

TRADEMARK, PATENT AND TECHNOLOGY TRANSFER ASPECTS OF THE NEW BRAZILIAN INDUSTRIAL PROPERTY LAW

At last, after 5 years being examined in Congress, Law 9279 ruling on rights and obligations related to industrial property has been promulgated by the President on May 14, 1996, and published on the following day. Except as regards the "pipeline" provisions in connection with patents for pharmaceutical, chemical and food products and processes, which are immediately applicable, the new Law will only be in force one year after its publication, that is, as from May 15, 1997. No amendment of the law is expected until then.

I. TRADEMARKS

From the original text submitted to Congress by the Government and object of HR 824, very little was left in the new Law as consequence of the innumerable amendments, most of which originating from the Brazilian Intellectual Property Association (ABPI). As the discussions and debates were mostly centered on the introduction of pharmaceutical products and biotechnology patents, the part of the law referring to trade and service marks (hereinafter, generally "trademarks"), is almost totally derived from the amendments prepared by ABPI.

Four groups of provisions contain important innovations relating to trademarks as compared to the former Law 5772/71: first, the widening of the definition and registrability of marks; second, a broader protection against piracy and dilution; third, the simplification of bureaucracy; and fourth, stronger enforcement. It is to be noted that the trademark provisions of the new Law fully comply with the agreement on Trade Related Aspects of Intellectual Property (TRIPS) which has been promulgated in Brazil by Decree No. 1355, of December 30, 1994.

1) DEFINITION AND REGISTRABILITY OF MARKS.

According to article 122 of Law 9279, all visually perceptible signs which are not excluded may be registered, a) as a trade or service mark, that which is used to distinguish a product or service from an identical, similar or related one of a different origin; b) as a certification mark, that which is used to certify the conformity of a product or a service with certain technical specifications, notably as to quality, nature, used materials, and methods of production; and c) as a collective mark, that which is used to identify the products or services originating from members of a certain (collective) entity. The shape of products and packaging may be registered, except when it is common or vulgar or cannot be dissociated from its technical effect (art. 124, XXI) or when it is the object of a third party's registered design (art. 124, XXII). Also civil names, company names, artistic works, such as characters, as well as their titles protected under copyright may be registered with the authorization of the owner thereof (art. 124, XV, XVI and XVII).

2) PROTECTION AGAINST PIRACY AND DILUTION.

Besides the usual exclusions of registrability referring to descriptive, generic and common names or to the reproduction or imitation of previously registered marks for identical, similar or related products (art. 124, VI and XIX), a mark cannot also be registered if it may cause the association with another mark, that is, if it may be identified as having any relationship with the origin of a previously registered mark (art. 124, XIX). A more important provision, however, may be found in article 124, XXIII, according to which a mark may not be registered when it is the reproduction or imitation of a mark which the

applicant, by reason of his activity, evidently could not misknow, for identical, similar or related products or services, susceptible of causing confusion or association with such mark. This is an important provision as it discards any consideration as to the high reputation or notoriousness of the copied mark going thus much further than art. 6.bis of the Paris Convention and, to a certain extent, also of TRIPS art. 16.3 which, although broadening the scope of protection of well-known marks requires that it is registered for meriting such wide protection. The broad wording of art. 124, XXIII, also embraces applications maliciously filed by a distributor or representative of the trademark owner without his authorization. It is to be noted that the MERCOSUL Protocol on trademarks (not yet in force) widens even more this provision by not requiring that the copied mark covers identical or similar products.

2.1) Trademarks of a high reputation, according to art. 125 of the Law, when registered in Brazil shall have a special protection irrespective of fields of activities, and

2.2) Well known marks as foreseen in art. 6.bis of the Paris Convention are protected independently of registration (art. 126). Such protection is extended to service marks. However, both in the cases of arts. 124, XXII, and 126, the owner of the copied mark must file its own application within 60 days of objecting to the infringing mark (art. 158, § 2).

2.3) Also with the scope of fighting against trademark piracy it is required from trademark applicants to have an effective activity in the field covered by the mark (art. 128, § 1st). Such activity may be either directly or indirectly (holding companies) exercised, however, it is not necessary to provide any documentation to this effect, a declaration by the applicant, made in the application itself, being enough. This is a much softer requirement, for instance, than that of U.S. Law requiring evidence of actual use of the mark before a registration is issued.

2.4) A strong protection is also afforded to geographical indications such as indications and appellations of origin (arts. 177/182).

3) LESS BUREAUCRACY.

For filing a trademark application and obtaining a registration it is enough to submit the application together with a power of attorney simply signed on behalf of the applicant, no notarization or legalization being required. As mentioned above, also no documents attesting to the applicant's field of activities is necessary as it suffices to declare the field of activities in the application itself.

