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Anti-counterfeiting 2012



Brazil

Contributing firm **Kasznar Leonardos – Intellectual Property**

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A Global Guide



Contributing firm
Kasznar Leonardos – Intellectual Property



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Legal framework

The growth of the Brazilian market and economy is paralleled by the increase of counterfeiting activities. The enforcement of IP rights involves planning, technology, intelligence, training and coordination, with support from a number of laws and treaties, as well as the relevant rules of the Federal Constitution, the Civil Code, the Criminal Code, the Civil Procedure Code, the Criminal Procedure Code and administrative statutory instruments.

The legal framework for anti-counterfeiting includes:

- the Industrial Property Law (Law 9,279/96);
- the Copyright Law (Law 9,610/98); and
- the Software Law (Law 9,609/98).

In addition, Brazil is a signatory to the

main international IP instruments, such as:

- the Paris Convention for the Protection of Industrial Property (as reviewed in Stockholm in 1967);
- the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs);
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Washington Copyright Convention;
- the Universal Copyright Convention;
- the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations; and
- the Geneva Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of Their Phonograms.

With regard to trademark and copyright practice, the following acts are considered violations of IP rights in both the civil and criminal spheres:

- trademark infringement;
- geographical indication infringement;
- unfair competition practices; and
- copyright and software violations.

Enforcement provisions allow rights holders to take civil actions in order to prevent further infringement and to recover losses incurred from actual infringement and criminal actions, with a view to convicting the infringers and imposing the penalties established by the law. However, in practice, prison sentences are not imposed on counterfeiters.

The lawsuits usually take place before state courts and the federal courts are used for actions seeking to declare void an industrial property right issued by the Brazilian Patent and Trademark Office.

In Brazil, the rights holder, the licensee and some associations (eg, copyright collecting associations) have legal standing to bring civil lawsuits for IP infringement.

Border measures

The following statutory instruments regulate border measures in Brazil:

- Article 198 of the Industrial Property Law;
- Articles 605 to 608, item III and 803 of the Customs Regulatory Act (Federal

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- Decree 6,759/09);
- the TRIPS Agreement; and
- certain other laws and rules.

Such regulations set forth the general guidelines for inspecting and retaining merchandise suspected of being counterfeit and establish the administrative procedures for final seizure and destruction.

Due to the great extension of the country's borders, monitoring of imported merchandise by Customs occurs by sampling processes.

Retentions are made *ex officio* or on the rights holder's request when there is *prima facie* evidence of violation. Thus, customs officers can hold for inquiry goods suspect of infringing trademarks and copyrights. Once the merchandise has been held, the rights holder or its trademark attorney is contacted to collect samples and to state, by means of a formal declaration and within 10 business days, whether the goods are genuine. If they are genuine, the products are released to the importer.

If the goods are suspected of being counterfeit, in most states the rights holder can choose between the customs administrative procedure to suspend the release of the goods or a judicial remedy. In the first case, a complaint based on a technical report must be presented before Customs, requesting the definitive seizure and destruction of the goods, and the importer is notified to reply. In the second case, the rights holder seeks to obtain a preliminary injunction requiring Customs to disclose the name and address of the importer, since this data is treated by the authorities as privileged and covered by tax privacy, and then files a lawsuit against the importer, requesting the seizure and destruction of the infringing merchandise. The importer is summoned to reply.

Some customs agencies interpret the law to mean that judicial action is mandatory, and release the goods if it is not commenced.

A central database system for the recordal of trademark rights is under development. Currently, only a general request for surveillance can be filed at the Customs General Management Office, but rights holders can also express their concerns and ask customs officials directly to carry out inspection and monitoring, training them with regard to the features of their brands and products. Therefore, personal contact with and the training of customs agents to identify infringing goods are usually recommended.

A complete border measure programme in Brazil should cover preventive and repressive actions to be taken at maritime ports, airports, land borders and Post Office Customs. The central database system will represent a breakthrough in the enforcement of trademark rights, helping an increased number of rights holders to prevent counterfeiting and piracy effectively.

