

DOING **IP**
BUSINESS
IN **BRAZIL**

2015

DANIEL
60
YEARS

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Our CEO's Foreword

"Daniel has always sought to accompany its clients, especially in the strategic issues of their business, and this is why I am very honored to present our first edition of Doing IP Business in Brazil. On the following pages we present information that will allow you to best analyze the next steps to develop your business, mainly in the field of Intellectual Property. Our guide offers analyses and procedures in an informative manner, affording easy understanding. Be sure to read the data presented by the BPTO for 2018 and our comments.

Your business's growth is also our growth! We are at your disposal to help you on this journey."

Alicia Daniel-Shores
SENIOR PARTNER & CHIEF EXECUTIVE OFFICER
alicia.daniel-shores@daniel-ip.com

Brazilian Economy Highlights

Brazil, according to EY, has risen to second place in the world as the best destination for investment this year. Investor's optimism is driven, in part, by the fact that the free-market champion Paulo Guedes was appointed Minister of Economic Affairs. Mr. Guedes is expected to continue to pursue economic policies that will stimulate the economy after eight years of malaise and stagnation under the previous three governments. Those policies are expected to include a reduced public spending, regulation reform, tax reductions, public pension overhaul, and privatizations. These reforms, among others, will put Brazil firmly on the road to a more productive and growing economy. Mr. Guedes's reforms, in combination with historically low inflation and interest rates, is expected to create a virtuous cycle for companies doing business in Brazil.

There are also encouraging structural changes for companies filing patents and trademarks in Brazil. Over the last year, the Brazilian Patent and Trademark Office (BPTO) has hired over 210 new examiners, entered Patent Prosecution Highways and published its three-year strategic plan focused on improving efficiency and strengthening intellectual property rights for companies investing in Brazil.

This pro-business focus is evidenced in significant reduction in both the patent backlog and the time lag between filing a trademark and its examination. By 2021 trademark examination time is expected to drop to only four months. One of the more remarkable results to come out of the BPTO is the drop from eight years to just eight months to review appeals for trademark rejections. Additionally, extension annotations have dropped from two years to two months and the time for transfers has dropped from two years to three months. Improvement has also been apparent in the industrial design space where the backlog has fallen by more than 50% and productivity increased by approximately 35%.

Brazil's economy is poised to significantly heat up and the BPTO is equipped to quickly and efficiently protect investors' intellectual property and profits. It is the time to invest in Brazil. And Daniel Law is ready to guide you through this new and exciting landscape.

IP Highlights

Brazil is one of the most important and dynamic countries in the world. Its economy, ranked 9th in overall size, is expected to expand and deepen over the next few years as it reemerges from a prolonged recession and a period of political uncertainty. Currently, Brazil is also ranked 12th worldwide for the number of patent and trademark filings with over 26,000 patents and 186,000 trademarks filed just last year; numbers expected to increase as the economy heats up.

Trademark registration



Patent grants



Technology Transfer and Franchising Contracts registration

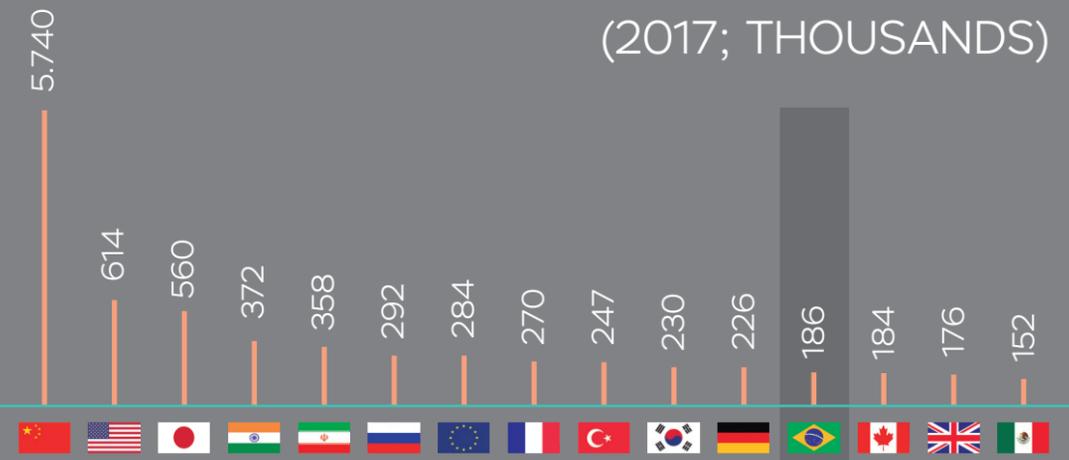


Industrial Designs registration

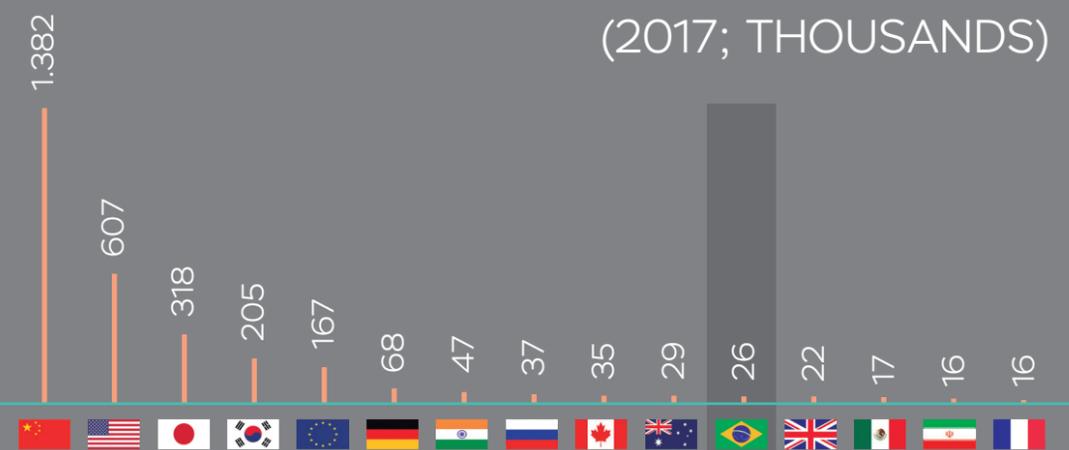


The National Institute of Industrial Property (INPI), often referred to as the Brazil Patent and Trademark Office (BPTO), is a division of the Ministry of Industry, Foreign Trade, and Services. It is the office responsible for granting and protecting IP rights in Brazil.

TRADEMARK APPLICATIONS: TOP 15 OFFICES* (2017; THOUSANDS)



PATENT APPLICATIONS: TOP 15 OFFICES* (2017; THOUSANDS)



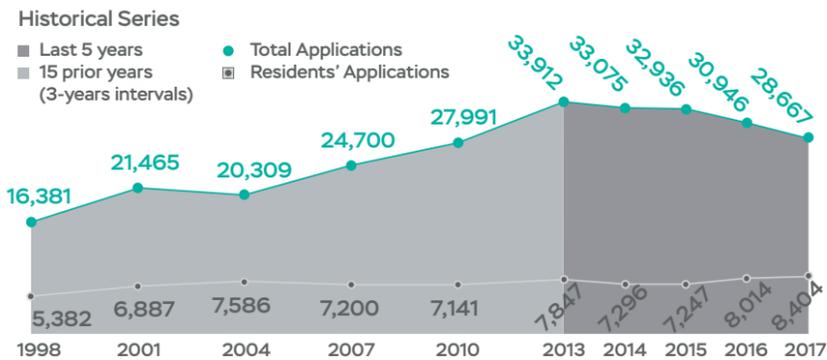
*) Source: World International Property Office - WIPO

PATENT INDUSTRIAL DESIGN

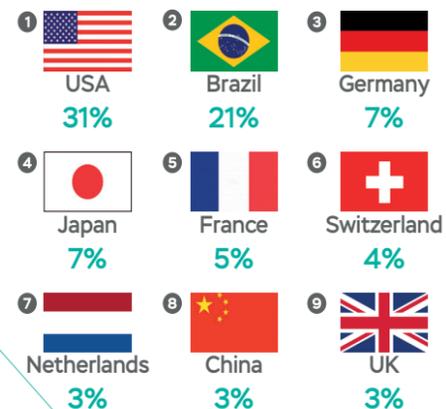
BPTO's ANNUAL REPORT - PATENTS*

In 2017, the Directorate of Patents, Software and Integrated Circuits Topography (DIRPA) achieved the number of 55 technical decisions per full-time patent examiner, an increase of almost 60% when compared to 2015. This achievement was possible due to optimizations in the flow and control of processes, as well as initiatives in procedure automation (automatic publication of substantive examination reports and generation of international publication documents, among others). The expansion and consolidation of policies to encourage productivity, such as the Home Office project, also contributed to this result. Today, more than 100 examiners are already conducting patent examination activities at home.

Decisions on Patent Applications (Inventions and Utility Models)



Origin of Invention Patent Applicants in Brazil

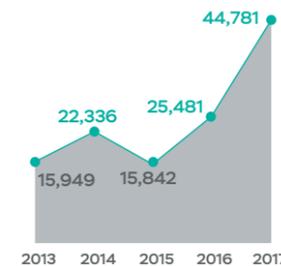


New priority examination programs have been implemented and Patent Prosecution Highway (PPH) agreements have been formalized with patent offices from Europe, Japan, China and PROSUR, in addition to the United States of America, which is already in operation. The Collaborative Examination Program (via e-PEC) with South American institutes was also resumed. During 2017, great efforts were made to digitize documents with pending images as well as to correct register data, with the release of these documents to the public.

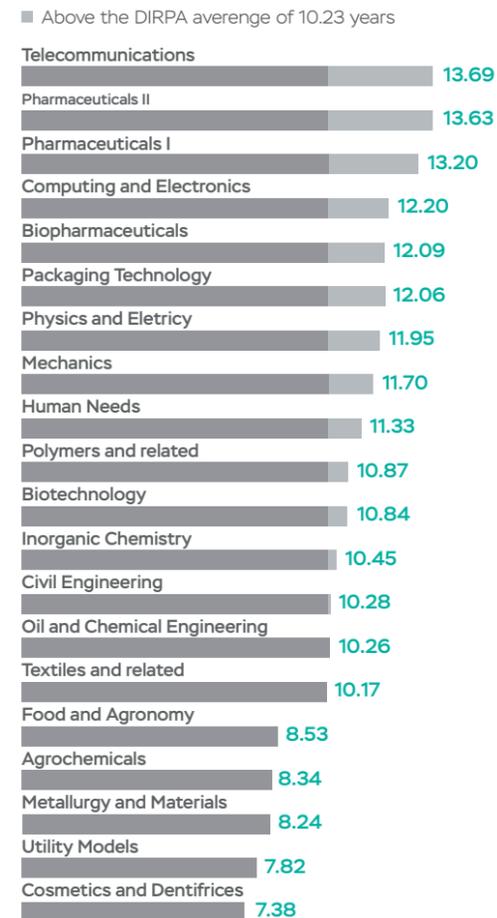
*) Source: INPI's annual report

In 2017, a great advance was made in the examination of pharmaceutical applications with the publication of the Guidelines for the Examination of Applications in the Chemical Area and Joint Normative No. 1/2017, between the BPTO and Anvisa, defining the procedures adopted by both institutions to analyze patent applications for pharmaceutical products and processes.

