



**CHAMBERS**  
Global Practice Guides

# Patent Litigation

Brazil – Law and Practice

Contributed by  
Kasznar Leonardos Intellectual Property

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# BRAZIL

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## **LAW AND PRACTICE:**

**p.3**

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The 'Law & Practice' sections provide easily accessible information on navigating the legal system when conducting business in the jurisdiction. Leading lawyers explain local law and practice at key transactional stages and for crucial aspects of doing business.

# Law and Practice

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# BRAZIL LAW AND PRACTICE

Contributed by *Kasznar Leonardos Intellectual Property* **Authors:** Gabriel Francisco Leonardos, Rafael Lacaz Amaral, Isis Moret Souza Valaziane

**Kasznar Leonardos Intellectual Property** is a firm specialised in intellectual property. We assist national and international companies with their various technical and legal needs, covering all areas of IP. Among the wide range of services offered by Kasznar Leonardos, we highlight the registration and protection of trade marks, patents, industrial design, copyrights; technology law, including Data Privacy, Internet

Law, Domain Names and Software Protection; Unfair Competition, Trade Secrets and Data Protection; IP Licensing, including Technology Transfer and Franchising; IP Litigation, including Alternative Dispute Resolutions and Anti-Counterfeiting; Regulatory Law; Marketing & Entertainment; Life Sciences, including Protection of Plant Varieties; Licence Compliance & Anti-piracy.

## Authors



**Gabriel Francisco Leonardos** is a lawyer and senior partner at Kasznar Leonardos and Head of the Licensing & Litigation Departments of the firm's Rio de Janeiro Office. His expertise covers litigation before the courts in IP law, consulting

services on licensing agreements, patents, trade marks, copyrights and unfair competition, trade mark prosecution, and arbitration and mediation in IP and contract law. He regularly contributes to industry publications. Memberships include FICPI, LES (Former President of LES Brazil), and AHK (German-Brazilian Chamber of Commerce and Industry, of which Mr Leonardos is Honorary President). Mr Leonardos is a Judge in the Ethics Court of the Inter-American Association of Intellectual Property (ASIPI), Vice-President of the Brazilian Intellectual Property Association (ABPI) and a Board Member of the Rio de Janeiro State Bar (OAB/RJ).



**Rafael Lacaz Amaral** is a lawyer and senior partner at Kasznar Leonardos Intellectual Property and teaches Intellectual Property in several prestigious academic institutions in Brazil. His practice covers litigation before the Courts

in Intellectual Property Law; consulting services on licensing agreements, patents, trade marks, copyrights, and unfair competition; trade-mark prosecution; arbitration and mediation in Intellectual Property; strong experience in licence compliance and anti-piracy programmes. Mr. Lacaz Amaral is a member of Legislation and Regulation Committee of International Trademark Association (INTA 2018 - 2019); member of the Brazilian Association of Industrial Property Agents – ABAPI and Board member of the Brazilian Association of Intellectual Property – ABPI. He has contributed numerous articles to industry publications.



**Isis Moret Souza Valaziane** is an attorney at Kasznar Leonardos Intellectual Property. Her practice covers litigation before the courts in Intellectual Property Law. Consulting services on industrial design, patents, trade marks, copyrights, market-

ing and entertainment law, anti-counterfeiting, unfair competition and fashion law. She is a member of the Fashion Law Commission of the Brazilian Bar Association.

## 1. Types of Intellectual Property Rights & Granting Procedure

### 1.1 Types of Intellectual Property Rights

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

### 1.2 Grant Procedure

According to the Brazilian Industrial Property Act (Law No 9,279/96), Sections 8 and 9, an invention shall be patent-

able 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 susceptible to industrial application, presents a new shape or arrangement and involves an inventive step, resulting in functional improvement in its use or manufacture.

In both cases of a patent for inventions or a patent for utility models the protection of rights relating to industrial prop-

erty shall be assured by means of the issuance of patents by the Brazilian Patent and Trademark Office (BPTO).

### 1.3 Timeline for Grant Procedure

Currently the issuance of a patent takes from eight to 14 years, depending on the area of the patent. The issuance of telecommunications patents usually takes 14 years.

