

## RECENT DEVELOPMENT OF INDUSTRIAL PROPERTY RIGHTS IN BRAZIL

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Brazil is one of the founding members of the Paris Convention of 1883 and has ratified the Revisions of this Convention up to the Hague Revision in 1925. None of the later Revisions of the Convention were ratified by Brazil.

In the 1970's, Brazil was one of the leading countries requesting a revision of the Paris Convention to make its contents more palatable to the developing countries by including more advantageous conditions for such countries. After several years of meetings, the Geneva discussions reached a deadlock in 1984.

One of the most crucial problems lies in Article 5A which provides for penalties in the case of abusive "nonworking" of the patented invention. The industrialized and developing countries have been unable to reach an understanding on such penalties. Presently, the Paris Convention provides for compulsory licenses and, if this is insufficient, for cancellation of the nonworked patent.

Two problems arose in the course of discussions regarding the last revision. One was the demand of the developing countries for compulsory licenses to be granted with exclusivity, a claim which obviously was unacceptable to the industrialized countries. An exclusive license excludes everyone, including the inventor, from exploiting the invention. On the other hand, the developing countries contended that compulsory licenses without exclusivity are useless. In a country with a lack of capital, where means to industrialize are still in an early stage, it would be nearly impossible to establish an industry capable of competing with the large international enterprises. Exclusivity is necessary to guarantee the success of such a new local industry.

There was less heat in the discussions concerning cancellation due to nonworking. While the industrialized countries expressed the

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desire to eliminate totally any type of cancellation, the developing countries maintained a position in favor of the existing provisions of the Paris Convention.

What the deadlock showed is that both sides have justifiable arguments but, either because of political reactions, emotional reactions or lack of imagination, practically no efforts were made to find new solutions which could have overcome the deadlock and which could have benefited all parties involved.

Suspicious of the patent systems, and consequently of the Paris Convention, began in the 1960's, raised mostly by those developing countries which began industrializing. Brazil was one of them. In 1961, Brazil provoked the study by the United Nations called "The Role of Patents in the Transfer of Technology to Developing Countries."<sup>1</sup> The study was concluded in 1964 and became one of the most important documents evaluating the advantages of the patent system. However, the reaction continued in Brazil and, in the late 1960's, went as far as contemplating eventual withdrawal from the Paris Convention. At the same time, patents for pharmaceuticals and food stuffs were abolished.

Only reform of the industrial property system in the early 1970's started to change Brazil's outlook. Agreements with WIPO and with other patent offices abroad, mainly with the German Patent Office, provided for personnel training. Services became more efficient and decisions gradually improved.

The major problem with the Patent Office during this period was its tendency to ignore most of the provisions of the Paris Convention, limiting itself to applying the national law in the areas of patents, firm names, well-known marks, surnames and unfair competition. Fortunately, the courts carefully scrutinized this approach and more and more questionable decisions of the Patent Office were judicially reversed.<sup>2</sup>

The approach of the French Government, which was extremely concerned about the increasing piracy of well-known French marks was interesting. The lack of application of the provisions of the

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1. UNITED NATIONS DEP'T OF ECONOMIC AND SOCIAL AFFAIRS, REPORT OF THE SECRETARY GENERAL ON THE ROLE OF PATENTS IN THE TRANSFER OF TECHNOLOGY TO DEVELOPING COUNTRIES, New York, 1964. This report originated from a project in 1961 by Professor Alberto Guerreiro Ramos, a member of the permanent Brazilian delegation to the XVI General Assembly.

2. *Concordia Indústria de Roupas Ltda. vs. INPI*. Appeal in writ of Mandamus no. 98.865. Decision rendered by the Federal Court of Appeals, Judicial Gazette of Mar. 3, 1983, page 1886.

Paris Convention by the Brazilian Patent Office resulted in a situation undoubtedly favoring attempts of pirates to unduly acquire third party marks. The Brazilian Government was then approached by the French Government and an agreement was negotiated in 1983 through which the Brazilian and the French Patent Offices would maintain continuous relations, including two annual meetings between their officers to discuss and solve problems of mutual interest in the area of industrial property.<sup>3</sup> The effect of this agreement was extremely positive. Officers of both sides became more aware of the problems and peculiarities of each other's country so that the quality of the decisions improved within a very short period.

Until the middle 1960's, the Brazilian Patent Office, on the administrative level, took the Paris Convention into consideration, interpreting its provisions and applying it when deciding cases. As stated, after the reform of the industrial property laws, the Patent Office became very hesitant in applying the Paris Convention and this hesitation has been maintained until now. The result has been an increase of court actions requesting revision of decisions rendered by the National Institute of Industrial Property. The purpose of such actions is to have the courts apply the provisions contained in the Paris Convention.