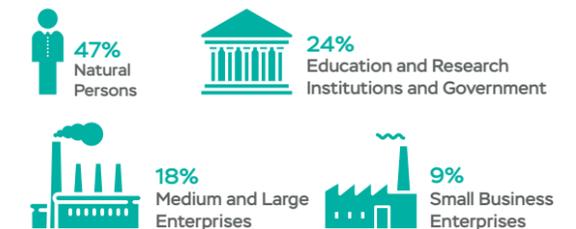
Decisions on Patent Applications (Inventions and Utility Models)



Decisions Time by Technical Area (in years)



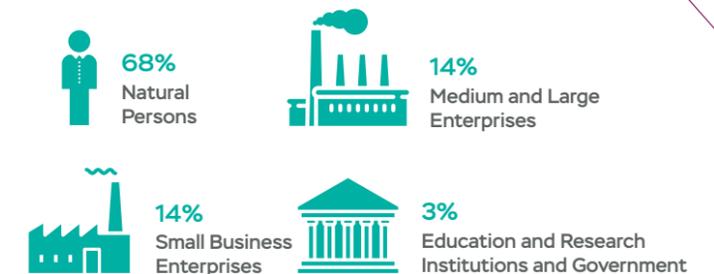
Invention Patent Applicants - Residents in Brazil



Origin of Utility Model Patent Applicants in Brazil



Utility Model Patent Applicants - Residents in Brazil



“We usually say that the patent backlog applies to everyone, without discrimination. How to handle it can thus be competitive leverage to put companies ahead of the competition. Brazil is the world’s 9th largest economy and 11th in terms of annual patent filings. It is, therefore, a market most companies cannot afford to be outside. While the patent backlog is still an issue in Brazil, we have been seeing increasing efforts at the BPTO to increase productivity. It has come about through the hiring of new examiners, improving infrastructure and entering into collaborative examination agreements with other Patent Offices around the world. The newly elected president of the Brazilian Patent Office has set an ambitious goal of solving the backlog problem in two years. This is part of a larger economic agenda started by the new government, which will try to promote the country’s growth by opening the Brazilian market to foreign investment and reducing state presence in the economy.”

Ricardo Nunes – Partner and Head of Patents

RICARDO NUNES
PARTNER & HEAD OF PATENTS
ricardo.nunes@daniel-ip.com

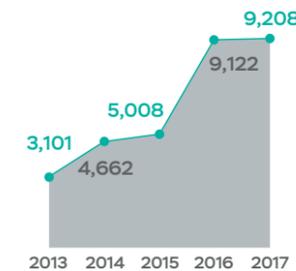


DIOGO NETTO
HEAD OF INDUSTRIAL DESIGN
diogo.netto@daniel-ip.com

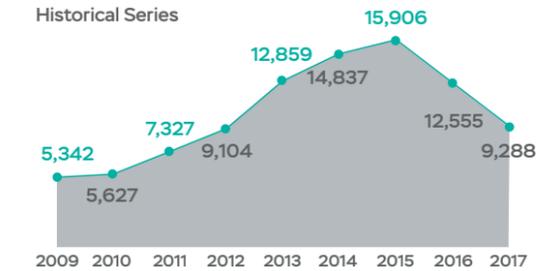
BPTO'S ANNUAL REPORT - INDUSTRIAL DESIGN*

In 2017, the goal of Industrial Designs was surpassed by 2.7%. In addition, DIRMA ended the two-year backlog of pending decisions at the Board of Appeals. The number of 1D applications at the end of 2016 was 12,555. In December 2017, this backlog was 9,288 applications, with substantive examinations requested a year ago under analysis.

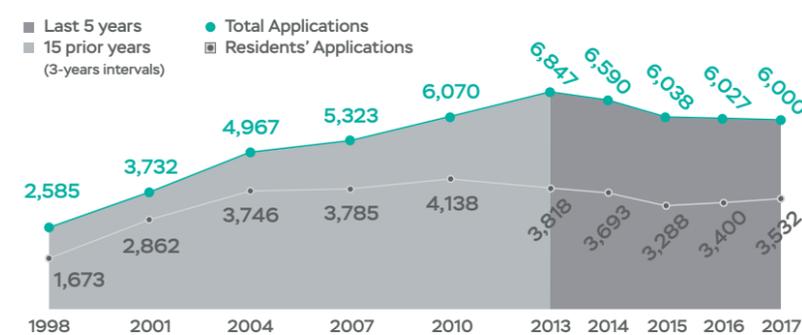
Decisions on Industrial Designs



Industrial Design Applications Pending Final Decision



Industrial Design Applications
Historical Series



“At the Brazilian Patent Office, not only has the design backlog problem been solved but also the new Guidelines for Industrial Designs was published this year. This is the first effort in the Office’s history to consolidate and harmonize understandings about design practice in Brazil. These are all signs that herald a promising future for industrial designs in Brazil. There are certainly some aspects to improve, but the purpose of the Guidelines themselves is to act as a ‘living being’, undergoing modifications along the years. We are sure that, as a natural evolution from the Brazilian Patent Office’s and Courts’ decisions and from the discussions carried out by our local design community, our practice will come closer to the best design practices in the world, guaranteeing strong design protection for companies and fostering investment in our country.”

Diogo Netto – Head of Industrial Design

*) Source: INPI’s annual report

OVERVIEW OF THE BRAZILIAN PATENT SYSTEM*

1 Patent Enforcement

1.1 Before which courts can a patent be enforced against an infringer? Is there a choice between courts and what would influence a claimant's choice?

As a rule of thumb, enforcement is a matter of state jurisdiction. Each Brazilian state has a state court system and, therefore, infringement lawsuits can be filed before any state court, provided that other rules of civil procedure are observed. As a rule, infringement lawsuits must be filed in the state where the accused infringer has its principal place of business, but they may also be filed in any place where acts of infringement have occurred. Since Rio de Janeiro and São Paulo have trial courts specializing in IP matters, those venues are normally preferred by plaintiffs.

1.2 Can the parties be required to undertake mediation before commencing court proceedings? Is mediation or arbitration a commonly used alternative to court proceedings?

The Federal Rules of Civil Procedure, enacted in 2015, set forth that a mandatory mediation hearing shall take place before the defendant files its reply to the complaint, unless both parties agree not to. On the other hand, arbitration is broadly used in Brazil in lieu of court proceedings but is not commonly employed for IP matters.

1.3 Who is permitted to represent parties to a patent dispute in court?

Only attorneys-at-law registered before the Brazilian Bar Association are allowed to represent parties to such a dispute.

1.4 What must be done to commence proceedings, what court fees have to be paid and how long does it generally take for proceedings to reach trial from commencement?

An infringement lawsuit starts with the filing of the complaint, where the plaintiff must assert its claims of infringement against the accused product or process. Normally, the burden of proof falls on the plaintiff (except in the case of infringement of a process patent), who must present documentary evidence of the infringement and, advisably, technical and legal opinions. After the defendant is duly served with process, the court usually schedules a mandatory mediation hearing to try to achieve a settlement between the parties. If the conciliation attempt fails, the defendant is given a 15-business-day term to file its reply to the complaint, where all possible defenses shall be presented together with their supporting evidence. In an infringement case, both parties may request the court allow the submission of further evidence during the proceeding. After the defendant files its defense and the plaintiff presents its counter-reply, the judge usually nominates a technical expert to conduct an examination and provide the court with his/her opinion on the technical aspects of the case. Parties may appoint their own experts to interface with the court-appointed expert and provide any clarification which he/she may need. Parties may also submit technical questions to be answered by the court expert. After the court-appointed expert delivers his/her opinion to the court, and parties submit their own arguments in relation to such opinion, the judge will then set a date for closing arguments (written). These procedures may take an average of two to three years depending on the circumstances. The plaintiff must pay court fees, which, if it prevails in the end, can be reimbursed by the defendant. The court may

award loss of suit costs covering court fees and the expenses incurred by the prevailing party, as well as the fees of expert witnesses and other costs related to the proceedings. The award may also include an amount covering loss-of-suit attorneys' fees, stipulated by the court. Loss-of-suit attorneys' fees are normally fixed at 10–20% of the overall award of damages.

1.5 Can a party be compelled to disclose relevant documents or materials to its adversary either before or after commencing proceedings, and, if so, how?

Under Brazilian procedural law, there is no general obligation for a party to list or disclose documents, but the parties will usually submit documents that they consider relevant to support their own case. Documents are filed at court, but not served on the other side. The plaintiff is required to attach to the complaint the documents which support its case, and to allow for further evidence which it intends to set out in the proceedings. The defendant then does the same when filing the defense, challenging the plaintiff's arguments and evidence.

1.6 What are the steps each party must take pre-trial? Is any technical evidence produced, and if so, how?

Each side submits its written arguments and documentary evidence. Parties may submit almost any kind of evidence before trial, from prior art references to technical and legal opinions. Technical experts are frequently used in patent litigation, as they play a key role in infringement and validity litigation. The judge, however, may also appoint a court expert whenever the facts under discussion depend on technical or scientific knowledge. Likewise, plaintiffs and defendants may also appoint technical assistants in order to provide guidance to the court-appointed expert, and to respond to his/her technical conclusions.

In patent litigation, where almost every case involves technical issues, an outcome on the merits will often depend on the knowledge of an expert, or sometimes several experts. It is important to note, however, that the judge is not obliged to decide in accordance with the conclusions of the court-appointed expert. In other words, the court expert's report is not binding on the court's ruling.

1.7 How are arguments and evidence presented at the trial? Can a party change its pleaded arguments before and/or at trial?

Trial hearings are very rare in Brazil. When they occur, court records are already completed, and the parties and the judge have already read the briefs. During trial, the parties' attorneys, their experts or witnesses will present evidence mostly orally. Each party may call up to 10 persons to testify, among witnesses and experts, but the judge may limit this number to a maximum of three for each side. The judge will question the witnesses separately and successively, starting with the plaintiff's. The parties' representatives may also be called to put forward their evidence. The judge puts forward all questions and the parties may address the court with additional questions, in addition to the ones being made. Plaintiffs cannot change pleadings or causes of action (arguments) once the defendant is served with process, unless the defendant consents. The plaintiff cannot, under any circumstances, change his pleadings or causes of action after the judge renders a decision defining the issues in the case and the scope of the evidence production phase.

1.8 How long does the trial generally last and how long is it before a judgment is made available?

Trial hearings generally take one day, but sometimes take longer depending on the complexity of the case and on the number of experts and witnesses called by each party. After trial, the judge is expected to issue his

*) Source: updated content from the original publication in the International Comparative Legal Guide – chapter on Brazil

OVERVIEW OF THE BRAZILIAN PATENT SYSTEM

decision within 30 days, but this rarely occurs. Normally, a final decision on the merits takes about six months to be rendered, especially in cases involving a greater level of complexity.

1.9 Are judgments made available to the public? If not as a matter of course, can third parties request copies of the judgment?

Yes, judgments are of public access and third parties can request copies of the judgment. There are judgments under seal in special circumstances, but these are not common in IP cases.

1.10 Are courts obliged to follow precedents from previous similar cases as a matter of binding or persuasive authority? Are decisions of any other jurisdictions of persuasive authority?

Precedents in Brazil are not binding. Nevertheless, precedents from the superior courts are often significantly persuasive to lower courts. Foreign precedents are rarely used and usually disregarded by local courts.

1.11 Are there specialist judges or hearing officers, and if so, do they have a technical background?

Specialist judges are not available. However, specialized IP courts have been created in recent years. Rio de Janeiro has four federal district courts with special jurisdiction to hear cases filed against the Brazilian Patent and Trademark Office (BPTO). In turn, the Federal Court of Appeals for the Second Circuit, which has jurisdiction to decide appeals from Rio de Janeiro, has two chambers specializing in IP cases. At state level, all major Brazilian cities have courts specializing in commercial and corporate law, including IP. For instance, Rio de Janeiro has seven state courts with jurisdiction to hear commercial law cases, including IP cases, and São Paulo recently created two such courts.

