract dealing with employees' intellectual property rights, the ownership and remuneration solutions imposed by law will automatically apply.

4. João da Gama Cerqueira, *Tratado da Propriedade Industrial (Industrial Property Treaty)*, 244 (Rio de Janeiro, Forense, updated 2010. v.2. 6.2.). See also: Denis Borges Barbosa, *Inventor Empregado ou Prestador de Serviços,* in *Tratado da Propriedade Intelectual*, Tomo II, 1308 et seq. (Rio de Janeiro, Lumen Júris 2010).
5. Art. 6 of the Industrial Property Law, complementing the constitutional provision, establishes the general rules regarding inventorship and ownership of industrial creations.
6. BIPL – regulates the rights and obligations relating to industrial property (Art. 6, § 2 (14 May 1996), Industrial Property Law).
7. BIPL.
8. On the employee's naming right, see Carlos Eduardo Frank Fischer, *Critérios de Nomeação de Inventores e Autores segundo a Prática Internacional e a Legislação Brasileira,* 95 ABPI 47-50 (July/August 2008).

2 EMPLOYEES' COPYRIGHT

2.1 The Legal Framework

The current Brazilian Copyright Act (Law No. 9,610/1998) reduced the provisions regarding employees' and employers' rights over a creation, when compared to the previous Act (Law nº 5.988/1973), which Article 36 established the co-ownership between the employer and the employed author on the latter's works, and was not replaced by any equivalent rule concerning software, such provisions can be found in Article 4 of the Brazilian Software Act (Act No. 9,609/1998).[9]

2.2 Ownership of Rights

2.2.1 Copyright

Before addressing ownership, a few words are needed with respect to the authorship of copyright works. According to Article 11 of the Brazilian Copyright Act, the author is *the individual who creates a literary, artistic or scientific work*. In other words, the author of a work is considered to be the person who, by any of the modes of identification provided by the law, has, according to the normal usage, indicated or announced their authorship.[10] Copyright arises through the creation of the work and is independent of registration.

The person who adapts, translates, arranges or orchestrates a work that has fallen into the public domain owns the copyright of the new version, but cannot object to another adaptation, translation, arrangement, or orchestration, unless it is a copy of such version.[11]

Co-authorship occurs when two or more people work together in the creation of the same work. The person who simply assists the author in producing the literary, artistic or scientific work by revising, updating, monitoring or managing their publication or presentation by any means is not considered a co-author. The same applies to the other types of intellectual property rights in Brazil.

Bearing in mind that copyrighted works are indivisible, the co-authorship regime implies in a certain restriction of the rights of each individually considered author[12]

9. In accordance with Art. 10 of the Agreement on Trade Related Aspects of Intellectual Property Rights ('TRIPS'), computer programs are protected as literary works under the Berne Convention.
10. Brazilian Copyright Law, Art. 13 (19 Feb. 1998).
11. Brazilian Copyright Law, Art. 14 (19 Feb. 1998).
12. Eliane Y. Abrão, *Direitos de Autor e Direitos Conexos (Copyrigths and Neighbouring Rights)* (São Paulo, Migalhas, 2014), 27.

However, concerning audio-visual works, a co-author is anyone who develops the literary, musical or musical-literary plot or script, as well as the director. Finally, it is clear that the co-author of an animated cartoon is anyone who creates the cartoon drawings used in the audio-visual work.[13]

Ownership is addressed in the Brazilian Copyright Act only in one paragraph, that deals with 'collective works': Article 17(2) sets forth that the property rights on the entire collective work belong to its organiser. This rule is often applied to copyrights generated in corporations in general and to companies working with publications, editors in particular, depending, of course, on the circumstances of each case.

Article 13 of Law nº 6.533/1978, that foresees the rule according to which the copyrights regarding professional services of artists and technicians on entertainment spectacles cannot be assigned caused national repercussion, mainly with the Supreme Federal Court's understanding that such article Is constitutional, rendered in 1980 on Anti-constitutionality claim nº 1.031/DF[14].

Analysing some of the relevant judgments of Brazilian Labour Courts on employed authors' works, scholars point out that in view of the labour relationship between the parties, Intellectual Property Acts are not always sufficiently clear and whenever a labour principle is violated, courts apply the interpretation that is more favourable to the employee[15].