Regarding trademarks, the rulings of the courts have been increasingly favorable in recognizing the validity of the concepts contained in the Paris Convention; however, this has not been the case in the area of patents. Before we comment on some of the most recent decisions, it has to be said that the conflicts about the working of patents are really more of a political nature than of a juridical one.

The requirement to work a patent in a country where the patent was granted is one of the formal obligations placed on the patentee, as has been expressly stated since the original version of the Paris Convention. The controversies concerning patents generally refer more to sanctions and, therefore, the critical issue concerns interpreting Article 5 of the Paris Convention to determine when sanctions are to be enforced.

The Paris Convention, in the Hague text, provides that cancellation is only applicable if compulsory licensing is insufficient to avoid nonworking abuse by the patentee without justification. There has

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3. Agreement on Industrial Property, Mar. 3, 1983, Brazil—France, Decree no. 88.145, Official Gazette of Mar. 4, 1983, page 3546.

only been one decision of first impression in Brazil, a ruling that cancellation for nonworking is only appropriate if it has been verified through a legal administrative procedure that the grant of a compulsory license to exploit the patented invention would not solve the problem.<sup>4</sup> This decision was later reversed by the Federal Court of Appeals.

The Brazilian law treats compulsory licensing separate from cancellation due to nonworking.<sup>5</sup> A compulsory license may be granted within the first three years from the grant of the patent when public interest so demands or when the invention has not been effectively worked. Cancellation after four years can be due to nonworking or after five years can be due to nonworking if a voluntary license has been granted. Absence of working must be justified with "force majeure" reasons.

Therefore, the Patent Office and the courts have interpreted the laws to mean that sanctions are appropriate when the patent becomes subject to cancellation procedures and the time for compulsory licensing has already passed. The penalty is applicable because nonworking of a patent is considered a hindrance to economic development, thereby affecting public interest.<sup>6</sup> There has only been one case where the Patent Office revised a first instance decision cancelling a patent for nonworking. In the appeal, the justification duly demonstrated was that it was inviable economically to exploit the patented invention in Brazil.<sup>7</sup> Contrary to this decision, the INPI cancelled a patent covering a method of manufacturing of a composition because the method was not worked in the country. The composition was formulated with imported ingredients, but justifications of an economic nature for not working this procedure were not considered acceptable.<sup>8</sup>

The most unfortunate decision was one where a patentee had offered its patent for exploitation to various interested parties, but none of the negotiations came to a successful conclusion in spite of

4. *C. Van der Lely N.V. and Lely do Brasil S.A. vs. INPI*. Writ of Mandamus to reinstate patent no. 63.874, Official Gazette of Dec. 15, 1976, page 66. Reversed by the Federal Court of Appeals.

5. INDUSTRIAL PROPERTY CODE, arts. 33-38, 48, 49, 52-54 (Braz.).

6. *Merck & Co., Inc. vs. INPI*. Writ of Mandamus no. 86.426. Decision rendered by the Federal Court of Appeals, Judicial Gazette of Mar. 31, 1985, page 3514; *Bayer AG vs. INPI*. Civil Appeal no. 58.205. Decision rendered by the Federal Court of Appeals, Judicial Gazette of Mar. 21, 1985, page 3514.

7. *FMC Corp. vs. Biagro Velsicol Produtos para Agricultura Ltda.*—Brazilian patent no. 82808. Decision published in the Patent Journal of Nov. 11, 1980.

8. *Monsanto Co. vs. Agricur Defensivos Agricolas Ltda.*—Brazilian patent no. 6677387. Decision published in the Patent Journal of June 4, 1985.

the patentee's efforts. The courts accepted neither the arguments of justified reasons nor "force majeure" to excuse the inaction of the patentee to work its patent and confirmed the decisions of the Brazilian Patent Office cancelling the patent for nonworking.<sup>9</sup>

Two types of compulsory licenses have been granted in recent years: one for reasons of public interest<sup>10</sup> and one for nonworking of a patented invention composed of a manufacturing process of an active ingredient and compositions formulated with that ingredient. In one case in the latter category, the process of manufacturing the active ingredient was not being executed in the country and the compositions were formulated with imported active ingredients. Once again, the Patent Office did not accept arguments trying to show justified reasons, nor accepting them as "force majeure."<sup>11</sup>

In the area of trademarks and firm names, the courts have taken a much more comprehensive stand. The first important decision applying Article 6bis of the Paris Convention was rendered by the Supreme Court in 1963. The decision recognized rights from a well-known trademark ("DAUM"), which had not been registered in Brazil,<sup>12</sup> avoiding its undue appropriation by third parties.