The patent application could be filed by the inventor or right-holder, or by the inventor or right-holder's attorney (Section 216 of the Brazilian Industrial Property Act). In this case a power of attorney shall be submitted. A person domiciled abroad shall be required to have a duly qualified attorney domiciled in Brazil, with powers to represent such person or entity administratively and judicially, and the attorney shall be empowered to receive summons.

Usually, the following fees are due: (i) when the patent application is filed before the BPTO, about USD50.00 (for a patent for an invention or a utility model) and (ii) for the request for examination of an application for a patent, about USD175.00 for a patent for an invention containing up to ten claims and about USD110.00 for a patent for a utility model.

The following annuities within the ordinary term apply for a patent of invention.

- Pending application: about USD85.00.
- Granted patent, third to sixth year: about USD230.00.
- Granted patent, seventh to tenth year: about USD360.00.
- Granted patent, 11th to 15th year: about USD480.00.
- Granted patent, 16th to 20th year: about USD590.00.

For a utility model, the following apply.

- Pending application: about USD60.00.
- Granted patent, third to sixth year: about USD120.00.
- Granted patent, seventh to tenth year: about USD235.00.
- Granted patent, 11th to 15th year: about USD355.00.

### 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 issuance and utility models are granted for 15 years as from the filing date or seven years as from the date of issuance, whichever is more beneficial to the owner.

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

A patent shall afford to its owner the following main 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 occurs between the date of publication of the application and the date of issuance of the patent; and
- to be indemnified for the damages in respect to acts that infringe industrial property rights.

The owner in turn should make the payment of annual patent fees and exploit the patent object lawfully in Brazil.

### 1.6 Further Protection After Lapse of Maximum Term

There is no further protection for technical IP rights after their maximum term has lapsed. At the end of the term of protection the object of a patent becomes public domain.

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

Third parties can oppose the granting of a patent by submitting relevant documents and information that would render the invention not patentable. This can be done (i) between the publication of the application and the end of the examination by the patent examiner (Section 31 of the Brazilian Industrial Property Act); (ii) within a period of 60 days after the publication of any administrative appeal filed by the applicant from a first-instance decision by the patent examiner (Section 231 of the Brazilian Industrial Property Act); and (iii) in an administrative nullity proceeding, to be filed within six months counted from the grant of the patent (Section 51 of the Brazilian Industrial Property Act).

### 1.8 Remedies Against Refusal to Grant Intellectual Property Right

According to the Brazilian Industrial Property Act (Law No 9,279/96), Section 212, any decision rendered by the BPTO can be challenged through an administrative appeal. If the patent examiner issued a decision rejecting a patent application, it is possible to present an administrative appeal addressed to the president of the BPTO within 60 days as from the publication date of the decision.

Moreover, under the Brazilian legal system, any decision from the public administration can be discussed before the courts within five years because all the decisions (eg, the decisions rendered by the BPTO) are subject to the judicial review doctrine, which provides that all legislative and executive actions are subject to review by the judiciary. In this sense, a final decision rendered by the BPTO refusing the patent application could be appealed to federal courts through an annulment lawsuit.

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## 1.9 Consequences of Failure to Pay Annual Fees

According to the Brazilian Industrial Property Act (Law No 9,279/96), Section 84, the applicant and patent-owner shall be required to pay annual fees as from the beginning of the third year after the filing date. 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 the 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 Law No 9,279/96).

Regarding the measures available to remedy such consequences, the patent application or a patent may be restored on request by the applicant or patent-owner within three months from notification of it having been deemed withdrawn or of the lapse of the patent.

For obtaining the patent restoration the owner has to pay a restoration fee (about USD185.00) and the past annuities, and if this procedure is not initiated then the application is definitely extinct.

## 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 can 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 its main business or where the infringement happened, provided that other civil procedure rules are observed.

### 2.2 Third-Party Remedies to Remove Effect of Intellectual Property Right

The main remedies available are a post-grant review, an annulment lawsuit and an 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 as from the issuance 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 the compulsory licence, the Brazilian Industrial Property Act, Section 68, determines that the patent-owner shall be subject to compulsory licensing of his or her patent if they exercise their rights therein in an abusive manner or if they use 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: (i) failure to exploit the subject matter of the patent within the Brazilian territory for failure to manufacture or incomplete manufacturing of the product, or failure to use fully a patented process, except in the case of non-economic viability, in which case importation shall be admitted; or (ii) commercialisation that does not satisfy the market's demand.