Unless the 'collective' work rule can be applied, Courts often understand as it happened in the *Forum TV* Case, that under the current Brazilian model, copyrights belong exclusively to the employee, independently of his or her labour relationship, and that even if the work was made in the context of his or her professional duties, the employer must, whenever it wishes to exploit it, obtain his or her express authorisation, in view of the Copyright Act´s Articles 11, 28 and 29.[16]

Following the same reasoning, in the *Caldas Junior* Case, the court stated that the employer newspaper cannot assign the employed photographer journalist's photographs to other communication vehicles in a gratuitous way and therefore granted damages to the employee. It also ruled that the violation of copyrights causes damages *in re ipsa*, because authorship is a personality right and the unfair profit obtained on the intellectual work constitutes an invasion.[17]

13. The provisions on co-authorship are established in the Brazilian Copyright Law, Art. 15 and 16 (19 February 1998).
14. Maurício Kioshi Kanashiro, *A Proteção do Autor Empregado sob a Perspectiva da Função Social do Direito Autoral (The Protection of the Employed Author Under the Perspective of the Copyright´s Social Function)*, ABPI Magazine nº 131, 3-26 (July/August 2014), 25.
15. Suzete da Silva Reis, *Os Direitos Trabalhistas do Autor Empregado: Uma Análise do Entendimento dos Tribunais do Trabalho (The Employed Author´s Labour Rights: an Analysis on the Understanding of the Labour Courts)*, PIDCC, Aracajú, Brazil, Year III, Edition nº 06/2014, 23-39 (June 2014), www.pidcc.com.br, 38.
16. *João Paulo R. N. da Gama v. Forum TV Mais Ltda.*, Superior Court of Justice´s decision on Special Appeal nº 1.322. 325-DF (2011/0026518-1), of 18 February 2014. In this particular case, the work was anonymous.
17. *Roberto Vinicius da Silva* v. *Empresa Jornalística Caldas Júnior Ltda.*, the 4th Region´s Labour Court decision Nº 0000 428-13.2010.5.04.0028-00, on the company´s appeal, of 1 August. 2013.

2.2.2 Computer Programs

Article 4, head paragraph, of the Brazilian Software Act states that the employer, service contracting party, or public body has the total and exclusive rights over a computer program developed and produced during the validity of an employment contract or statutory relationship, expressly intended for research and development, or when the activity of the employee, service provider or public servant is foreseen in the contract or if it was created as a result of the employee's activities during the relationship.

According to the second paragraph of the same Article, the employee, service provider or public servant exclusively owns the rights to the software program developed with no connection to the employment contract, statutory relationship, or by-law obligation, and without the use of resources, technological information, trade secrets, materials, facilities or equipment of the employer, company or entity to which the employee is bound by a service agreement or similar contract.

Since the Software Act is silent when it comes to computer programs created by the employee who was not hired to develop them, but who used the employer's resources, the ownership is that envisaged in the contract; otherwise, if nothing has been agreed, it will be decided by the court.

2.2.3 Jurisprudence Concerning Computer Programs

Daniel José Elias v Borgwarner Brasil Ltda

According to the elements described by the Honourable Judge Ana Cláudia Torres Vianna in the decision, 'the known Software Act deals with only two situations regarding the invention's ownership. That is, it either belongs to the employer, in the cases shown in the *caput* of Article 4, or it belongs to the employee, in the situations shown in the second paragraph. It does not deal with the invention created jointly, a hypothesis known in the doctrine as casual invention, in which the rights to exploit belong exclusively to the employer and a fair remuneration as a share in the distribution of the gains of the invention is assured to the employee.' Majority decision accompanied by The Honourable Judge Eurico Cruz Neto (author's translation).