1.12 What interest must a party have to bring (i) infringement, (ii) revocation, and (iii) declaratory proceedings?

Infringement lawsuits must be filed by the patent owner or by a licensee vested with powers to do so, against anyone who may be infringing the patent. With respect to revocation and declaratory proceedings, the law sets forth that “any legitimate interested party” may file them. This requirement is interpreted by courts very broadly; sometimes, it suffices to be a competitor or to work in the same field of technology.

1.13 If declarations are available, can they address (i) non-infringement, and/or (ii) claim coverage over a technical standard or hypothetical activity?

Yes. Provided that there is uncertainty over a fact, and this uncertainty is causing an actual or imminent threat to the party’s right, a court may be requested to issue a declaratory judgment.

1.14 Can a party be liable for infringement as a secondary (as opposed to primary) infringer? Can a party infringe by supplying part of, but not all, the infringing product or process?

Yes, a party can be held liable for contributory infringement or inducement. The Brazilian Patent Law further sets forth that supplying a component of a patented product, or material or equipment for carrying out a patented process, provided that the final application of the component, material or equipment necessarily leads to the exploitation of the subject matter of the patent, is considered a crime of unfair competition.

1.15 Can a party be liable for infringement of a process patent by importing the product when the process is carried out outside the jurisdiction?

Yes. According to the Brazilian Patent Law, a patent confers its owner the right to prevent third parties from manufacturing, using, offering for sale, selling or importing for such purposes, without its consent, a process, or product directly obtained by a patented process. In addition, in the case of a process patent, the defendant has the burden to prove non-infringement, while in a product patent the burden of proof lies with the plaintiff.

1.16 Does the scope of protection of a patent claim extend to non-literal equivalents?

Yes. It is possible to establish infringement by the doctrine of equivalence. The Patent Statute expressly provides that patent infringement may be found “even if the violation (...) is restricted to the use of means equivalent to the subject matter of the patent”.

1.17 Can a defense of patent invalidity be raised, and, if so, how? Are there restrictions on such a defense, e.g. where there is a pending opposition? Are the issues of validity and infringement heard in the same proceedings or are they bifurcated?

Yes. Invalidity may be raised as a defense in any infringement lawsuit. Defendants often use this kind of defense argument, combined with a non-infringement argument, in their answer. Since Brazil has a bifurcated system, a separate lawsuit must be filed in order to invalidate a patent with erga omnes effects. In this kind of lawsuit, the BPTO is a mandatory co-defendant, together with the patentee, and because the BPTO is a federal entity, the invalidity proceeding must be filed at a Federal Court. Post-grant (administrative) oppositions can only be filed within six months from the patent grant at the BPTO and they do not

prevent the defendant from filing an invalidity lawsuit nor from raising invalidity arguments in infringement suits.

1.18 Other than lack of novelty and inventive step, what are the grounds for invalidity of a patent?

In general terms, a patent may be invalidated whenever it does not comply with any provision of the Patent Law. Besides lack of novelty and inventive step, the most common grounds for invalidity are the following:

- (i) lack of enablement (“the specification must describe the subject matter clearly and sufficiently so as to enable a person skilled in the art to carry it out and to indicate, when applicable, the best mode of execution”); and
- (ii) lack of support in the specifications (“the claims must be based on the specification, characterizing the particulars of the application and defining clearly and precisely the subject matter to be protected”).

1.19 Are infringement proceedings stayed pending resolution of validity in another court or the Patent Office?

The defendant may request the judge stay the infringement suit, but the judge is not bound by the law to grant it. As a general rule, he/she usually accepts such request. However, if the validity challenge is raised when the infringement case is already in an advanced stage, the court may reject such kind of request.

1.20 What other grounds of defense can be raised in addition to non-infringement or invalidity?

The law guarantees protection of the person who, in good faith, has been exploiting the patented product or process prior to the date of filing or of priority of a patent application. The “prior user” has the right to continue the use, without onus, in the previous form and

OVERVIEW OF THE BRAZILIAN PATENT SYSTEM

under the previous conditions.

In addition, although rarely, the laches doctrine in patent infringement lawsuits may be raised and accepted if the court is convinced that the patent owner knew about the infringing activities but delayed substantially in filing the lawsuit, in order to increase potential damages.

1.21 Are (i) preliminary, and (ii) final injunctions available, and if so, on what basis in each case? Is there a requirement for a bond?

Yes, both kinds of injunctions are available.

Preliminary injunctions may be granted provided that substantive evidence is submitted, and the court is convinced of

(i) the likelihood of success on the merits, and

(ii) the need for an urgent decision from the courts to avoid irreparable harm. In granting a preliminary injunction, the courts will balance the hardships and the effect of not doing so in cases where the injunction effects are irreversible.

In order to avoid irreparable damages or damages that would be difficult to redress, the judge can even grant an injunctive order to suspend the violation or act of infringement before the defendant is served with process (ex parte), ordering the plaintiff to post a bond or a fiduciary guarantee in cases where he/she deems it necessary.

Permanent injunctions are also available and are normally granted whenever a judgment of infringement is made, although a stay on the injunction may be determined by the Court of Appeal before the appeal has been decided upon by the court.

1.22 On what basis are damages or an account of profits assessed? Are punitive damages available?

According to the Patent Statute, loss of

profits shall be determined by the most favorable to the patentee among the following criteria:

- (i) the benefits that would have been gained by the injured party if the violation had not occurred;
- (ii) the benefits gained by the infringer; or
- (iii) the remuneration that the infringer would have paid to the patentee for a license that would have legally permitted it to exploit the patented technology. It is possible to obtain compensation for acts of infringement that took place between the application publication date and the patent grant date, or even before publication, if there is proof that the infringer had knowledge of the contents of the application prior to publication.

There is no statutory provision setting forth punitive damages in Brazil and courts are usually reluctant to adopt this doctrine.

1.23 How are court orders enforced (whether they are for an injunction, an award of damages or any other relief)?

In the civil sphere the patentee can obtain a preliminary restraining order, set forth in the current Patent Law, for the immediate cessation of the patent violation. Ex parte seizure of the infringing products can also be obtained when the judge is convinced that the plaintiff's IP rights are seriously threatened by the defendant's infringing activities. The plaintiff can request the courts issue orders to destroy, buy back stock or deliver up the infringing goods. Damages (loss of profits) can be claimed by the plaintiff and enforced against the infringer.

1.24 What other form of relief can be obtained for patent infringement? Would the court consider granting cross-border relief?

In addition to damages, it is possible to obtain

search and seizure orders and other immediate reliefs, such as preliminary and permanent injunctions. The court would consider granting cross-border relief depending on the circumstances; for instance, shipment details, information on the importer, or evidence that the incoming or imported product reproduces and/or infringes the patented product in Brazil. In the context of patents, this is not a simple task for Customs Officials. A generic claim will not be sufficient to obtain relief.

1.25 How common is settlement of infringement proceedings prior to trial?

The Brazilian Civil Procedure Code expressly provides for a conciliation hearing to encourage parties to reach an amicable settlement before the evidence phase and before the judgment on the infringement lawsuit. Besides this, parties may, at any time, establish negotiations for an amicable settlement, also requesting a conciliation hearing.

1.26 After what period is a claim for patent infringement time-barred?

There is a five-year statute of limitation for patent infringement, which starts to be counted after the last act of infringement.

1.27 Is there a right of appeal from a first instance judgment, and if so, is it a right to contest all aspects of the judgment?

Yes. Parties can appeal the first instance judgment, and all aspects of the judgment may be reviewed by the Court of Appeal.

1.28 What are the typical costs of proceedings to first instance judgment on (i) infringement, and (ii) validity? How much of such costs are recoverable from the losing party?

Infringement or validity cases may cost from USD 60,000 in very straightforward cases, to over USD 250,000 in more complex cases,

especially when infringement and validity are dealt with in the same case.

1.29 For jurisdictions within the European Union: What steps are being taken in your jurisdiction towards ratifying the Agreement on a Unified Patent Court, implementing the Unitary Patent Regulation (EU Regulation No. 1257/2012) and preparing for the unitary patent package? Will your country host a local division of the UPC, or participate in a regional division? For jurisdictions outside the European Union: Are there any mutual recognition of judgments arrangements relating to patents, whether formal or informal, that apply in your jurisdiction?

No, there are none.

2 Patent Amendment

2.1 Can a patent be amended ex parte after grant, and if so, how?

No. Amendments are not allowed after a patent is granted. However, a patentee may apply for a certificate of addition to protect an improvement or development introduced in the subject matter of the invention.

2.2 Can a patent be amended in inter partes revocation/invalidity proceedings?

Yes, although it is very unusual. There was a case where a court determined amendments be made in a patent claim. In such cases, the Letters Patent will subsequently be endorsed.

2.3 Are there any constraints upon the amendments that may be made?

Yes. According to Article 32 of the Patent Law, applicants may only amend their claims until the request for examination, and provided that the amendments are supported by the initial disclosure. The BPTO has recently issued new Guidelines for amending patent applications. Voluntary amendments for correcting translation or typing errors can

OVERVIEW OF THE BRAZILIAN PATENT SYSTEM

be made after the examination request if the specification fully supports them. Other examples of post-examination voluntary amendments that may be accepted by the BPTO are: I) inserting the context of a dependent claim into an independent one; II) restricting parameter range; or III) withdrawing an element originally presented as an alternative. The new Guidelines also indicate that elements originally included into an independent claim cannot be deleted, as this change could also imply that the scope of protection has been expanded. The Guidelines on voluntary amendments will become an important source and reference point for Brazilian Examiners when performing substantive examination on patent applications.

3 Licensing

3.1 Are there any laws which limit the terms upon which parties may agree a patent license?

Yes. License agreements are subject to recordal at the BPTO in order to produce effects against third parties and whenever payment is remitted abroad. In the process of recordal, the BPTO may provide limitations upon which parties may agree. The most critical limitation is on the consideration clause. The BPTO often issues office actions questioning payment methods whenever the license agreement does not establish a “fixed amount per unit sold” or “a percentage on the net selling price”. The BPTO also limits tax deductions in order to limit the remittance of payments among associate companies. Furthermore, the BPTO does not permit any compensation for patent applications. Another limitation provided by the law refers to improvements. License agreements executed in foreign countries often contain a clause providing that improvements

belong to the licensor, even if made by the licensee. Nevertheless, the Brazilian Patent Law determines that any improvement on a licensed patent shall belong to the person who made it, thus guaranteeing the other party the right of preference with respect to a license. If there is an antitrust concern, the BPTO often questions non-competition clauses when the period is greater than five years after the end of the license and limits the term of the license by the respective patent term. Recently, however, the BPTO has reduced its intervention in license agreements, thus allowing the parties to negotiate the terms thereof without many constraints.

3.2 Can a patent be the subject of a compulsory license, and, if so, how are the terms settled and how common is this type of license?

Yes. Patents may be subject to compulsory license. There are several grounds for granting such licenses, including in the event of: abuse of patent rights or of economic power; non-exploitation of the subject matter of the patent in Brazil, or lack of manufacture or incomplete manufacture of the product. In these cases, the license can only be requested by a party with a legitimate interest, and which has the technical and economic capacity to carry out the efficient exploitation of the subject matter of the patent that should be destined predominantly for the internal market. A compulsory license, based on lack of local or incomplete manufacture, may only be requested after three years from the patent grant. Compulsory licenses may also be declared by the Executive Branch, independent of any request, in cases of national emergency or public interest, provided that the patentee or its licensee does not meet such need. Compulsory licenses will always be granted without exclusivity; sublicensing is not

permitted. Although there are numerous hypothetical situations where a compulsory license may be granted, this kind of license is rare. There was a single case in 2007 where a compulsory license was granted on a pharmaceutical patent on the grounds of public interest.

4 Patent Term Extension

4.1 Can the term of a patent be extended, and, if so, (i) on what grounds, and (ii) for how long?

No, it cannot.