3.1) The application is published immediately after filing for opposition purposes which may be presented within 60 days from publication (art. 158). A full examination as to registrability is made (art. 159) and in case the application is granted no administrative appeal is allowed (art. 213, § 2nd) but after issuance of the registration any interested party may apply within 180 days for the cancellation of the registration (art. 169). If the application is rejected, however, the applicant may appeal to the President of the Patent and Trademark Office (PTO).

A trademark registration may also be the object of invalidation proceedings before Federal Courts within 5 years as from registration (arts. 173/175).

4) ENFORCEMENT.

A trademark registration is valid for ten years, being indefinitely renewable for subsequent ten year periods (art. 133) and it may be subject to forfeiture if the mark is not used for more than five years (art. 143). If, however, the use of the mark has been licensed, it is not

necessary to have a license agreement recorded in order that the use of the mark made by the licensee may inure to the benefit of the trademark owner (art. 140, § 2nd).

4.1) Trademark infringement is both a criminal and a civil tort and anyone who, without authorization, reproduces or imitates a registered mark so as to cause confusion or alters a mark already put on the market, is liable for imprisonment of three months up to one year or to a fine. In case the crime is committed, however, by importing, exporting, sale, offer for sale, hiding or having in stock the product covered by the infringing mark, the penalty is reduced to imprisonment from one to three months. In view of the rather lenient penalties in criminal proceedings, only in exceptional cases they would be worthwhile. Criminal proceedings start by a preliminary seizure of the products bearing the infringing mark and the infringement action must start within 30 days after conclusion of the seizure proceedings.

4.2) Civil proceedings, consequently, are by far more important than criminal ones and it is possible to obtain through civil courts all kinds of seizures, injunctions, preliminary relieves, etc., as foreseen in the Code of Civil Procedure. Actual damages should be calculated on the basis of the actual losses suffered and lost profits (art. 210 of Law 9279) should be calculated according to the criteria most favorable to the aggrieved party among the following:

- I the benefits he would have obtained were it not for the infringement,
- II the benefits obtained by the infringer, or
- III a reasonable royalty.

4.3) Products bearing counterfeited or infringing marks may be seized at customs (art. 198) either ex-officio or at the request of the interested party.

4.4) Exhaustion of rights is limited to the internal market (art. 132, III). Therefore, it is likely that parallel importation will be repressed except for goods coming from the other MERCOSUL countries.

The trend followed in the last few years both at the PTO and at Courts has led to a better trademark protection which is already reflected in the current reduced number of pirate trademark applications. It is expected that, with the new Law, still better protection will be afforded to trademarks, stimulating trade and investment.

II. PATENTS

This new Law brings a major impact in what concerns patent protection in Brazil. A temporary provision will allow the automatic granting in Brazil of foreign patents involving pharmaceuticals, foodstuff (and their processes of obtention and/or modification), and chemical compounds as a whole (their processes of obtention are patentable as per the law still in force), waiving the novelty requirement, through what has been named "**pipeline**".

Furthermore, applications claiming the above-mentioned subject matter can be regularly filed as of May 15, 1997, with the assurance that, provided they are new, involve inventive activity and are industrially applicable, will be worthy of patent-protection.

Important alterations will be implemented in the administrative sphere, which shall be depicted by us herein below.

1) PIPELINE

Although this law will be in full force only as of May 15, 1997, two specific articles, 230 and 231, have been put into force on May 15, 1996, being applicable up to May 15, 1997. They refer to the "pipeline", as briefly exposed at the beginning of this Newsletter.

As per said articles, as already explained, a patent in Brazil will be given on foreign patents/applications claiming pharmaceutical products (and their respective processes of obtention), chemical products, foodstuff (and their respective processes of obtention), provided, at the time of pipeline entry, the object of the invention in question has not been introduced on any market by direct initiative of the patentholder or by a third party with consent thereof, and that no serious and effective preparations to work the object of the patent have been made in Brazil by third parties. Furthermore, the patent that will be granted in Brazil will be exactly alike the corresponding patent granted abroad with basis on the first foreign application.

In order to be able to make use of the pipeline dispositions the party filing the pipeline application must enjoy protection guaranteed by a treaty or convention in force in Brazil.

Only claims directed to the subject-matter as above depicted will be granted via pipeline; claims concerning surgical or therapeutic techniques/methods and referring to diagnostic methods/procedures will not be granted neither via pipeline nor as per the new Law, once put into force (May 15, 1997).