The compulsory licence may be requested only by a party having a legitimate interest and having the technical and economic ability to exploit effectively the subject matter of the patent for the purposes predominantly of the internal market, in which case the exception contained under the first point above 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 trial judge state or federal, at second instance the board of appeals state or federal and, at third instance, the Superior Court of Justice (STJ) and the Supreme Court of Justice (STF) will apply.

### 2.4 Prerequisites to Filing a Lawsuit

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

### 2.5 Legal Representation

The parties cannot act as plaintiff or defendant before the Brazilian courts without a lawyer.

## 2.6 Interim Injunctions

An interim injunction can be granted by the judge whenever there is (i) the likelihood of success of the complaint and (ii) the need for an urgent decision. The judge must also weigh the hardship caused by the decision granting the injunction, as opposed to the hardship caused by not granting it. The plaintiff can be demanded to provide a bond or a fiduciary guarantee, if the judge deems it necessary.

## 2.7 Protection for Potential Opponents

Regarding an injunction, a potential opponent can present an appeal against the decision that granted the interim injunction, for example. 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 is important to note that according to the Brazilian Civil Procedure Code the party that requested the injunction is responsible for the injury that the enforcement of the injunction caused to the other party.

Other measures that can be taken by the potential opponent are (i) filing a non-infringement declaratory action, aiming at obtaining a court decision attesting that there is no infringement; and (ii) filing a separate patent annulment lawsuit before the federal courts, aiming at obtaining a court decision attesting that the patent is null.

## 2.8 Special Limitation Provisions

According to the Brazilian Industrial Property Act, Section 225, proceedings for damages suffered by industrial property rights shall become prescribed after five years, while the usual deadline for legal prescription in the Brazilian Civil Code is ten years.

## 2.9 Mechanisms to Obtain Evidence and Information

There is no discovery proceeding in the Brazilian Procedural Law. However, plaintiffs can ask the court to determine the search and seizure of relevant documents, as well as the infringing products.

## 2.10 Initial Pleading Standards

There are no special provisions for lawsuits in IP proceedings that differ from non-IP proceedings.

## 2.11 Representative or Collective Action

The Brazilian legal system permits collective actions for patent proceedings in some very special cases.

Whenever damages are caused to the collectiveness of consumers or to the honour and dignity of racial, ethnic or religious groups, a civil action may be filed by the public prosecutors or by any public association whose statutory

purpose regards the defence of any of those matters (Act No 7.347/85). The decision of 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.

## 2.12 Restrictions on Assertion of Intellectual Property Right

The Brazilian Industrial Property Act, Section 45, establishes that a person who in good faith, prior to the filing or priority date of a patent application, used to exploit the subject matter thereof within the country shall be entitled to continue such exploitation under the same form and conditions, without liability. In this sense, the owner of the patent cannot prevent the exploitation of the subject-matter patented by this third party in good faith.

Besides that, Section 43 establishes some acts and situations that the owner of a patent cannot prevent:

- acts carried out privately and without commercial purposes 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 researches;
- 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 their consent;
- other persons who, in the case of patents related to living matter, use the patented product, without economic purpose, as an initial source of variation or propagation in order to obtain other products; and
- other persons who, in the 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 their licensee, provided that the patented product is not used for the 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 IP or the licensee, when the Patent Licence Agreement expressly stipulates 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 and Trademark Office are violated and indirect infringement occurs when, although not all claims of the patent are literally infringed, the offender uses equivalent means 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 and Trademark Office.

However, it is possible to establish an indirect infringement by the doctrine of equivalence because the Brazilian Industrial Property Act provides that patent infringement may be found 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 usually used defences involve the following matters: (i) prior-use rights, (ii) products or processes are different, (iii) nullity of the patent, (iv) own patent rights, (v) compulsory licence and (vi) patent exhaustion.

### 3.5 Role of Experts

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

The court expert will be required to provide the judge with a full report with their opinion on any questions raised by the parties (and accepted by the judge) and also on questions possibly raised by the judge him 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 in understanding the matter better 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 Claims

There is no separate procedure for construing the terms of the patent's claims. The Brazilian Industrial Property Act provides that the term of patent is 20 years as from the filing date or ten years as from the date of issuance and this term is inextensible for the patentee.