5 Patent Prosecution and Opposition

5.1 Are all types of subject matter patentable, and if not, what types are excluded?

No. According to the Patent Statute, the following are not patentable: “I. discoveries, scientific theories and mathematical methods; II. purely abstract concepts; III. schemes, plans, principles or methods for commerce, accounting, financing, education, advertising, lottery and control; IV. literary, architectural, artistic and scientific works, or any aesthetic creation; V. computer programs per se; VI. presentation of information; VII. rules of a game; VIII. operating or surgical techniques and methods, as well as therapeutic or diagnostic methods for the treatment of humans or animals; and IX. the whole or part of natural living beings and biological material found in nature or also isolated therefrom, including the genome or germplasm of any natural living being and the natural biological processes.” In addition, the Statute provides that the following are not patentable: “I. that which is contrary to [accepted principles of] morality and good conduct and to public safety, order and health; II. substances, matter, mixtures, elements or products of any kind, as well as any modification of their physical-chemical

properties and the respective processes of obtaining or modifying them, when they result from the transformation of the atomic nucleus; and III. the whole or part of living beings, except transgenic microorganisms which meet the three requirements for patentability – novelty, inventive step and industrial application – specified in Article 8 and that are not mere discoveries.”

5.2 Is there a duty to the Patent Office to disclose prejudicial prior disclosures or documents? If so, what are the consequences of failure to comply with the duty?

No, there is not.

5.3 May the grant of a patent by the Patent Office be opposed by a third party, and if so, when can this be done?

The grant or issue of the patent can be challenged by a third party within six months from said grant or issue date. These are known as administrative nullity proceedings or post-grant proceedings. Before the actual grant of the patent, third parties may file observations in the application. Said observations can be submitted from the publication of the application up to the conclusion of the examination (pre-grant “opposition”).

5.4 Is there a right of appeal against a decision by the Patent Office, and, if so, to whom?

A decision rendered by the Patent Examiner rejecting a patent application may be appealed to the President of the BPTO. The final decision rendered by the BPTO may be appealed to the Federal Courts in a judicial review lawsuit.

5.5 How are disputes over entitlement to priority and ownership of the invention resolved?

Disputes over priority or ownership are usually resolved by the courts. A priority claim must

OVERVIEW OF THE BRAZILIAN PATENT SYSTEM

be proved by means of a suitable document of origin, containing the number, date, title, specification and, when they exist, claims and drawings, accompanied by a simple translation of the certificate of filing or equivalent document containing data identifying the application, the contents of which will be the applicant's entire responsibility. If two or more authors have independently devised the same invention or utility model, the right to obtain a patent will be assured whoever proves the earliest filing, independently of the dates of invention or creation. The withdrawal of an earlier filing without producing any effects will give priority to the first later filing.

5.6 Is there a "grace period" in your jurisdiction, and, if so, how long is it?

Yes, there is. The grace period is twelve months, and the disclosure of an invention or utility model shall not be considered state of the art if it occurs during the twelve months preceding the filing date or priority date of the patent application when made by:

- I) the inventor;
- II) the BPTO through the official publication of the patent application filed without the consent of the inventor based on the information obtained from him/her or resulting from his/her acts; or
- III) third parties, on the basis of information obtained directly or indirectly from the inventor.

5.7 What is the term of a patent?

The term of a patent for an invention shall be 20 years and that of a patent for a utility model shall be 15 years counting from the filing date of the application. The term of protection shall be no fewer than ten years for a patent for an invention, and seven years for a patent for a utility model counting from the grant date.

6 Border Control Measures

6.1 Is there any mechanism for seizing or preventing the importation of infringing products, and if so, how quickly are such measures resolved?

Yes. Customs Authorities, ex officio or at the request of an interested party, may seize infringing products entering Brazil at its borders. Nevertheless, the interested party is generally required to file a criminal or civil lawsuit within 10 days, seeking injunctive relief in order to keep the importation stayed, and eventually requesting the destruction of the goods. This kind of measure is more common (and simpler) in cases of trademark infringement.

7 Antitrust Law and Inequitable Conduct

7.1 Can antitrust law be deployed to prevent relief for patent infringement being granted?

In theory, yes, but this is very rare in Brazil. The Brazilian antitrust watchdog (CADE) recently dismissed a complaint filed by a national association of auto parts manufacturers against three major automakers for alleged IP misuse. The case before the antitrust authority was brought after the automakers took judicial measures to enforce industrial design rights to auto parts. According to the association, such lawsuits would entail IP misuse, but the majority of CADE commissioners considered that the enforcement of IP rights grounded on statutory provisions cannot be held as misuse. In the view of Rafael Romano, partner at Daniel Law, CADE's decision is an important leading case in Brazilian antitrust practice, since it finally clarifies, after ten years, which criteria the antitrust authority might take into account when deciding future cases.

8 Current Developments

8.1 What have been the significant developments in relation to patents in the last year?

Update on ANVISA's examination of pharmaceutical patent applications

On 12 April 2017, the Brazilian Health Regulatory Agency (ANVISA) and the BPTO published a version of the new joint Guidelines #1/2017. The Guidelines set out the new workflow between ANVISA and the BPTO in terms of the examination of pharmaceutical patent applications.

Article 4 of the Guidelines establishes that ANVISA will ascertain whether a patent application contravenes public health. The criterion for conflicting with public health is when a product or process presents a "health risk". This risk is detected when a product comprises a substance that has been prohibited in Brazil, or when a process results in said substance. Accordingly, when the subject matter of the patent application is found to pose a health risk, ANVISA will deny prior approval, and will send the application back to the BPTO for further handling. Following this, the BPTO will publish the final dismissal of the application. The Interagency Ordinance is designing a new approach in pharma patent examination of products and processes of interest, under the Brazilian Government's drug policies and with pharmaceutical assistance from the National Healthcare System (SUS). In practice, ANVISA will examine such applications and render a technical opinion as to whether the claims meet the patentability requirements under Brazilian law. ANVISA's opinion will be directed to the BPTO to serve as a basis for third-party observations, as provided in Article 31 of the Brazilian Patent Law.

The novelty brought by the Ordinance is in Article 9, which creates an Interagency Group comprising ANVISA and the BPTO. The Group

seeks to "harmonize" its understanding of the application of patent law and practice in certain fields, such as: Markush claiming; selection inventions; the patentability of new uses; salt polymorphs and antibodies; as well as other issues inherent to the pharma industry.

Fast-track examination

During the last two years, the BPTO has issued important resolutions intended to prioritize or fast-track the examination of patent applications. Resolution 14/2015 enacted a Patent Prosecution Highway (PPH) Pilot Program for applications covering oil and gas technology between the US and Brazilian Governments. In a similar vein, Japan and Brazil have negotiated a PPH Pilot Program (Resolution 184/2017) for information technology, but to qualify for this program, the applications must be classified under specific international patent classification symbols. Moreover, Resolution 175/2016 provides permanent fast-track examination for green technology inventions following four consecutive Pilot Programs. Very recently, the BPTO published Resolution 191/2017 regulating fast-track examination for applications filed by science and technology institutes.

Priority examination or fast-track examination is available for the following situations:

- applications filed by small entities;
- applications filed by senior citizens;
- applications filed by citizens suffering from health conditions;
- applications infringed by third parties;
- pharma applications relating to the treatment of certain diseases, such as cancer, AIDS and neglected diseases;
- green technology applications;
- applications under the PPH Pilot Program; and
- applications filed by science and technology institutes.

OVERVIEW OF THE BRAZILIAN PATENT SYSTEM

Proposal to eliminate the backlog of patent applications

The Brazilian Government is considering an emergency measure to eliminate the Patent Office's chronic backlog problem by automatically granting 230,000 pending applications by 2020. The Government has called this proposed emergency measure an "extraordinary solution" to the problem, and a draft of the plan will be introduced for public discussion soon.

The current proposal entails a simplified examination procedure in which the Patent Office would automatically grant unopposed applications filed before 2014 but as yet not examined by them. This measure, however, includes neither pharmaceutical applications nor divisional applications where the parent application has been examined. This "extraordinary solution" does have an at-will applicant opt-out clause and interested third parties would have up to 90 days to file pre-grant oppositions after an application is pre-approved for an automatic grant.

8.2 Are there any significant developments expected next year?

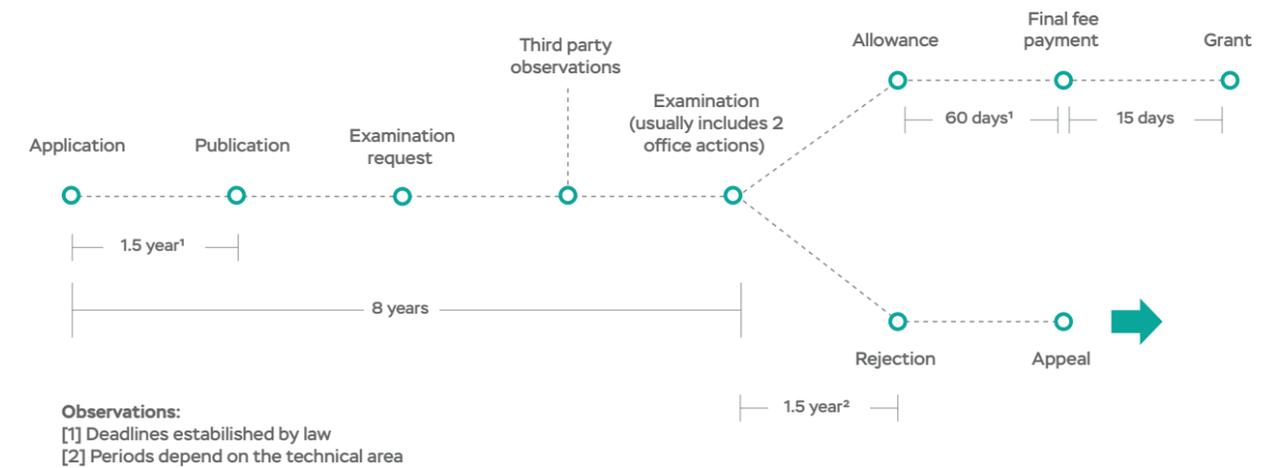
Brazil's high-profile political corruption investigation "Operation Car Wash" has completed its fourth year and has shaken the Brazilian Government to its core. Brazil's economy is now showing signs of recovery, and consumer and business confidence is rising. The approval of fiscal reform, lower inflation and declining interest rates should push the country towards gradual recovery, but improvement may only materialize by the end of 2018. Companies will probably continue to seek IP protection in Brazil as the market continues to be important, regardless of the major obstacle of the BPTO's inadequate infrastructure, which has resulted in the worst backlog ever of patent examinations.

There is a plan to increase the number of patent examiners in 2018, as part of the BPTO's ongoing drive for efficiency. The number of annual patent filings has remained stagnant in the last two years but has not decreased significantly enough to raise concern. Statistics show that deep-pocket investors/companies who have been established for many years in Brazil will continue to invest in the protection of innovation.