The legislator did not conceive of extending the treatment set by Act No. 9,279/1996 to computer inventions because such inventions, due to increasingly rapid and frequent innovation, have turned into work tools, used to enhance and speed up the productive systems in all areas of expertise, having no reason to exist outside of the workplace to which they are related. This way, according to Honorable Judge Ana Cláudia Torres Vianna, 'the intellectual property will only belong to the employee when he developed a project that is not related to his employment contract, using his own resources. It is obvious that the knowledge acquired in the workplace will influence the invention because the human being has only one brain that cannot be compartmentalised. However, the Act expressly highlights that if technological factors, the employer's trade secrets or business contribute to the invention, then the inven-

tion's ownership will belong to the employer or to the contracting public body, and not to the employee.' Majority decision accompanied by the Honorable Judge Eurico Cruz Neto (author's translation).[18]

2.3 The Parties' Duty to Inform

Since it is not expressly mentioned in the law, it is recommended to put in the employment contract a clause whereupon the employee has the duty to inform the employer of any invention or creation, collaborating as necessary to enable the protection and enforcement of the rights on said creation.

Although it is not a statutory provision, the employee should inform the employer of any invention or creative work connected to the activities developed by the latter. Eliane Ribeiro do Prado points out that granting the employer the right of preference to a licence is expected in view of the employee's loyalty duty, avoiding a potential conflict of interests if the invention is negotiated with a competitor of the employer.[19]

2.4 Employee Remuneration Right

The Copyright Act is silent on a remuneration right, but it is stated in the Software Act that remuneration should be agreed between the parties when the employee is hired for a creative duty.

3 EMPLOYEES' SEMICONDUCTOR CHIPS

3.1 The Legal Framework

Articles 27 and 28 of Brazilian Act No. 11,484/2007 on Digital Television, Semiconductors and Intellectual Property Protection to Integrated Circuits Topographies establish the employee's and employer's rights over their work specifically related to integrated circuit topography. Therefore, these provisions are analogously interpreted and applied to semiconductor components.

3.2 Ownership of Rights

According to Article 27 of the above-mentioned Act, the applicant will be considered the creator of the semiconductor component or the integrated circuit topography, unless agreed otherwise. When two or more people create a semiconductor component or the integrated circuit topography, any or all of them may apply for the registration.

18. *Daniel José Elias v Borgwarner Brasil Ltda.*, Judicial chapter of the Daily Gazette, vol. 8, 17 (TRT. 2005).
19. *Gestão e Justiça no Trabalho Inovador: o Direito do Trabalho na Propriedade Intelectual (Management and Justice in Innovative Work: Labour Law in Intellectual Property)* 46 (Lumen Juris 2011).

If the registration is applied for by only one person, the applicant shall name the other creators and their respective rights. The Act also provides that the inventor's successors, the assignee or whom the law or the employment contract or statutory relationship determines to be the owner, may file the application.

Unless otherwise stipulated by the parties, the rights over the semiconductor component or the integrated circuit topography developed during the employment contract or statutory relationship term, in which the creative activity results from the nature of the services rendered during such relation or when the person uses the resources, technological information, trade secrets, materials, facilities or equipment of the employer, service contracting party or entity, will belong exclusively to the employing party.

On the other hand, the rights will belong to the employee when the semiconductor component or the integrated circuit topography were developed during their spare time and with no relation to their employment contract or with the use of their employer's resources, technology information, trade secrets, materials, facilities or equipment.

The Act provides no provisions regarding the creation of the semiconductor component or the integrated circuit topography by an employee who was not contracted to develop such topography, but made it with the use of the employer's resources. In this case, the dispute will be decided by the court.[20]

3.3 The Parties' Duty to Inform

The same applies as described in section 2.3 above.

3.4 Employee Remuneration Right

The employee only has the right to remuneration agreed in the contract when the rights belong exclusively to the employer, unless otherwise has been agreed, by virtue of Article 28(1) of Act No. 11,484/2007.

4 EMPLOYEES' INVENTIONS

4.1 The Legal Framework

In a specific chapter on the matter, Articles 88 through 93 of the Brazilian Industrial Property Law (Act No. 9,279/1996, 'BIPL') regulate employers' and employees' rights on inventions, utility models and designs.[21]

20. *Ibid*., p. 62.
21. According to Art. 121 of BIPL, the rights of the employee or supplier of services with regard to designs are governed by the same provisions than those applicable to inventions and utility models.