More recently, protection of surnames and names of firms established abroad were recognized by the courts in the cases of "LACOSTE" and "CARELLO."<sup>13</sup> The recent decision in the case of "CARTIER" confirmed the "LACOSTE" and "CARELLO" rulings that "CARTIER," being a surname, is entitled to protection under Article 8 of the Paris Convention.<sup>14</sup>

Some comments regarding the treatment of trade secrets and

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9. John McMullen Associated, Inc. vs. INPI. Writ of Mandamus to reinstate patent no. 78.584. Decision rendered by the Federal Court of Appeals, Judicial Gazette of May 12, 1977, page 3041.

10. Certificate of Recordal no. 5196/76—Patentee: National Research Development Corporation. Licensee: Instituto Riograndense de Febre Aftiosa Ltda. Patent no. 71.767 for "Process for the Culture of Virus for Vaccines." Decision published in the Patent Journal of Aug. 3, 1976, page 184.

11. Monsanto Co. vs. Nortox Agro-Quimica S.A. Request for compulsory license. Brazilian patent no. 7107076.

12. Daum & Cie. vs. Carnevale & Cia. Ltda., Marco de Bellis & Cia. and the Union. Civil Appeal no. 9.615. Decision rendered by the Supreme Court, Judicial Gazette of Sept. 19, 1963, page 881.

13. La Chemise Lacoste vs. Textil Lacoste Ltda. Civil Appeal no. 68.352. Decision rendered by the Federal Court of Appeals, Judicial Gazette of Dec. 9, 1982, page 12721; Fausto Carello & C.S.P.A. vs. Dinafloy Carello S/A Metalurgica. Civil Appeal no. 27.261-1. Decision rendered by the Court of Justice of the State of Sao Paulo, Judicial Gazette of Mar. 22, 1983.

14. Cartier Société Anonyme and other and INPI vs. Silvius Vestuários Ltda. and other. Civil Appeal no. 98.531. Decision rendered by the Federal Court of Appeals, Judicial Gazette of Dec. 12, 1985.

software in Brazil may be of interest. The concept of trade secrets is expressly contemplated in the Brazilian legislation on unfair competition.<sup>15</sup> Subsection XI of this statute refers to confidential information in the industrial area, while subsection XII refers to commercial secrets.

The unauthorized disclosure of confidential information by a person to whom it has been entrusted is defined as a crime and may result in imprisonment for a period ranging from three months to a year. Besides the criminal proceedings, the injured party may also claim losses and damages under section 189 of the Decree law in question and section 159 of the Civil Code.<sup>16</sup> Due to a lack of jurisprudence in this area, there is no clear definition regarding the assessment of losses and damages for the violation of a trade secret.

On its face, these statutes provide that the obligation of secrecy is only binding on the persons to whom the confidential information has been entrusted. Such an obligation may be expressly provided in an agreement, result from the nature of the service or may be implicit in a situation in which, by virtue of service, one has access to confidential information.

In Brazil, trade secrets do not actually come under the concept of property rights. The concept is that the holder of a secret enjoys the right *erga omnes* to claim its observance by all those to whom it has been disclosed on a confidential basis. As regards licensing, it should be noted that although the concept of trade secrets is expressly recognized by the Brazilian legislation, the INPI does not admit the possibility of characterizing "know-how" as secret. It only considers the information confidential for five years counted from the date the given information has been released. Under the current practice, royalty rates for "know-how" agreements may reach a maximum of five percent of the net sales price, depending on the area involved and on the local demand for such technology.

On the other hand, no defined rules exist in Brazil with respect to computer software. Although in principle copyright protection should be available, in practice, serious objections have been raised to the enforcement of such a copyright, primarily a result of economic reasons. Consequently, the Brazilian authorities hesitate to recognize this right. So far, Brazilian courts have not handed down any decision on the few pending cases. While the matter is not duly regulated by law, the Brazilian authorities in this area have been

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15. Decree law no. 7.903, art. 178, subsecs. XI & XII (Braz., Aug. 27, 1945).

16. C.C. § 159 (Braz. 1916) & Decree law no. 7.903, art. 189 (Braz., Aug. 27, 1945).

treating the importation of computer software in the category of transfer of technology. For this reason, any agreement providing for the licensing of computer software between a foreign company and a local company is subject to approval by a joint commission composed of representatives of the Special Bureau for Informatics and the INPI. These contracts are subject to the usual requirements applying to transfer of technology agreements which are basically defined in Normative Act no. 15/75.

At the moment, studies for legislation to protect software are well advanced and, in spite of the usual contradictions met in many countries on the juridical nature of software, it is expected that a bill will be presented to Congress soon.

Another area of interest is the studies relating to protection of biogenetic inventions. Although these studies are still in a very early stage, biogenetic research is growing in the country in both universities and private enterprises. The Brazilian Patent Office is consequently aware of the importance of the subject and a committee has been formed to examine together with other governmental entities potential solutions.

The above comments give a brief summary on the present states of the protection of industrial property in Brazil. These new areas are already receiving attention from governmental authorities who expect to define the respective legal situations in the near future.