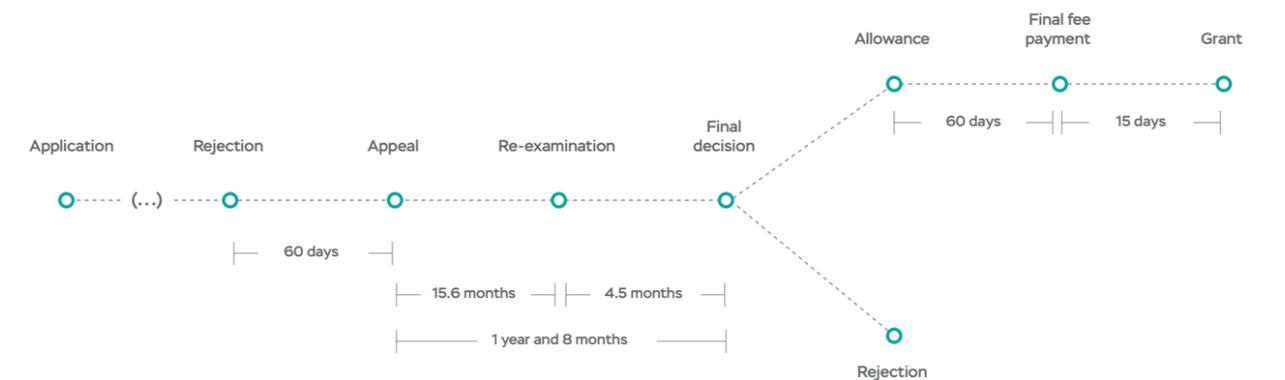
8.3 Are there any general practice or enforcement trends that have become apparent in your jurisdiction over the last year or so?

The new Civil Procedure Code, which regulates the proceedings of most civil lawsuits, and that became effective in March 2016, has proven to be less bureaucratic and has brought fast and effective solutions to legal disputes. Judges and parties in a case may establish a specific timetable for judicial proceedings. This piece of legislation is a breakthrough in enforcement. It clearly shows a trend of a growing awareness of the importance of IP rights and the consequences of third parties infringing these rights. As legal disputes are expected to be decided expeditiously, judges should resort to damages as set forth in Brazil's Patent Law.

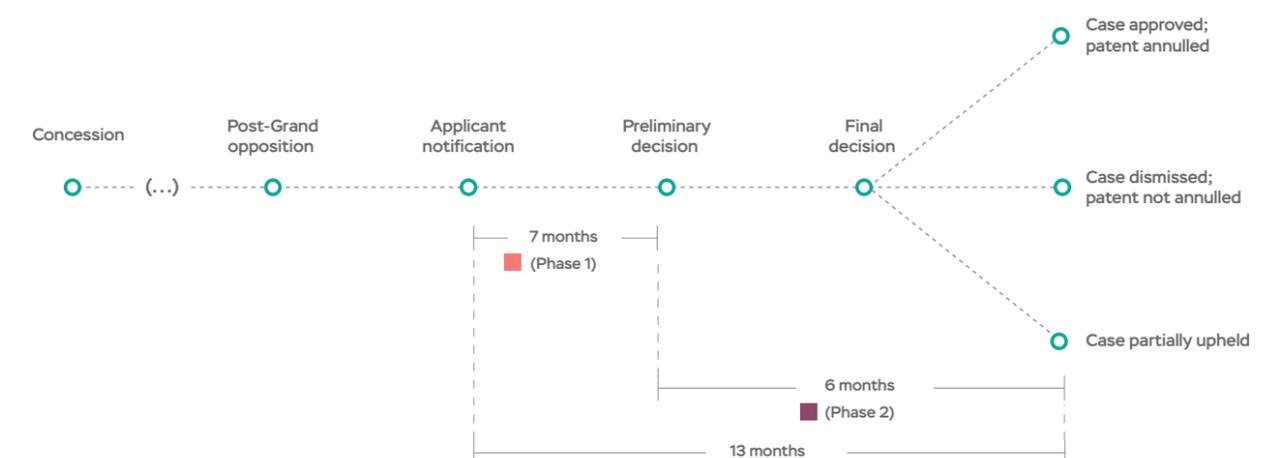
General Patent Prosecution Flow



Appeal System



Post-Grant Opposition



TRADEMARK

BPTO's ANNUAL REPORT*

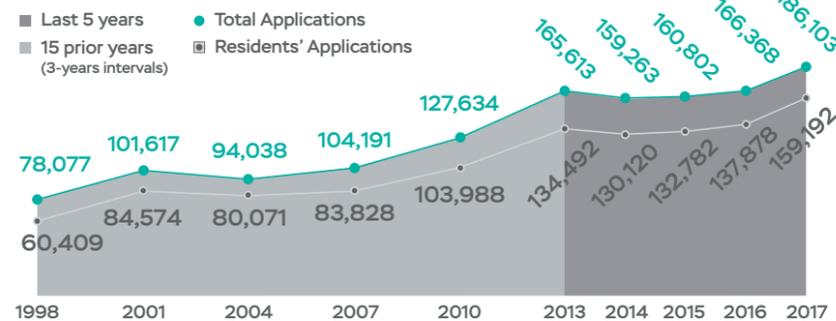
The Directorate of Trademarks, Industrial Designs and Geographical Indications (DIRMA) began 2017 with the responsibility of integrating the administration of applications and registrations of Industrial Designs (IDs) and Geographical Indications (GIs) into its activities.

A new management structure was put in place and the procedures adopted in the examination of applications for IDs and GIs were revised and simplified.

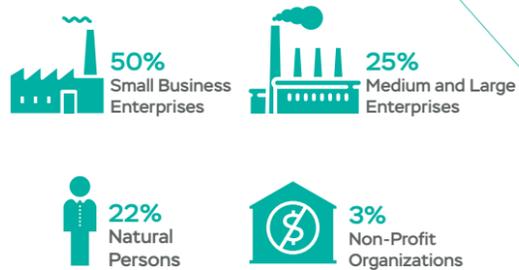
During the year, the Directorate finalized the first Manual of Industrial Design Procedures.

Trademark Applications

Historical Series



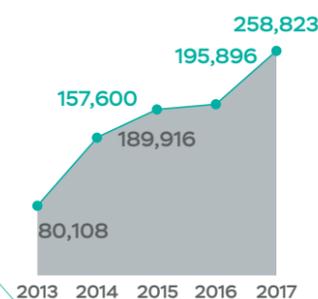
Trademark Applicants Residents in Brazil



Origin of Trademarks Applicants in Brazil Ranking



Decisions on Trademarks



Madrid Protocol

In 2017, DIRMA initiated the necessary measures for Brazil's accession to the Madrid Protocol, an international agreement on the registration of trademarks. The Protocol was approved by the Brazilian House of Representatives in April 2019, but is still to be approved by the Brazilian Senate.

*) Source: INPI's annual report

Backlog Reduction

In order to reduce the number of trademark and industrial design applications pending examination, the Federal Government authorized the hiring of 50 new examiners in 2017.

There was a reduction in the number of trademark applications pending examination from 421,941 cases in 2016 to 358,776 at the end of 2017, even with the arrival of more than 180,000 new applications throughout the year. The BPTO started 2019 with 191,535 applications pending examination, the best situation in years. There was also a considerable reduction in the duration of the examination process to 12-13 months overall after filing, including those cases that suffered pre-grant oppositions.

The backlog of certification, collective and three-dimensional trademarks pending examination has been eliminated.

Throughout the year, 17 examiners joined a working group to provide support for administrative appeals filed against the rejection of applications for trademark registrations.

"The Brazilian Patent and Trademark Office has made huge investments in IT and in training its human resources to accelerate the examination of trademarks and overcome its historic backlog. All these investments have resulted in a considerable improvement in the quality of the examination of trademarks and are part of the Office's strategy to enter the International system, once the process of adopting the Madrid Protocol has been completed.

Brazil is a strategic country in South America and one of the largest economies on earth. The progresses made thus far by the Brazilian Patent and Trademark Office is of utmost importance for both local and foreign investors and will certainly bring the certainty that trademark owners need to engage in business in Brazil."

Roberta Arantes - Trademark Partner



Isabella Cardozo
PARTNER & HEAD OF TRADEMARKS
isabella.cardozo@daniel-ip.com



Roberta Arantes
TRADEMARK PARTNER
roberta.arantes@daniel-ip.com

OVERVIEW OF THE BRAZILIAN TRADEMARK SYSTEM*

1 Application for a Trademark

1.1 What can be registered as a trademark?

All visually perceptible distinctive signs, when not prohibited by law, are eligible for registration as a trademark, pursuant to Article 122 of the Brazilian Intellectual Property Law. As such, word, figurative, composite and 3D forms are registrable; however, the registration of “non-traditional” marks, such as sound marks, position marks, motion marks and scents, among others, is not permitted in Brazil. In any event, to achieve registration, a trademark must fulfil the basic requirements of relative novelty, authenticity and distinctiveness.

1.2 What cannot be registered as a trademark?

The following are statutorily barred from registration under the Brazilian IP Law:

- I. crests, armorial bearings, medals, flags, emblems, distinctions and monuments, as well as their respective names, representations or imitations, when they are of an official or public nature, whether they are national, foreign or international;
- II. an isolated letter, numeral and date, unless displayed in a sufficiently distinctive manner;
- III. an expression, representation, drawing or any other sign that is contrary to (accepted principles of) morality and good conduct or is offensive to a person’s honor or image, or is an affront to freedom of conscience, belief, religion or ideas and feelings worthy of respect and veneration;
- IV. the designation or acronym of a public entity or agency, unless registration is applied for by the public entity or agency itself;

- V. the reproduction or imitation of the characteristic or distinguishing element of a third party’s establishment title or company name, which is liable to cause confusion or association with such distinctive sign;
- VI. generic, necessary, common, usual or simply descriptive signs, when they are related to the goods or services they identify, or those commonly used to indicate a characteristic of the goods or services regarding their nature, nationality, weight, value, quality and time of production or provision of a service, unless displayed in a sufficiently distinctive manner;
- VII. signs or expressions used merely as a means of advertising;
- VIII. colors and their names, unless displayed or combined in a unique and distinctive manner;
- IX. a geographical indication and its imitation that is liable to cause confusion, or a sign that may falsely lead to a geographical indication;
- X. a sign that leads to a false indication as to the origin, source, nature, quality or utility of the goods or services for which the mark is intended;
- XI. the reproduction or imitation of an official hallmark regularly used to guarantee a standard of any kind or sort;
- XII. the reproduction or imitation of a sign that has been registered as a collective or certification mark by a third party, with due regard for the provision of Article 154;
- XIII. the name, award or symbol of an official or officially recognized sporting, artistic, cultural, social, political, economic or technical event, as well as an imitation that is liable to create confusion, except

- XIV. with the authorization of the competent authority or entity promoting the event;
- XIV. the reproduction or imitation of a title, policy, coin and paper currency of the Union, the States, the Federal District, the Territories, the Municipalities or of any country;
- XV. the legal name or corresponding signature, family name or patronymic and the image of third parties, except with the consent of the owner, his/her heirs or successors in title;
- XVI. well-known pseudonyms or nicknames and individual or collective artistic names, except with the consent of the owners, their heirs or successors in title;
- XVII. literary, artistic or scientific works, as well as titles that are protected by copyright and are liable to cause confusion or association, except with the consent of the author or owner;
- XVIII. technical terms used in industry, science and art that are related to the goods or services they identify;
- XIX. the reproduction or imitation, either wholly or in part, even with additions, of another person’s registered trademark to distinguish or certify identical, similar or related goods or services that is liable to cause confusion or association with the other person’s mark;
- XX. the duality of trademarks in the name of a single owner for the same goods or services unless, in the case of marks of the same nature, they are displayed in a sufficiently distinctive form;
- XXI. the necessary, common or usual form of a product or packaging, or a form that cannot be dissociated from a technical effect;
- XXII. an object that is protected by registration as an industrial design in the name of a third party; and
- XXIII. a sign that imitates or reproduces, either wholly or in part, a trademark

that the applicant clearly could not be unaware of as a result of his/her activity, in the name of a person established or domiciled in Brazil or in a country that is bound to Brazil by agreement, or that assures reciprocity of treatment, if the mark is intended to identify identical, similar or related goods or services liable to cause confusion or association with the other person’s mark.