4.2 Ownership of Rights

The general principles on ownership of patents, utility models and designs are ruled in Articles 6 and 7 of BIPL, the essential elements of which are integrated with the specific chapter on employees' rights.

Under Article 6, unless otherwise agreed, the applicant is presumed to have the right to obtain the patent. This right does not always belong to the creator of the invention. It is possible that the application is filed by the inventor's heirs or successors, as well as by an assignee or by whoever the law or a labour or service contract determines to be the owner. When the invention is created by more than one person, the patent may be applied for by any or all of the co-inventors. In such circumstances, the patent will be granted to all of them and in case one of the co-inventors is willing to transfer their rights, the other co-inventors equally have the preference to the patent.

If two or more inventors have independently devised the same invention, utility model or design, the right to obtain the corresponding patent or registration will go to whoever proves the earliest filing, independently of the dates of the creation of the invention, as addressed by Article 7.

Relying upon Article 92, the provisions regarding employees' and employers' rights are also applied to interns, as well as to the relationship between two legal entities;[22] this is the case, for instance, for technology research contracts between two companies.

In order to determine to which party the ownership rights on an innovation resulting from a contract to be executed in Brazil are granted, one must analyse the employment contract and the conditions that contributed to the invention, utility model or design, to determine to which of the three categories envisaged in the law the invention belongs: service inventions, free inventions, 'composite' inventions. The names of the categories are not found in the statute, but they are mentioned as such by most scholars.

4.2.1 Service Inventions

If the invention, utility model or design is developed by an employee who was specifically hired to perform inventive activities, it belongs to the employer. Also in accordance with Article 88 of BIPL, whenever the employee applies for a patent within one year of the termination of their employment contract, it will be presumed that the invention was developed while their employment contract was still in force. This legal provision aims to prevent the employee not disclosing an invention to the employer, achieving this purpose by means of an inversion of the burden to proof: if, within one

22. With regard to inventions created by directors or shareholders of corporations, with no Labour Law relationship, see the author's Ch. *As invenções nas sociedades anônimas: Questões Societárias e Concorrenciais e Ações Reivindicatórias de Patente (Inventions in Companies: Competition Issues and Actions to Claim the Property of a Patent)*, in *Reivindicando a Criação Usurpada* (*Claiming the Usurped Creation)* 23-43 (Lumen Juris, Rio de Janeiro 2010).

year of the termination of the contract, the employee creates a new invention, utility model or design that is in no way connected to their former employer and employment contract, they will have to prove this fact; while after the lapse of this term, the employer will have the burden of proving that the invention is in some way connected to the former employment contract.

4.2.2 Free Inventions

In case the invention, utility model or design is not connected to the employment contract and the employee did not use any resources, means, data, materials, premises, or equipment belonging to the employer to develop it, the innovation belongs exclusively to the employee, in view of BIPL's Article 90.

4.2.3 Composite Inventions

Article 91 sheds light on inventions created by an employee who was not hired to invent or to perform R&D functions but used the resources, means, data, materials, premises, or equipment belonging to the employer. For this category, also known as 'dependant inventions' and often referred to by international literature as 'occasional inventions', Brazilian law applies the co-ownership solution:[23] the invention will belong to both parties, in equal parts, but without prejudice to (different) contractual provisions. Thus, in my view, it is possible for the parties to agree differently on ownership. Although the possibility of co-ownership in differentiated proportions has been rarely applied in practice, it is not disputed that the employee must always receive fair remuneration for their work, as explicitly stated in paragraph 2 of the same Article.

The key factor is therefore to know what is deemed to be the 'essence' of the object of a contract, 'which is research or the exercise of inventive activity, or when this results from the nature of the services for which the employee was contracted' (referred to at the end of the heading of BIPL's Article 88), since this factor can determine the classification of the invention as a service or composite invention, which in turn highly impacts on ownership and remuneration aspects.