2) NON-PATENTABLE SUBJECT-MATTER

The Law divides the subject-matter excluded from patentability in two main groups: firstly, those that are not considered as inventions (Art. 10) and, secondly, those which the Law specifically excludes from patentability (Art. 18), as follows:

- Art. 10 - The following are not considered to be either inventions or utility models:
- I discoveries, scientific theories, and mathematical methods;
 - II purely abstract concepts;
 - III commercial, accounting, financial, educational publicity, raffle and supervisory schemes, plans, principles or methods;
 - IV literary, architectural, artistic and scientific works, or any aesthetic creation;
 - V computer programs as such;
 - VI presentation of information;
 - VII game rules;
 - VIII operatory or surgical techniques and methods, as well as methods of treatment or diagnosis for application to the human or animal body; and
 - IX all or part of natural living beings and biological materials encountered in nature, or even if isolated therefrom, including the genome or germ-plasma of any natural living being, as well as natural biological processes.

- Art. 18 - The following are not patentable:
- I whatever is contrary to morals, customs, as well as to public health, security, order, and health;
 - II substances, materials, mixtures, elements or products of any kind, as well as the modification of their physical and/or chemical properties and the respective obtention or modification processes, when resulting from transformations of atomic nuclei; and
 - III the whole or part of living beings, except transgenic microorganisms which comply with the three requirements of patentability - novelty, inventive activity and industrial applicability - foreseen in Article 8, and which are not a mere discovery.

Sole § - For the purposes of this law, transgenic microorganisms are organisms, except the whole or part of plants or animals, which express, via direct human intervention in their genetic composition, a characteristic which normally is not achievable by the species under usual conditions.

3) NOVELTIES CONCERNING THE ADMINISTRATIVE PROCEEDINGS

It will be possible to claim internal priorities and the filing of divisional applications is also specifically foreseen in this new Law.

A grace period is provided for regarding the disclosure of elements of the invention to the public, made by the inventor, by the PTO (without the inventor's consent), or by third parties on the basis of information obtained directly or indirectly from the inventor will not disrupt the invention's novelty, if such disclosure is made within the one-year period antedating the filing of the application in question.

There will no longer be a specific period for filing an opposition to a pending application. Moreover, third parties will no longer dispose of the 60-day term counted as from the granting decision to file appeals against this decision. Appeals may only be admitted when filed by the applicant against the rejection of the application. However, third parties may present elements and arguments concerning a certain application at any time during the pendency of the application (as of the publication of the same), to subsidize the examination.

Once the patent is granted, third parties (or the PTO) may file a request for the administrative annulment thereof, within 6 months as of the issuance of the Letters-Patent. At any time, during the life of the patent, its validity can be judicially questioned.

If the patent is not used within 3 years counted as of the granting, the patentee may be subject to the grant of a compulsory license. Importation will be admitted concerning the patented product and will be regarded as working of the patent whenever its use in Brazil is not economically feasible.

4) LIFETIME OF A PATENT

The duration of a patent of invention will be of 20 years, whereas that of an utility model will be of 15, counted as from the filing date (however, the life of the patent can not be shorter than 10 years, for the patent of invention, and of 7 years, for the utility model, counted as from the issuance of the Letters-Patent document).

5) DESIGNS WILL NO LONGER BE TREATED AS PATENTS

Designs (in Brazil presently known as Industrial models (MI) and industrial designs (DI)) will no longer be prosecuted as patents, but rather, will be object of a registration procedure more like trademarks. Furthermore, these two categories (MI and DI) will be grouped as industrial designs (DI).

6) CERTIFICATE OF ADDITION TO AN INVENTION

Under Arts. 76 and 77 of this Law, a Certificate of Addition of invention is considered. This basically refers to improvements, developments introduced by the patentholder to the main invention at a later stage (after filing) and which, provided are contained in the same inventive concept, can be added to the application/patent, the inventive activity requirement being waived in connection thereto.

7) ENFORCEMENT

The above comments regarding enforcement of trademarks (4.1 through 4.4) are also applicable to the infringement of patents.

III. TECHNOLOGY TRANSFER

Technology transfer agreements, including patents, trademarks and know-how licensing, as well as franchising agreements, should still be recorded before the PTO in order for:

- (a) the agreement to be enforceable against third parties (including to enable the licensee to sue in its own name infringers of the patent or the trademark);
- (b) payments by the Brazilian party to be remissible abroad; and
- (c) such payments to be tax-deductible for the Brazilian party for corporate income tax purposes.

Art. 240 of the new Law withdrew the discretionary powers of the PTO to scrutinize technology transfer agreements during the recordation procedure and - although it is still not clear whether the PTO will obey the new Law and refrain to make demands of amendments in technology transfer agreements in order to record them -, it may be expected that the trend towards liberalization of the governmental controls in the area of licensing will continue.

Arts. 61-63, for patents, and 139-141, for trademarks **did not repeat** the conditions imposed by the former Law for the payment of licensing royalties for patents and trademarks, namely that the applications should have been filed in Brazil with the priority claim based on the Paris Convention or the Patent Cooperation Treaty and, for trademarks, that the registration should still be in its first ten-year-period of validity. As a consequence thereof, it may also be expected that licensing of patents and trademarks should increase significantly following the entry into force of the new Law.

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