1.3 What information is needed to register a trademark?

In addition to the basic filing requirements, such as the trademark and the goods and services claimed, the applicant must provide the following information:

- priority number and date, if applicable;
- declaration confirming that the goods or services applied for are related to an activity in which the applicant is effectively and lawfully engaged;
- foreign applicants must engage a local representative domiciled in Brazil, so a Power of Attorney is required; and
- color claim, if applicable.

Both the priority document and the Power of Attorney may be filed later (four months and 60 days, respectively) provided that a supplemental deadline is requested when the application is filed.

1.4 What is the general procedure for trademark registration?

Once the application has been filed, the BPTO will assign a serial number and perform a formality check, which consists of confirming that all the relevant information has been correctly provided by the applicant on the filing form (adequate representation of the trademark, priority number, attorney of record, declaration of activity and other documents that may have been submitted).

If the application meets the minimum filing requirements, it will be published for

*) Source: updated content from the original publication in the International Comparative Legal Guide – chapter on Brazil

OVERVIEW OF THE BRAZILIAN TRADEMARK SYSTEM

opposition purposes in three to four weeks from filing. Interested third parties will then have 60 days to raise objections and file oppositions (no extensions of time are allowed). If an opposition is filed, a notice will be published, and the applicant will have an unextendable 60-day term to submit a reply. The examination of the application (including reviews on both absolute and relative grounds) will only be carried out by the BPTO after the deadlines for opposition proceedings have expired.

Roughly 12 to 15 months from the filing of the application, the BPTO will publish its decision on the registrability of the trademark, either allowing or rejecting its registration. If an application is allowed, the applicant will have a 60-day term to pay the final issuance fees, whereas, if rejected, it will have the same term to file an appeal.

When granted following payment of the issuance fees, the registration will be published in the Official Gazette and the corresponding Certificate will be provided electronically by the BPTO within approximately two months. It is not necessary to announce “intent to use” at any time.

1.5 How are goods and services described?

Goods and services can be described according to the general description of the Nice Classification, or with a more specific description, depending on the applicant’s interest. Given that “intent to use” is not required, it is permissible to claim whole-class headings. However, the goods and services claimed must be related to the activity in which the applicant is effectively and lawfully engaged.

1.6 Who can own a trademark in your jurisdiction?

In Brazil, a trademark may be owned by natural persons (individuals) and juridical

persons under public or private law, such as corporations, partnerships, joint ventures, unions, associations, and any other entity capable of being represented in a court of law. For collective or certification marks, the application can only be filed by a juridical person who, respectively, represents the collectivity or has no direct commercial or industrial interest in the certified goods or services.

1.7 Can a trademark acquire distinctive character through use?

The BPTO is unwilling to allow the registration of trademarks that are not inherently distinctive based on the understanding that, having adopted the attributive system for the acquisition of rights, the circumstances and facts predating the filing of the application are not, in principle, taken into account.

In other words, it is the BPTO’s view that its role is limited to analyzing (i) the intrinsic distinctiveness of a trademark, and (ii) its distinctiveness in comparison with other registered trademarks.

Despite the above, a secondary meaning is widely accepted by Brazilian courts, which have not only built considerable case law confirming the possibility of the distinctive character of a trademark being acquired through use but have also expressly recognized the applicability of Article 6 quinquies of the Paris Convention. In any event, involvement of the Brazilian courts is only permissible after a decision is handed down by the BPTO, and therefore, once the trademark application is rejected for lack of distinctive character, a court action must be filed seeking the annulment and subsequent revision of the administrative decision. In order to evidence that a trademark has acquired secondary meaning before the Brazilian courts, the main elements that should be provided are as follows:

- time of continuous use in Brazil;
- acknowledgment by the competition;
- notoriety (recognition by Brazilian consumers);
- period when exclusive use was enjoyed; or
- non-contestability by third parties.

Additional factors put forward by Brazilian scholars include the applicant’s intent of distinctive use, which consists in repeated efforts to make the trademark distinctive, removing the same from the public domain.

1.8 How long on average does registration take?

If there are no objections raised, the registration process takes, on average, about 13–18 months from filing.

1.9 Does your jurisdiction recognize Collective or Certification marks?

Yes, both collective and certification marks are recognized and registrable in Brazil.

In the case of collective marks, the application can only be filed by a juridical person that represents the relevant trade association, which may engage in a different activity from that of its members, and it must contain the regulations governing the use of the mark. In the case of certification marks, the application can only be filed by a person that has no direct commercial or industrial interest in the certified goods or services, and must contain (i) the characteristics of the goods or services to be certified, and (ii) the control measures that the owner shall adopt.

2 Absolute Grounds for Refusal

2.1 What are the absolute grounds for refusing registration?

The following are, in and of themselves, considered absolute grounds for refusal (related to the intrinsic qualities of the mark) and are statutorily barred from registration under the Brazilian IP Law:

- crests, armorial bearings, medals, flags, emblems, distinctions and monuments, as well as their respective names, representations or imitations, when they are of an official or public nature, whether they are national, foreign or international;
- an isolated letter, numeral or date;
- an expression, representation, drawing or any other sign that is contrary to (accepted principles of) morality and good conduct or is offensive to a person’s honor or image, or is an affront to freedom of conscience, belief, religion or ideas and feelings worthy of respect and veneration;
- the designation or acronym of a public entity or agency, unless registration is applied for by the public entity or agency itself;
- generic, necessary, common, usual or simply descriptive signs, when they are related to the goods or services they identify, or those commonly used to indicate a characteristic of the goods or services regarding their nature, nationality, weight, value, quality and time of production or provision of a service;
- signs or expressions used merely as a means of advertising;
- colors and their names;
- a sign that leads to a false indication as to origin, source, nature, quality or utility of the goods or services for which the mark is intended;
- the reproduction or imitation of an official hallmark regularly used to guarantee a standard of any kind or sort;
- the reproduction or imitation of a title, policy, coin and paper currency of the Union, the States, the Federal District, the Territories, the Municipalities or of any country;
- technical terms used in industry, science and art that are related to the goods or services they identify; and
- the necessary, common or usual form of a product or packaging, or a form that

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cannot be dissociated from a technical effect.

2.2 What are the ways to overcome an objection on absolute grounds?

The applicant may only overcome a refusal on absolute grounds based on descriptiveness, deceptively misdescriptive meanings, slogans or lack of distinctiveness, in which case it will be required to argue, with appropriate supporting evidence, that the trademark is inherently eligible for registration. As explained in question 2.9, the BPTO is unwilling to accept arguments of acquired distinctiveness through use, though secondary meaning is recognized by Brazilian courts.

If refusal is grounded on prohibitions relating to the protection of morality or public order, it is not possible to overcome the objection unless the applicant evidences that the absolute grounds were not applicable to that specific case.

2.3 What is the right of appeal against a decision to refuse registration by the Patent and Trademark Office?

Any decision can be appealed in its entirety to the Trademark Board of Appeals at the BPTO. Partial appeals are also accepted in a scenario where any changes to the classification or scope of protection have been made by the BPTO ex officio. In this case, the applicant is required to pay the final issuance fees and concomitantly file the partial appeal.

3 Relative Grounds for Refusal

3.1 What are the relative grounds for refusing registration?

The following are considered relative grounds for refusal (related to conflicts with earlier trademark rights belonging to third parties) and are statutorily barred from registration

under the Brazilian IP Law:

- the reproduction or imitation, either wholly or in part, even with additions, of another person's registered trademark to distinguish or certify identical, similar or related goods or services, that is liable to cause confusion or association with the other person's mark;
- the reproduction or imitation of the characteristic or distinguishing element of a third party's establishment title or company name, which is liable to cause confusion or association with such distinctive sign;
- a geographical indication and its imitation that is liable to cause confusion, or a sign that may falsely lead to a geographical indication;
- the reproduction or imitation of a sign that has been registered as a collective or certification mark by a third party;
- the name, award or symbol of an official or officially recognized sporting, artistic, cultural, social, political, economic or technical event, as well as an imitation that is liable to create confusion, except with the authorization of the competent authority or entity promoting the event;
- the legal name or corresponding signature, family name or patronymic and the image of third parties, except with the consent of the owner, his/her heirs or successors in title;
- well-known pseudonyms or nicknames and individual or collective artistic names, except with the consent of the owners, their heirs or successors in title;
- literary, artistic or scientific works, as well as titles that are protected by copyright and are liable to cause confusion or association, except with the consent of the author or owner;
- an object that is protected by registration as an industrial design in the name of a

third party; and

- a sign that imitates or reproduces, either wholly or in part, a trademark that the applicant clearly could not be unaware of as a result of his/her activity, in the name of a person established or domiciled in Brazil or in a country that is bound to Brazil by agreement, or that assures reciprocity of treatment, if the mark is intended to identify identical, similar or related goods or services liable to cause confusion or association with the other person's mark.

3.2 Are there ways to overcome an objection on relative grounds?

To overcome objections based on conflicts with earlier trademark rights belonging to third parties, the applicant may submit arguments, with appropriate supporting evidence, that confusion is unlikely; the applicant may also limit the specification of goods or services. However, it is not possible to apply for a limitation on the trademark at this stage. The BPTO only accepts modifications to the trademark (removal of a non-registrable element) (i) provided the main characteristics of the application are not changed, and (ii) if requested by the applicant prior to examination.

Coexistence agreements and letters of consent are not binding on the BPTO and are merely received as evidence supporting the possibility of coexistence. Based on this interpretation, it is not uncommon for agreements of this nature to be disregarded in the administrative sphere, whereas they are widely accepted by Brazilian courts.

It is also possible to overcome objections on relative grounds by invalidating the earlier registration cited as a ground for refusal, by means of either administrative nullity proceedings or a non-use cancellation action.

4 Opposition

4.1 On what grounds can a trademark be opposed?

An opposition can be based on absolute and/or relative grounds (see questions 3.1 and 4.1), as well as bad faith.

Further, oppositions invoking special rights may be filed as an exception to the general rules of the Brazilian IP Law, such as (i) the principle of territoriality, (ii) the principle of specialty, and (iii) the principle of attributive trademark rights, as explained below:

(i) Oppositions grounded on well-known trademarks

Ownership of a trademark is acquired by a valid registration, which grants the right to exclusive use throughout Brazil. As a rule, a prior trademark application or registration is required as the basis for an opposition. However, a trademark that is well known in its field of activity (pursuant to the provisions of Article 126 of the Brazilian IP Law and Article 6 bis of the Paris Convention) will enjoy special protection, irrespective of whether or not it has been previously filed or registered in Brazil. As such, upon submitting evidence of the trademark being well known in Brazil (and not only abroad), an opposition can be filed regardless of whether a prior application exists at the BPTO (an exception to the principle of territoriality). Nonetheless, it is mandatory to file a trademark application within 60 days of the opposition.

(ii) Oppositions grounded on highly renowned (reputed) trademarks

The right to exclusive use of a trademark is limited to the goods or services covered by the registration. As a rule, a prior trademark application or registration can be used as the basis for an opposition provided that the opposed trademark was applied for to identify identical, similar or related goods or services. However, a trademark that is considered highly renowned will be assured special protection

OVERVIEW OF THE BRAZILIAN TRADEMARK SYSTEM

in all fields of activity (pursuant to Article 125 of the Brazilian IP Law). As such, upon obtaining a 'highly renowned' status (which must have been applied for previously through specific proceedings), an opposition can be filed against similar trademarks in any of the existing classes of goods or services (an exception to the principle of specialty). (iii) Oppositions grounded on prior fair use Priority in registration is based on the filing date of the trademark application or priority document. As a rule, Brazil adopts the first-to-file system and prior use does not support a priority claim.

However, any person who, in good faith, on the priority date or the filing date of the application, was using an identical or similar mark to distinguish or certify identical, similar or related goods or services for at least six months in Brazil shall enjoy a right of precedence in registration (pursuant to Article 129, 1st Paragraph, of the Brazilian IP Law). As such, an opposition against a more senior application is possible if based on prior use (an exception to the principle of attributive trademark rights).