Although the solution can generally be assumed from the description of duties in the contract, often employers encounter difficulties in drafting such description, since according to Article 456 of the Labour Code, when it is not expressly mentioned in the contract, it shall be understood that the employee has agreed to perform any and all duties compatible with their personal condition.[24] When it comes to industrial property, this provision cannot always be applied: although the duty to invent may be compatible with the employee's conditions, it should be at least implicitly mentioned

23. Regarding co-ownership on invention or utility model patents, see Frank Fischer, *O Regime de Co-Propriedade em Patentes*, 76 ABPI Magazine 3-15 (May/June 2005).
24. Ordinance No. 5,452, Art. 468 (1 May 1943): In individual employment contracts, it is only allowed to change the conditions by mutual consent, and yet, only if they do not harm directly or indirectly the employee, under penalty of the nullity of the infringing provision of this warranty.

in the employment contract, or result from the contracted activity, for an invention to be classified as a service invention. In order to avoid any kind of confusion regarding the existence, or not, of a duty to invent in a labour relationship, it is recommended for the employer to provide adequate mention in the contract of the innovative activities that shall be performed by the employee.

In the *Automotiva Usiminas* case, the Third Region's Labour Court granted to the employee remuneration based on Article 91 of BIPL, not based on the 50% criterion. The invention was not patented and the employee had obtained judicial fees exemption for poverty and had recognised to be one of the co-authors of the invention within the company.[25]

The reasoning that the employed inventor has the right to the remuneration established in Article 91 of BIPL because 'the intellectual activity performed by him surpassed the activities foreseen in the labour contract' was followed by the Second Region´s Labour Court in the *Paranepanema* case, in which the company argued that the employee, in his capacity as a sales engineer, had cooperated only with operationalising the project, not with its creation.[26]

4.2.4 Jurisprudence

Among the many judgments rendered by Brazilian Courts on employees' inventions cases, the following examples can be added to those mentioned in this chapter, quoting some of their core sentences:

> Court of Justice of the State of Rio de Janeiro:
> '[Patent concerning] improvements introduced in machines that produce bottles. State court's competence to decide upon the use of the patent. Invention created by former employee during employment contract. Application of Articles 40, §1 and 23, sole paragraph, of the Industrial Property Code. Granting of monthly compensation from the date of the patent application until the date of sale of the machinery, corresponding to the salary that the author received when he resigned his job, duly corrected and with interests. Appeal partially upheld. (Civil Action No. 2,868/87, Reporting Judge Pedro Américo Rios Gonçalves, First Chamber, decided on 15 December 1987)'. (Author's translation).[27]
>
> Court of Justice of the State of São Paulo:
> 'Plaintiff at the time of the facts – at the end of the 1960s – was chief of art of the Veja magazine and had as essential duties of his employment contract, for which he was remunerated, to follow and develop the execution and visual presentation of the magazine, including any graphical patterns. It is, therefore, clear that if the initial issues of the magazine had any type of layout or visual presentation problems, the chief of art would be called to remove such obstacles. It results from this that the development of a new layout process, including the columns

25. *Cremansul Fernandes* v. *Automotiva Usiminas S.A.*, Fisrt Chamber of the 3rd Region´s Labour Court's (Minas Gerais State) decision on Ordinary Appeal TRF-001 39-2012-129-03-00-9-RO, of 23 April 2014.
26. *Amilcar Barros Peres v. Paranapanema S/A*, Third Labour Court of Santo Andre, São Paulo Regional Court, The Hon. Judge Pedro Rogério dos Santos, decision, court action nº 1001057-94.2015.5.02.0433, 22 August 2016.
27. Law Gazette of the State of Rio de Janeiro, vol. 5, 195 (TJRJ, 1988).

measurements, the spaces and new format constitute the core of the plaintiff labour activity. It is clear that the creation of a new format for the magazine, independent of how creative it is, even it being given the plaintiff's name, does not grant him the patent of invention, once it was developed as a request and in benefit of the editor, and in exchange for wage compensation. (Decision on Appeal 9941.01.061498-2/50001, Reporting Judge Teixeira Leite, Fourth Private Law Chamber, decided on 8 April 2010).' (Author's translation).[28]

Superior Labour Court:

'Employee's invention in the course of the employment contract. It is the worker's right to receive from the employer participation in the income resulting from the use of the invention by the company independently of the granting of the patent by the correspondent administrative organ. (Appeal to the Higher Courts No. 1513/74, Reporting Minister Orlando Coutinho, Second Chamber, Official Gazette of September 17, 1974).' (Author's translation)[29]

4.3 The Parties' Duty to Inform

The same applies as described in section 2.3 above.