## 4. Revocation/Cancellation

### 4.1 Reasons and Remedies for Revocation/Cancellation

A patent is subject to invalidation if granted contrarily to any of the provisions of the Brazilian Industrial Property Act; particularly, if it lacks novelty, inventive step, 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: (i) through an administrative nullity action at the Brazilian Patent and Trademark Office, to be filed within six months as from the issuance of the patent, or (ii) through 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

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 the case of a partial nullity the remaining claims must constitute patentable subject matter for themselves.

### 4.3 Amendments in Revocation/Cancellation Proceedings

An amendment is possible in revocation/cancellation proceedings, but it is quite unusual.

In fact, according to the Brazilian Industrial Property Act, Section 32, amendments can be proposed by the applicant until the time of the request for examination of the patent application.

However, the amendments can be only reductions of the scope claims.

### 4.4 Revocation/Cancellation and Infringement

Revocation/cancellation and infringements are not heard together. Infringement lawsuits should be filed before the state courts; annulment lawsuits before the federal courts, 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 part is the federal court.

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

## 5. Trial & Settlement

### 5.1 Special Procedural Provisions for Intellectual Property Rights

The Brazilian Industrial Property Act gives some special procedural provisions for lawsuits in patent proceedings, such as:

- according to Section 56, second paragraph, the judge may grant an injunction suspending the effects of the patent as long as the registration, provided the appropriate procedural requirements are met;
- 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; and
- according to Section 57, first paragraph, 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

The case is ruled by a trial judge in a first-instance jurisdiction, who usually is not 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 the 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, he or she (the judge) must be replaced by another.

### 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 the new Brazilian Civil Procedural Code (in force from 18 March 2016), after the plaintiff files the complaint and unless the plaintiff expressly states that there is 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 conciliatory hearing, however, shall happen only in infringement cases and not in invalidation ones because the BPTO cannot enter into such kinds of agreements, only the private parties.

### 5.4 Other Court Proceedings

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

If 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, and 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 the court fees and other expenses incurred during the prosecution of the case, including the court-appointed expert's fees.

### 6.3 Types of Remedies

All remedies are applicable to all kinds of IP rights.

### 6.4 Injunctions Pending Appeal

If the first-instance judge reaches the conclusion that the patent is found valid and that the defendant infringed it, the judge will most probably rule the case in the plaintiff's favour and will grant an injunction to order the defendant immediately to stop using the product or process covered by the patent. Of course, the defendant will be in a position not only to 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 IP rights 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 usually are preceded by warning letters. Of course, the party can also take various steps in order to build a strong case, such as hire an independent expert and have a technical report confirming the validity of the patent

and the infringement perpetrated by the adversary. All these costs are paid by the interested party and are not recovered in a lawsuit.

### 8.2 Responsibility for Paying Costs of Litigation

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

Regarding the court fees and expenses, the losing party is responsible for paying back to the winner all the disbursed values in the course of the lawsuit by the winning party.

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

## 9. Alternative Dispute Resolution

### 9.1 Type of Actions for Intellectual Property

ADR is not commonly used to settle patent cases or even IP cases.

Through Resolution No 84, of 11 April 2013, the Brazilian Patent and Trademark Office (Instituto Nacional Da Propriedade Industrial, or INPI) formally adopted a mediation procedure that was organised jointly with the World Intellectual Property Organization (WIPO) and had as its main goal to enable the parties in a trade mark opposition to mediate their disputes. However, INPI insisted that after a successful mediation, the settlement agreement would not be binding to INPI, which could still reject a trade mark application despite the fact that the opponent had already consented therewith. As a result of the lack of effectiveness of the procedure, such mediation did not become popular, but it is still possible to use this mediation 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 the Uniform Domain-Name Dispute-Resolution Policy (UDRP) of the Internet Corporation for Assigned Names and Numbers (ICANN) but incorporates several other causes for action and a complaint under SACI may be based not only in trade-mark rights (as happens with the UDRP), but also in other IP rights.

As for the use of ADR in litigation, a differentiation must be made between invalidity and infringement lawsuits. Invalidation lawsuits must be filed before the federal courts, where ADR is not allowed because INPI understands that only a court of law may decide about the validity of rights.