4.2 Who can oppose the registration of a trademark in your jurisdiction?

Any natural persons or juridical persons under public or private law that would be damaged by a registration may oppose the trademark application.

4.3 What is the procedure for opposition?

Once an application has been published in the Official Gazette, any interested third parties will have an unextendable 60-day term to file an opposition. A single, supplemental deadline of 60 days may be required for the submission of further documents; however, additional arguments that have not been previously raised in the opposition will be disregarded.

Roughly one to two months from filing, the notice of opposition will be published in the Official Gazette, triggering the applicant's deadline to submit a reply, which is not mandatory and will not result in a default decision. In any event, the BPTO will conduct the substantive examination of the application and, in addition to the arguments raised in the opposition, will consider any absolute or relative grounds for refusal, including other prior registrations for identical or similar trademarks, in the name of different third parties.

5 Registration

5.1 What happens when a trademark is granted registration?

Once a trademark is registered, the grant notice will be published in the Official Gazette. The BPTO will issue a Certificate of Registration in electronic form roughly two months from the payment of the final issuance fees. As mentioned in question 2.4, the final issuance fees are payable within 60 days of the allowance of the application. Therefore, when the trademark is granted registration, no further fees are payable for the Certificate of Registration to be issued.

5.2 From which date following application do an applicant's trademark rights commence?

Ownership of a trademark is acquired by a valid registration, which grants the right to exclusive use throughout Brazil.

Nevertheless, a pending trademark application is an expectant right; as such, the Brazilian IP Law assures the applicant the right to safeguard its material integrity and reputation. The applicant is therefore allowed to: assign the trademark, license its use, and file oppositions; however, it is prevented from filing an infringement claim.

A trademark infringement claim can be grounded on a valid registration, unless it is based on unfair competition (passing off).

5.3 What is the term of a trademark?

The registration term is 10 years, renewable for equal successive periods.

5.4 How is a trademark renewed?

The renewal application must be filed during the last year of the term of registration and must be accompanied by proof of payment of the respective official fee (roughly USD 284.00).

If the renewal application is not filed prior to the expiration of the term of registration, the applicant may do so within the following six months, upon payment of an additional fee (roughly USD 297.00).

6 Registrable Transactions

6.1 Can an individual register the assignment of a trademark?

Yes. The recordal of a trademark assignment (application or registration) is requested via a specific form, enclosing either a simple assignment document signed by the parties or their legal representatives, or the original assignment document or a simple copy thereof and a Power of Attorney executed by the assignee. Legalization and notarization are not mandatory for recordal purposes.

6.2 Are there different types of assignment?

No. By way of example, it is not possible to request the partial assignment of a trademark application or registration (e.g. for certain goods or services only). According to the Brazilian IP Law, the assignment must include all registrations or applications that cover identical or similar trademarks covering identical, similar or related goods or services, under the penalty of having the non-assigned

registrations cancelled or the applications dismissed (Article 135 of the Brazilian IP Law). Recently, the BPTO started raising office actions during the assignment proceeding, requesting the parties amend the assignment document to avoid the cancellation or dismissal of the marks that were not assigned and would fall within this legal provision.

6.3 Can an individual register the licensing of a trademark?

Trademark license agreements are recorded before the BPTO's Contracts Division and therefore follow a different proceeding from trademark assignment recordals, which are processed before the Trademark Division. For license agreements, it is necessary to present a specific form enclosing either the original or a certified copy of the license agreement, duly notarized and legalized before a Brazilian Consulate.

6.4 Are there different types of license?

Yes. Both non-exclusive and exclusive licenses are eligible for recordal, as well as sublicenses. Royalties, though, may only be paid from the license of a trademark registration.

6.5 Can a trademark licensee sue for infringement?

A licensee may sue for infringement only if the license agreement provides for its legitimacy to defend the mark before the courts and upon the recordal of the license agreement before the BPTO.

6.6 Are quality control clauses necessary in a license?

Quality control clauses are not mandatory in trademark license agreements, and the absence thereof is not legally set forth as a cause for revocation of the registration.

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6.7 Can an individual register a security interest under a trademark?

A security interest may be created on a trademark security agreement to warrant the fulfilment of obligations maintained between the owner of the mark and the lender. In order to be effective, the BPTO must record the lien or limitation.

6.8 Are there different types of security interest?

Yes, and all types of security interest are eligible for recordal before the BPTO.

7 Revocation

7.1 What are the grounds for revocation of a trademark?

The grounds for revocation, set forth in Article 142 of the Brazilian IP Law, are the following: (i) expiration of the registration term (failure to renew the registration for an additional 10-year period); (ii) express waiver of the rights to the trademark (either wholly or for part of the goods or services); (iii) cancellation on non-use grounds; or (iv) failure to comply with Article 217 of the Brazilian IP Law, according to which a person domiciled abroad must appoint and maintain an attorney domiciled in Brazil, duly empowered to represent the party and receive service of process. Only item (iii) requires a specific proceeding to have the mark revoked.

The revocation (or forfeiture) is determined if use of the mark has not been initiated in Brazil or if use has been interrupted for more than five consecutive years; or if, during the same period, the mark has been used with modifications which constitute an alteration to its original distinctive character protected by the Certificate of Registration. The mark may be declared partially revoked if the registrant fails to evidence use of the mark in connection with certain goods or services

that are either similar or related to those in respect of which use of the mark was proven.

7.2 What is the procedure for revocation of a trademark?

The procedure for waiving rights is very simple. The presentation of a simple form requesting ratification of the waiver is enough. It should be noted, however, that the legal representative must have specific powers to waive rights to a trademark registration. As for revocation based on non-use grounds, the Brazilian IP Law sets forth a specific proceeding, which is initiated by the filing of a specific form in which the applicant attests its legitimacy to request the declaration of forfeiture. The legitimacy of the applicant may be founded on a trademark application, copyright or any other arguable right against the targeted registration.

7.3 Who can commence revocation proceedings?

Revocation proceedings may be commenced by any interested third party as from the 5th year of registration (counting from publication of the issuance decision). A non-use cancellation action will be dismissed if use of the mark has been evidenced or non-use justified in a previous proceeding filed less than five years after the request.

7.4 What grounds of defense can be raised against a revocation action?

In a non-use cancellation action, the registrant must either evidence actual use of the mark for the past five years or justify non-use of the mark on legitimate grounds (e.g. bankruptcy; or failure to initiate its activities in Brazil, despite evidencing serious efforts to do so). From experience, invoices and/or certificates of importation attesting that the goods have actually entered the country have more weight in the overall analysis of actual use of

the mark, though by law all available evidence should be taken into consideration by the examiner (e.g. advertisements, pictures, videos, and printed materials in general, among others – as long as they are duly dated, the mark can be clearly perceived and the goods and services are described).

7.5 What is the route of appeal against a decision of revocation?

Appeals are available for the defendant if the registration is revoked, and for the applicant if the registration is maintained, within 60 days counting from publication of the decision. The President of the BPTO will give the last word on the appeal. In practical terms, the appeal is analyzed by a second instance examiner who may either grant or deny the appeal, and this decision is then submitted to the President of the BPTO for ratification. The decision on the appeal is final and ends the administrative phase. If, thereafter, either party decides to challenge the decision, it will be necessary to initiate a specific lawsuit before a Federal Court contesting the BPTO's decision (Article 146 of the Brazilian IP Law).

8 Invalidity

8.1 What are the grounds for invalidity of a trademark?

Invalidation proceedings may be initiated by any interested party – even the BPTO ex officio based on violation of any provisions of the Brazilian IP Law. Most invalidity proceedings, however, are based on the violation of one or more items of Article 124 of the Brazilian IP Law (both absolute and relative grounds for the invalidity of a registration) or Article 126 of the Brazilian IP Law (which protects well-known marks (Article 6 bis of the Paris Convention)).

8.2 What is the procedure for invalidating a trademark?

Invalidation of a trademark registration may be initiated by any interested party within 180 days, counting from publication of the issuance decision before the BPTO, or within five years by filing a specific lawsuit before a Federal Court. A notice informing the registrant that the invalidity proceeding has been initiated is published, opening a 60-day term for a reply. A decision is then handed down by the second instance examiner and ratified by the President of the BPTO. No appeals are possible from such a decision, which closes the administrative phase and may only be contested before the courts.

8.3 Who can commence invalidation proceedings?

Invalidation proceedings may be commenced by any interested third party or the BPTO ex officio.

8.4 What grounds of defense can be raised against an invalidation action?

A wide variety of defense arguments may be raised, such as: prior existing rights (e.g. trademark registrations for similar goods or services), prior coexistence of similar marks in the same segment, or well-known status, among others.

8.5 What is the route of appeal against a decision of invalidity?

The decision is final before the administrative phase and may only be contested by the filing of a specific lawsuit before a Federal Court.

9 Trademark Enforcement

9.1 How and before what courts can a trademark be enforced against an infringer?

An infringement lawsuit may be filed before a State Court (state jurisdiction) in which

OVERVIEW OF THE BRAZILIAN TRADEMARK SYSTEM

the infringement has taken place or the defendant is domiciled. In exceptional cases, the infringement lawsuit may be filed before a Federal Court when the defendant is a federal body or federal company, for instance. Most cases, however, come under the general rule and are brought before a State Court.

9.2 What are the key pre-trial procedural stages and how long does it generally take for proceedings to reach trial from commencement?

Upon filing the lawsuit, the court will analyze whether the complaint meets the formalities required by the Brazilian Code of Civil Procedure (and, if so, analyzes and decides on any preliminary injunction request). Subsequently, and if all the requirements have been duly complied with, the court will determine that the defendant be served with process. The defendant has 15 days to file a reply to the lawsuit under penalty of the facts alleged by the plaintiff being considered true. If a reply is filed, the plaintiff can file a rebuttal within 10 days. After such period, the court will determine which evidence is allowed to be produced (including the need for an expert opinion), thus beginning the production of supporting evidence phase. Once this phase is completed, the case is ready to be tried. The term for such proceedings varies greatly, depending on the complexity of the case and on the speed of the court. A decision on the merits in an ordinary trademark infringement case may be expected within 12–24 months, on average.

9.3 Are (i) preliminary, and (ii) final injunctions available and, if so, on what basis in each case?

Both preliminary and final injunctions are available and may be requested and granted to halt infringement before, or concomitantly with, a decision on the merits. If a preliminary injunction is requested, the plaintiff is required

to demonstrate (a) urgency, and (b) clear-cut evidence of infringement. Another requirement is the analysis of the hardship caused by the decision and the possibility of returning the parties to the status quo ante if the injunction proves unfair or unnecessary. In turn, final injunctions are generally granted when the court confirms the decision on the merits.

9.4 Can a party be compelled to disclose relevant documents or materials to its adversary and, if so, how?

Yes, upon the court's assessment and in accordance with the need for the specific evidence. Depending on the nature of the documents, the court may determine that the proceeding be held in secrecy, thus protecting the confidentiality of the information provided.

9.5 Are submissions or is evidence presented in writing or orally, and is there any potential for cross-examination of witnesses?

In trademark infringement cases, the court usually relies on documentary evidence only. Oral evidence is rarely requested by the parties or determined by the court.

9.6 Can infringement proceedings be stayed pending resolution of validity in another court or the Patent and Trademark Office?

Yes, an infringement proceeding may be stayed due to an annulment action or proceeding involving the same mark until a resolution on its validity is handed down, at the court's discretion.

9.7 After what period is a claim for trademark infringement time-barred?

A trademark infringement claim may be raised during the validity of the mark. Nonetheless, there is a five-year statute of limitations on

filing a lawsuit, counting from the date the plaintiff became aware of the infringement, and there is also a five-year statute of limitations on seeking past damages.