4.4 Employee Remuneration Right

In cases where the invention, utility model or design belongs to the employer (service inventions), the employer is guaranteed the right to an exclusive licence for exploitation and the employee will only receive the agreed salary. It is possible to agree in the employment contract a bonus wage in such cases, as a way of stimulating the employees to innovate. Article 93 of BIPL states that the employees' and employers' rights are applied to both public and private entities. However, the bonus wage is mandatory for public workers, as a method of motivating the researchers in public universities and research centres.

Free inventions belong to the employee, for which reason no special remuneration right applies.

With regard to composite inventions, Brazilian Law grants a 'fair remuneration' to the employee, and a right to exploit composite inventions to the employer (Article 91(2) of BIPL).[30]

As per Article 91(1) of BIPL, when an invention or utility model is created by more than one employee jointly, each of them will have an equal share, except when agreed otherwise. Thus, their remuneration can be agreed, for instance, as proportional to their contribution.

28. *George Benigno Jatahy Duque Estrada v Editora Abril SA*, Judicial Volume of the Daily Gazette Year IV Edition 869, pg. 836 (TJSP, 2011).
29. Official Gazette (TST, 1974).
30. Júlio Emílio Abranches Mansur highlights the technical inadequacy of the term 'remuneration' under the law, in view of the civil right, without any salary nature, arising from co-ownership on a patent in: *A Retribuição Econômica devida ao Empregado pela Exploração de Invenção Mista (The Economic Retribution payable to the Employee for the Exploitation of Joint Invention*), 82 ABPI Magazine 12 (May/June 2006).

5 EMPLOYEES' UTILITY MODELS

As regards employees' utility models, see section 4 above.

6 EMPLOYEES' DESIGN RIGHTS

As regards employees' design rights see section 4 above.

7 EMPLOYEES' PLANT VARIETIES

7.1 The Legal Framework

The rules on employees' rights to plant varieties are regulated by Articles 38 and 39 of the Brazilian Plant Variety Protection Act (Act No. 9,456/1997).

7.2 Ownership of Rights

According to Article 38 of the Brazilian Plant Variety Protection Act, ownership belongs to the person (individual) or legal entity that obtains the new plant variety.

Additionally, two specific situations are regulated in the Act.

If a new plant variety or an essentially derived plant variety is developed or obtained by an employee who was hired to perform such duty ('service plant variety'), the work will belong exclusively to the employer. The name of the plant breeder shall be included in the application and in the certificate.

On the other hand, if the innovative variety was not foreseen in the employee's contract nor were they hired with an R&D purpose, and it resulted from their personal contribution and from the use of resources, data, means, materials, premises, or equipment of the employer ('composite plant variety'), it belongs to both parties.

A third category ('free plant varieties') is not mentioned in the law; plant varieties obtained by an employee not hired for R&D work and who did not use their employer's intellectual or material resources belong exclusively to the employee.

If the employee applies for the protection certificate within 36 months of the termination of their employment contract, it will be presumed that the new plant variety or essentially derived plant variety was developed while their employment contract was still in force.

These rules do not apply to legal entities that provide services, to interns or to grant holders.

Article 11 states that the protection will be granted for a 15-year period to new plant varieties and essentially derived plant varieties. Vines, fruit trees, forest trees and ornamental trees, including their rootstock, will be protected for a period of 18 years.

The application may be filed by the plant breeder, but also by their successors, as well as by an assignee. If two or more people jointly conducted the process, any or all of them may apply for the protection,

7.3 The Parties' Duty to Inform

The same applies as described in section 2.3 above.

7.4 Employee Remuneration Right

With regard to a 'service plant variety', payment to the employee shall be limited to the salary or the value agreed by the parties, unless otherwise stated in the contract.

The employer has the right to exclusively exploit the new plant variety or essentially derived plant variety, the remuneration agreed between both parties being assured to the employee, notwithstanding the payment of salary or the remuneration agreed.