Criminal prosecution

Lawsuits on the grounds of trademark infringement are prosecuted before state courts and through private criminal prosecution brought by the rights holder. However, most acts of copyright infringement (with the exception of software infringement) are prosecuted before state courts by means of criminal actions, which are initiated by public authorities.

While the penalty for trademark infringement ranges from imprisonment of three months to one year or a fine, the penalty for copyright infringement (where the violation has economic consequences) may vary from imprisonment of two to four

years and a fine.

Before the criminal prosecution for trademark infringement is initiated, the illegal activity must be proved. Thus, before filing a lawsuit seeking detention of the infringer, the rights holder must proceed with a preliminary criminal search and seizure action, where a court-appointed expert will seize and examine samples of the products. If the infringement is confirmed, the expert's opinion is homologated by the criminal judge and the rights holder will have 30 days to file the criminal action.

In cases of copyright infringement, the public authorities can initiate the public criminal action *ex officio* or on request of the rights holder. In both cases, the copyright owner may participate in the action as assistant to the public prosecutor.

The law also grants enforcement authorities the discretionary power to conduct police raids against piracy and counterfeiting activities since, as stated above, they are regarded as criminal offences. Raids are usually conducted in city areas with many street peddlers or stores selling counterfeits and suspects are taken to the police station for testimony.

Following the seizure of the merchandise in such raids, the products are analysed by police experts, a final report is prepared and the rights holder and/or the public authorities are required to file the subsequent criminal actions.

Police and criminal actions are effective enforcement remedies in many circumstances and the equipment and machinery used for the counterfeiting activity can also be seized and destroyed. An advantage of police raids is that they can be conducted against many infringers simultaneously, and even against infringers who have not previously been identified.

Civil enforcement

The Industrial Property Law establishes that independent of the criminal action, the aggrieved party may file a civil lawsuit, seeking interim injunctive relief and damages. Both the Industrial Property Law and the Civil Procedure Code allow the granting of *ex parte* preliminary restraining and/or search and seizure orders. To obtain injunctions of this nature, the following procedural requirements must be met by the rights holder:

- evidence of the plaintiff's right;
- substantial and unquestionable proofs of the infringement; and
- elements that may demonstrate a reasonable degree of risk of damage if the injunction is not granted.

In some enforcement circumstances, it is recommended to issue a cease and desist letter before going to court.

Regarding software violations, the Software Law sets out a specific procedure. Before the civil lawsuit for damages is filed, the software owner must file a preliminary inspection action with an injunction request. If granted, two experts appointed by the court will inspect the computers, servers and related devices in search for illegal licences. Thirty days later, the software holder must initiate the civil lawsuit for damages and, based on the contents of the court expert's opinion, request an injunction for the defendant to be ordered to refrain from using the infringing software under penalty of paying a daily fine.

As regards copyright infringement, the Copyright Law compels the infringer to surrender to the rights holder all infringing copies that it still possesses and to pay for the remainder of the copies that it produced, at the price at which they were sold or would have been sold. It also states that if the number of illegal copies is unknown, the infringer must pay the value of 3,000 copies in addition to those seized.

The Brazilian legal framework also foresees other types of civil enforcement remedy for IP rights infringements. One procedure often used is the preliminary action for the early production of evidence, which is normally used in cases where the evidence of the infringement may disappear or be modified. Similarly to the procedure for software infringement, upon the homologation of the court expert report, the rights holder must file the civil lawsuit for damages based on the contents of the court's opinion.

Finally, the violation of any IP right creates an obligation to pay damages. To this end, the Industrial Property Law rules that

the damages will be calculated based on the most favourable criteria to the injured party, as follows:

- the benefits that would have been gained by the injured party if the violation had not occurred;
- the benefits gained by the party which violated the rights; or
- the remuneration that the violator would have paid to the rights holder for a licence which would have permitted it to exploit the rights legally.

Punitive damages can also be claimed, but are seldom granted.

The civil compensation procedures are often slow and time consuming, and their success depends on the evidence of damages, the circumstances and the defendant's financial situation.

Anti-counterfeiting online

Although Brazil has no specific statute dealing with online IP infringement, the legal framework provides protection against online counterfeiting activities. Case law dealing with online infringement states that Brazil has jurisdiction over disputes arising from facts occurring or having effect within Brazilian borders.