Infringement lawsuits must be filed before the state courts and are disputes between private parties that may be freely negotiated. The new Brazilian Civil Procedure Code that entered into force on 18 March 2016 created a mandatory conciliation pre-dispute phase and it is now expected that more disputes will be settled in an early phase, before the defendant has even presented his defence.

Mediation is only now slowly starting to become more popular in several areas of law because, as Brazil is a civil law country, law professionals lacked a statutory basis for mediation (despite the obvious fact that mediation may be solely based on contract law) and a Mediation Act was recently finally passed through Law 13,140, of 26 June 2015; nevertheless, in practical terms mediation is still not being used as a way to solve patent disputes. Finally, arbitration is also not commonly used in patent disputes, despite the large development of arbitration activities in other areas of law in Brazil. In fact, Brazil's Arbitration Act was enacted through Law 9,307, of 23 September 1996 and the past two decades have featured substantial development of arbitration in Brazil.

## 10. Assignment and Licensing

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

According to the Brazilian Industrial Property Act (Law No 9,279/96), a patent application or a patent, the contents of which are indivisible, may be assigned in whole or in part.

Regarding patents, the BPTO shall make the following records: (i) assignment, stating full particulars of the assignee; (ii) any limitation or condition placed on the application or patent; and (iii) the changes to the name, headquarters or address of the applicant or the owner. And with regard to third parties, records shall have effect as from the date of their publication in the Official Gazette.

An assignment between a foreign company and a Brazilian company, when onerous, must be recorded in the 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 the BPTO:

- a transfer petition, completed with the data of the assignee;
- proof of payment of the governmental fee;
- an assignment document, which should contain the complete qualification of the assignor and the assignee, with the powers of representation of the signatories of the assignment document and their signatures (it is necessary to arrange for the notarisation of representatives' signatures

before the notary public and subsequently the signature of the notary public should be legalised by apostille or the Brazilian Consulate), the application or the number of the patent and the date on which the assignment document was signed;

- power of attorney of the assignee; and
- a sworn translation into Portuguese of documents in a foreign language.

## 10.2 Procedure for Assigning an Intellectual Property Right

After reviewing the involved documents in accordance with the above requirements, the following steps are followed if they are in order:

- payment of the assignment fee;
- complete the assignment petition with the data of the assignee, the application or the number of the patent and related documents;
- send the petition to the BPTO, which will generate a protocol number;
- analysis of the assignment petition by the BPTO;
- publication of the notice of assignment in the Official Gazette; and
- issuance of the Recordal Certificate attesting to the assignment.

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

Initially, 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. In order 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 him 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.

In general, freedom to contract prevails, but the BPTO may provide some limitations, such as the following.

- 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 in 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 recordal, asking for payments to retroact 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 licensee have any shareholder relationship, besides taking into consideration the usual rates of the market, the deductibility ceilings established by Law 4131/62 and Ordinance of Treasury Ministry 436/1958 should be observed, as well as 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 issuance).

Regarding the 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 licence.

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

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

Finally, 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 their rights therein in an abusive manner or if they are used 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: (i) failure to exploit the subject matter of the patent within the Brazilian territory for failure to manufacture or incomplete manufacturing of the product, or failure to

Contributed by *Kasznar Leonardos Intellectual Property* **Authors:** Gabriel Francisco Leonardos, Rafael Lacaz Amaral, Isis Moret Souza Valaziane

use fully a patented process, except in the case of non-economic viability, in which case importation shall be admitted; or (ii) commercialisation that does not satisfy the market's demand. This compulsory licence may be requested only by a party having a legitimate interest and having the technical and economic ability effectively to exploit the subject matter of the patent for the purposes predominantly of the internal market, in which case the exception contained under item (i) above shall not apply.

### **Kasznar Leonardos Intellectual Property**

Teófilo Otoni 63, 5 – 7 floors  
Rio de Janeiro, RJ, Brazil  
ZIP code: 20090-040

Tel: +55 21 2113-1919  
Fax: +55 21 2113-1920  
Email: [mail@kasznarleonardos.com](mailto:mail@kasznarleonardos.com)  
Web: [www.kasznarleonardos.com](http://www.kasznarleonardos.com)

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

After execution by the parties and two witnesses, the notarised and legalised licensed agreement must be submitted to the BPTO, which conducts a review and, upon acceptance, issues 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 to third parties copies thereof.