8 INSTANCES FOR DISPUTES

8.1 Labour Relationships

For decades, the issue of the competent court to solve conflicts involving employees' intellectual property rights has been discussed in several instances, because of the hybrid nature of this matter.

The competence of Labour Courts to decide disputes related to employment contracts is granted by the Brazilian Federal Constitution[31], but it is not always clear to the parties to what extent disputes over intellectual property assets could be treated as having a different nature, and it is not rare to have one of them pleading that a specific approach be dictated.

Two conciliation stages are available at Labour Courts: before the defendant's reply and before the final briefs; neither are specialised in intellectual property disputes.

The Brazilian Patent and Trademark Office ('BPTO') is competent to decide any matter concerning the issuance of patents, such as their granting, cancellation or maintenance. However, it is the Federal Justice's competence to assess the validity of such administrative acts. When it comes to issues such as the classification of the invention into one of the three employees' inventions categories, allocating the ownership and compensations, BPTO has repeatedly declined to analyse such matters, claiming that these do not belong to its area of expertise and that it has neither structure to analyse evidence nor to conduct hearings.

31. See The Summary of seven decisions rendered by Brazilian Labour Courts concerning employees´ creations protected as inventions, copyrights or software, in Suzete da Silva Reis, *Os Direitos Trabalhistas do Autor Empregado: Uma Análise do Entendimento dos Tribunais do Trabalho (The Employed Author´s Labour Rights: an Analysis on the Understanding of the Labour Courts)*, PIDCC, Aracajú, Brazil, Year III, Edition nº 06/2014, 23-39 (June 2014), www.pidcc.com.br.

As recognised in the last years by Labour Courts, the parties may choose to resolve such conflicts through mediation or arbitration process, Brazil does not have a specified governmental alternative dispute resolution body for these matters.

8.2 Relationships Other Than Labour

Moreover, the nature of the issues arising from contracts between two legal entities or between a legal entity and an independent contractor is civil and they are decided therefore by Civil Courts. Consistently with the nature of lawsuits in which the BPTO is a party or an assistant participant, Federal Courts are competent to rule on patent ownership claim actions.

Notably, since there is no harmonised paradigm with regard to instances for the issues at stake, AIPPI's Resolution on Q183 recommends that the same court competent to decide intellectual property issues should also be competent to judge all disputes between employers and employees on such rights.[32]

9 CONCLUDING REMARKS

Seeking to stimulate innovation, the Brazilian legal regime acknowledges, by means of a certain flexibility, the material and moral rights that derive from the protection granted by patents or registrations of industrial or intellectual creations. Such flexibility has become increasingly necessary since in the work environment it is especially hard to balance these rights and even to identify the exact participation of each author.

Employees' and employers' intellectual property rights are alike, but not identical, in the different Acts mentioned in this chapter. Labour law aspects should always be considered by employers when drafting employment agreements and internal regulations, since freedom of contract in this area is limited by labour principles and specific rules found in each Act referred to herein.

Some aspects were modernised: for instance, the obligation that the application on an employee's invention should be filed first in Brazil, existing in the previous statute,[33] was revoked by the current one. The penalty of nullity had never been applied.

However, other critical issues remain unresolved, as for instance, the statute of limitations for payment of the employee's compensation for a composite invention, which has no labour law aspect. According to BPIL's Article 225, the limitation for actions for repairing damages caused to industrial property rights is five years to apply therefor, instead of the two-year statute of limitations of Labour Law.

32. See AIPPI – International Association for the Protection of Industrial Property – recommendation in item 2 of the Resolution adopted at Geneva on 23 June 2004, on the Q183 question, concerning 'Employer's Rights to Intellectual Property.' The same item of the Resolution also recommends that in such disputes, although a conciliatory phase may be desirable in certain circumstances, it should not be compulsory in all cases, http://www.aippi.org.
33. Law No. 5,772/71, revoked in 1996 by current Law No. 9,279/96.

As a general tendency, if the company has a Code of Conduct/Ethics, also addressing the company's rights on intellectual property assets and the employee's non-compete duties, courts are inclined to analyse it together with the employment contract.