Online infringements are litigated before civil and criminal state courts. Only industrial property rights validity claims and specific international online infringements fall under federal jurisdiction and must be litigated before a federal court.

The complaint must present evidence of the infringed right, the facts and the connection between these and the defendant (eg, website administrator or internet service provider (ISP)). The identification of the party responsible for the alleged infringement, although not mandatory, is recommended and usually required in order to bring effectiveness to any judicial decision. Previous decisions have established the ISP's responsibility regarding the information available on websites, especially if the ISP fails to respond or provide a remedy after receiving a first notice from the rights holder.

An alternative dispute resolution proceeding was recently established by the Brazilian domain name registration authority. After a test period, this proceeding is expected to be as successful as similar international mechanisms, reducing time and costs and leading to effective domain name protection.

Preventive measures/strategies

Besides registering trademarks, certain

preventive measures should be taken in order to enhance the chances of success of an anti-counterfeiting campaign.

Under Brazilian law the use of local legal counsel is mandatory when a complaint is filed before the courts. The chosen counsel should be experienced in IP matters, as well as civil, police and customs remedies. The use of investigators is common and important as in Brazil, the burden of proving the infringement relies on the plaintiff in both criminal and civil cases, as the defendant is always entitled to withhold from the plaintiff any self-incriminatory evidence.

It is also vital that certain precautions be taken by the rights holder in its relationship with third parties (eg, licensees, local manufacturers or distributors). Due to the information and the materials that they receive, these companies will be in a unique position to infringe the IP right(s) should they wish to do so. Therefore, it is highly recommended to select local partners carefully in order to deal only with local businesspeople with a strong ethical background, and to initiate the business relationship only after a proper contract has been executed, which includes all basic clauses for the protection of the IP right and the rights holder.

Whenever possible, the use of authentication technology, such as security labels, to fight counterfeiting is helpful, and the use of such technology is increasing in Brazil. Continuous monitoring of possible counterfeiters is a basic necessity, and the sellers of the original goods should be taught to identify counterfeit goods, receive incentives to do so, report the infringements and receive feedback.

Cooperation with official anti-counterfeiting agencies is indispensable in order to implement and maintain a successful anti-counterfeiting programme. Several agencies are responsible in this area, depending on the nature of trade (eg, Customs for imported goods and goods already in the Brazilian market, and in some states the specialist anti-piracy police) and depending on the nature of goods (eg, ANVISA for medicinal drugs). The dialogue with the competent authorities must never stop; if the rights holder so desires, such dialogue can be conducted through associations dedicated to fighting counterfeiting formed by companies with similar activities. [WTR](#)

Biographies

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Claudio Roberto Barbosa is a partner of Kasznar Leonardos - Intellectual Property, which is one of the successors of Momsen, Leonardos & Cia. He works in licensing and litigation, including the online infringement of intellectual property. Admitted to the Brazilian Bar Association in 1995, he holds a JD, and an LLM and an SJD from the University of Sao Paulo Law School. He also has an LLM degree from the George Washington University Law School. He is a member of the board of the Brazilian Association of Intellectual Property (ABPI).



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Elisabeth Kasznar Fekete is a partner and the head of Kasznar Leonardos's Sao Paulo office. Kasznar Leonardos is one of the successors of Momsen, Leonardos & Cia, and has offices in Rio de Janeiro and Sao Paulo. Holding a doctorate in commercial law from the University of Sao Paulo, Ms Kasznar Fekete has over 30 years' practice in intellectual property, covering both litigation and counselling in the areas of trademarks, anti-counterfeiting, unfair competition, copyrights, IP contracts, innovation law and trade secrets. Her main expertise is in the strategic planning of IP-related litigation and the establishment of anti-counterfeiting programmes. Ms Kasznar Fekete is recognised as the author of the leading Brazilian treatise on trade secrets and many articles, including papers on border measures. As an active member of leading IP associations, she is vice president of the ABPI and regularly coordinates and teaches in IP courses. She also speaks at seminars both in Brazil and abroad.



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