The protection of employees' rights by Brazilian Labour Courts has always tended to be strong, in assistance to the weaker party, developing case law with a trend to, depending on the circumstances, classify inventions as composite and allocate 50% of the net profits to the employee-inventor, both in the private and public sectors, resulting in challenges for commercial exploitation and tax issues with economic consequences for the country that have not been specifically quantified.

As far as inventions, utility models and designs are concerned, the same BIPL rules apply to the private and public sectors, however, the latter has many complementary rules, set forth in acts that were implemented within the scope of Brazilian public policies to increase innovation and creativity.[34] In particular, for public university students, researchers and professors, inventions must be analysed together with the Brazilian Federal Innovation Act (Law No. 10,973, of 2 December 2004, in particular its Article 13 and the State Innovation Acts[35]. This is essential in particular in the context of collaboration between industries and universities, licensing, innovation funding, secrecy in R&D and tax incentives.

34. Regarding innovation in the public sector, see Claudia Inês Chamas, Marilyn Nogueira, and Simone Henriqueta Cossetin Scholz (coord.), *Scientia 2000*: *Propriedade Intelectual para. a Academia (Intellectual Property to the Academy)*, (Rio de Janeiro: Oswaldo Cruz Foundation, MCT, Konrad Adenauer Foundation, 2003); Gert Egon Dannemann, *Direitos de Propriedade Industrial. Pesquisa e Desenvonvimento (Industrial Property Rights. Research and Development)*, 56 ABPI Magazine 3-5 (January-February 2002); the lectures of Oswaldo Massambani and Denis Borges Barbosa on *Lei da Inovação: Entrosamento (ou Falta de) entre Universidade e Empresa (Innovation Law: rapport (or lack of) between University and Enterprise)*, in *Anais do XXVIII Seminário Brasileiro da Propriedade Intelectual da ABPI (Anais of the XXVIII Brazilian Seminar on Intellectual Property of ABPI)*, 159 et seq. (2008); Roberto de Alencar Lotufo, *A Experiência da Agência de Inovação* da UNICAMP (*The Experience of Unicamp Innovation Agency*), in *Anais do XXV Seminário Nacional de Propriedade Intelectual da ABPI (Anais of the XXV National Seminar on Intellectual Property of ABPI)* 63 et seq. (2005); the series *Encontros de Propriedade Intelectual e Comercialização de Tecnologia* (*Meetings of Intellectual Property and Technology Commercialization*) of REPICT – Technology Network of Rio de Janeiro, http://www.redetec.org.br; Elisabeth Kasznar Fekete, *Considerações sobre o Projeto de Lei da Inovação à Luz do Direito da Propriedade Intelectual (Considerations on the Innovation Law Project based on the Intellectual Property Law*), in *Anais do XXIV Seminário Nacional da Propriedade Intelectual da ABPI (Anais of the XXIV Brazilian Seminar on Intellectual Property of ABPI*) 57-63 (Brasilia, August 2004); and the same author, *A Lei da Inovação Tecnológica (Lei No. 10.973/04) e os respectivos Incentivos Fiscais (Lei No. 11.196/05)* (*The Technological Innovation Law (Law No. 10,973/04) and the related Tax Incentives (Law No. 11,196/05)*, in Eliane Y. Abrão (org.), *Propriedade Material – Direitos Autorais, Propriedade Industrial e Bens de Personalidade (Intangible Property – Copyright, Industrial Property and Personality Property)*, 71-89 (Ed Senac, São Paulo 2006).

35. See in Carla Eugenia Caldas Barros and Murilo Soares Tavares, *A Propriedade Intelectual Derivada da Criação e do Trabalho Intelectual (The Intellectual Property Derived from the Creation and Intellectual Work)*, PIDCC, Aracajú, Brazil, Year III, edition Nº 05/2014, 256-322 (February 2014), www.pidcc.com.br, the list of 13 State Innovation Acts currently in force, a comparative analysis with federal and municipal legislation and a broad study of labour relationships and social rights in the context of innovation.

Besides such Acts, public universities and research centres must have their own internal rules on ownership and remuneration of their researches and professors, under coordination of an Intellectual Property Department of their own or shared with other public R&D centres.

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