9.8 Are there criminal liabilities for trademark infringement?

According to Brazilian law, a crime against a trademark registration is committed by whoever: (i) reproduces a registered mark without consent or imitates it in a manner that can lead to confusion; or (ii) alters another's registered mark which is already in use on a product placed on the market. A crime against a trademark registration is also committed by whoever imports, exports, sells, offers or displays for sale, conceals or keeps in stock: (i) goods identified by another's trademark, unlawfully reproduced or imitated either wholly or in part; or (ii) a product of its own industry or trade, held in a vessel, container or packaging, bearing another person's legitimate trademark.

All IP-related crimes are generally considered petty crimes and, although they are punishable with imprisonment and/or a fine, imprisonment is usually converted into a fine.

It should be noted that the imprisonment penalties may be increased by one-third to one-half if: (a) the offender is or was a representative, attorney of record, agent, partner or employee of the owner of the registration or a licensee; or (b) the mark that has been altered, reproduced or imitated is highly renowned or well known, or is a certification or collective mark.

9.9 If so, who can pursue a criminal prosecution?

Prosecution should be commenced by the filing of a complaint by the owner of the mark or licensee (provided the licensee is a legitimate party), except for the infringement of national, foreign or international armorial bearings, crests or distinctions, when they are of an official character, in which case the criminal action will be public.

9.10 What, if any, are the provisions for unauthorized threats of trademark infringement?

There are no provisions that punish threats of trademark infringement.

10 Defenses against Infringement

10.1 What grounds of defense can be raised to argue non-infringement against a claim of trademark infringement?

The defendant may argue a wide variety of defenses, such as: the sign does not meet the trademark function; the parties are non-competitors; there are prior existing similar or identical marks being used in the same market segment; the mark lacks intrinsic distinctiveness and therefore should endure coexistence; continued use or prior use of the mark in good faith and without opposition from the titleholder; and prior existing rights over the same sign, among others. Most importantly, and whenever applicable, the defendant must evidence that there is no risk of confusion and/or undue association between the marks.

Besides the above possible defenses, according to the Brazilian IP Law, the trademark owner may not: (i) prevent merchants or distributors from using their own distinctive signs together with the mark that identifies the product, in its promotion and marketing; (ii) prevent manufacturers of accessories from using the trademark to indicate the destination of the goods, provided that fair competition practices are followed; (iii) prevent free circulation of a product placed on the domestic market by the owner or by another party with the owner's consent; or (iv) prevent reference to the trademark in a speech, scientific or literary work or any other publication, provided that this is done with no commercial deception and without detriment to the distinctive character of the trademark. In all these cases, the use of the mark is legitimate and justifiable.

OVERVIEW OF THE BRAZILIAN TRADEMARK SYSTEM

10.2 What grounds of defense can be raised in addition to non-infringement?

Procedural flaws may be raised in addition to non-infringement arguments, as well as the arguable nullity of the mark (e.g. where the trademark is evidently descriptive and/or does not meet the trademark function).

11 Relief

11.1 What remedies are available for trademark infringement?

A wide variety of remedies are available for trademark infringement in both the civil and criminal spheres. In the civil sphere, the most common are: search and seizure of goods; damages (redress of both moral and material damages); ex parte injunctions with the broadest possible scope (e.g. change of trade dress; replacement of labels; and withdrawal of websites, among others); and monetary penalties for non-compliance with injunctions. In the criminal sphere, it is possible to seek search and seizure orders and the destruction of counterfeit goods, among other measures.

11.2 Are costs recoverable from the losing party and, if so, how are they determined and what proportion of the costs can usually be recovered?

Usually the plaintiff advances court fees (and expert fees, whenever the court determines an expert opinion). If the plaintiff wins the lawsuit, then it will be entitled to full recovery of the court fees. If the plaintiff partially wins, it may recover half of the court fees advanced at the beginning of the lawsuit. Attorneys' contractual fees are not recoverable, though the court sets an amount for attorneys' fees based on the value given to the lawsuit by the plaintiff (this may vary from 10% to 20% of the value given to the lawsuit). The winner must file a request to the court in order to recover the costs.

12 Appeal

12.1 What is the right of appeal against a first instance judgment and is it only on a point of law?

The losing party may appeal to the Appellate Court, bringing into light all factual and legal matters discussed in the decision. The decision handed down by the Appellate Court, in turn, may also be appealed, but at this stage only regarding matters of law (where an appeal is filed to the Superior Court of Justice), or constitutional questions (where an appeal is filed to the Supreme Court). Other secondary appeals may be filed throughout the prosecution of the case, but with a limited and/or specific scope.

12.2 In what circumstances can new evidence be added at the appeal stage?

As a rule, it is not possible to bring new evidence at the appeal stage. However, the current Code of Civil Procedure sets forth that new facts may be raised after the decision on the merits if, due to their serious and objective nature, at the time the fact took place they were not made available to the party. In the same manner, facts that, due to an existing obstacle, were not accessible to the lawyer or made available to the trial judge at the time they took place may be submitted as new evidence.

13 Border Control Measures

13.1 Is there a mechanism for seizing or preventing the importation of infringing goods or services and, if so, how quickly are such measures resolved?

Yes. The proceeding may vary slightly depending on the authority involved. In principle, counterfeit goods or infringing services may be halted ex officio by

the authority that will contact the local representative of the trademark owner, who has 10 days, extendible by an additional 10 days, to provide Customs with a response regarding the infringement. As this inspection is conducted randomly by Customs, there is not 100% assurance that all counterfeit goods are satisfactorily blocked. However, interested parties have mechanisms to alert the relevant authorities of their trademark rights and provide information regarding the identification of counterfeit goods. Once infringement has been confirmed, the Customs Authority will seize the goods/services and may apply a forfeiture (and destruction) penalty. In some cases, Customs require the party file a specific lawsuit determining final seizure and destruction. The plaintiff covers the costs incurred with these measures.

14 Other Related Rights

14.1 To what extent are unregistered trademark rights enforceable in your jurisdiction?

The most common grounds for the enforcement of unregistered marks are unfair competition (passing off) rules. Also, according to Article 130 of the Brazilian IP Law, an applicant for a trademark is assured the right to safeguard the material integrity or reputation of the mark and, for that purpose, the applicant is entitled to notify the infringer or even initiate a lawsuit for preventive purposes.

It should be noted, however, that Brazil has adopted the attributive system, which means that trademark rights are fully enforceable only upon registration. Therefore, a lawsuit can only be brought by the applicant or user in very limited cases, and in most based on associated rights such as company name, prior use, copyright and so on (e.g. a lawsuit could be brought seeking damages due to the conduct

of a distributor, local representative or partner that is unethical or in bad-faith).

14.2 To what extent does a company name offer protection from use by a third party?

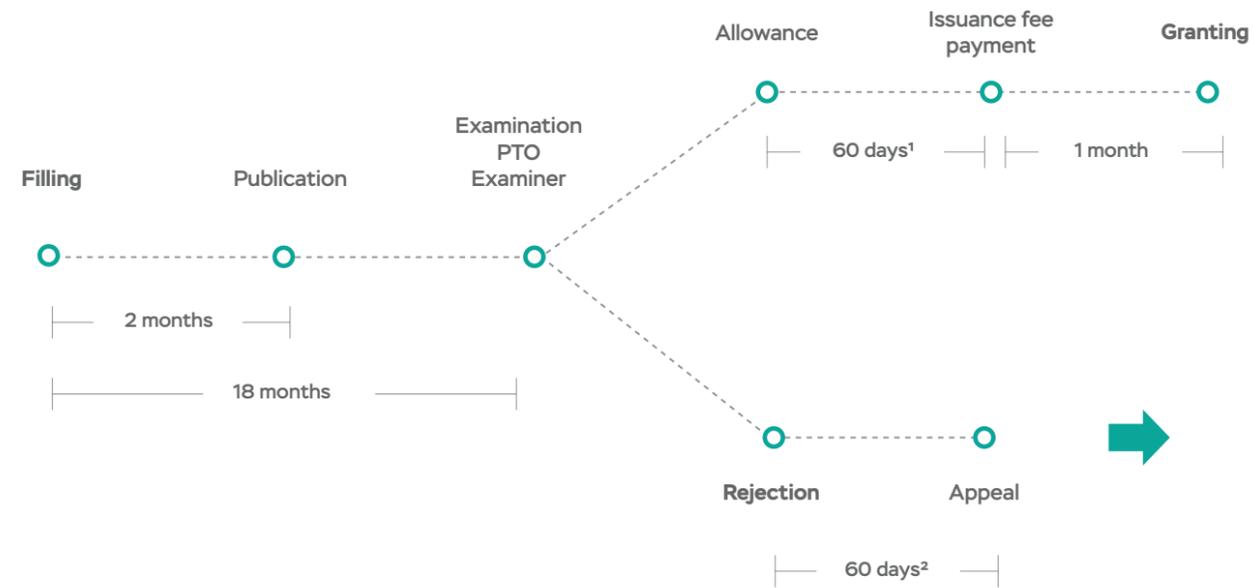
In Brazil, a company name is protected within the territorial limits of the state in which it has been registered. In order to afford country-wide protection, company names must be registered at the Trade Board (Registry of Commerce) in all states, which is costly and, in most cases, not enough to prevent use or even registration of a similar company name by a competitor. The limited protection afforded nationals competes with the nationwide protection afforded foreign companies by Article 8 of the Paris Convention, and therefore there is much controversy about the interpretation and harmonization of the local law with the provision of the convention.

14.3 Are there any other rights that confer IP protection, for instance book title and film title rights?

In order to deserve the protection of the Brazilian IP Law and achieve registration as a trademark, the sign must meet the function of a trademark; that is to say, it must be able to distinguish a product or service from another that is identical, similar or related, or of different origin. Therefore, book and film titles may not be protected under the trademark framework, as they may not meet the function of a trademark. Besides, protection of book titles and film titles falls within the scope of copyright (Law No. 9,610/98).

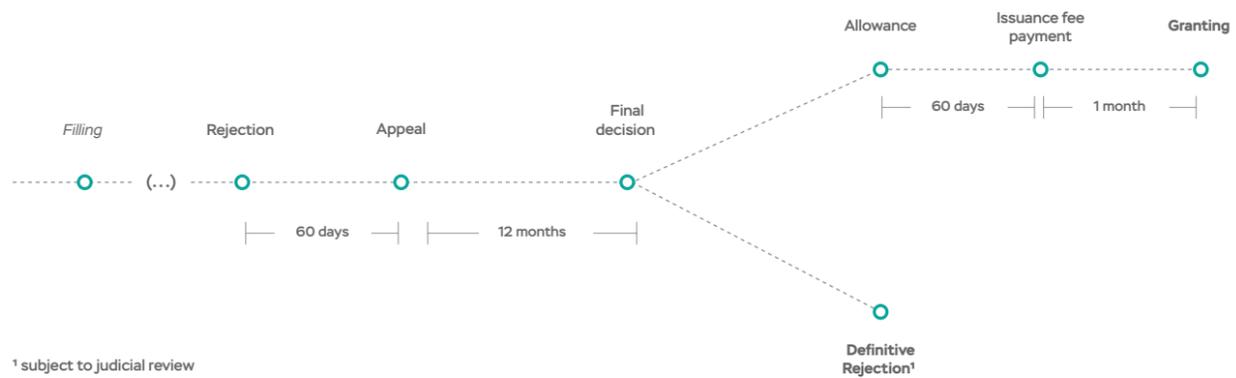
It should be noted that the Brazilian IP Law forbids the registration of literary, artistic or scientific works, as well as titles that are protected by the copyright and are liable to cause confusion or association, except by the consent of the author or right-owner. This prohibition also applies to the translation of book and film titles.

General Trademark Prosecution Flow



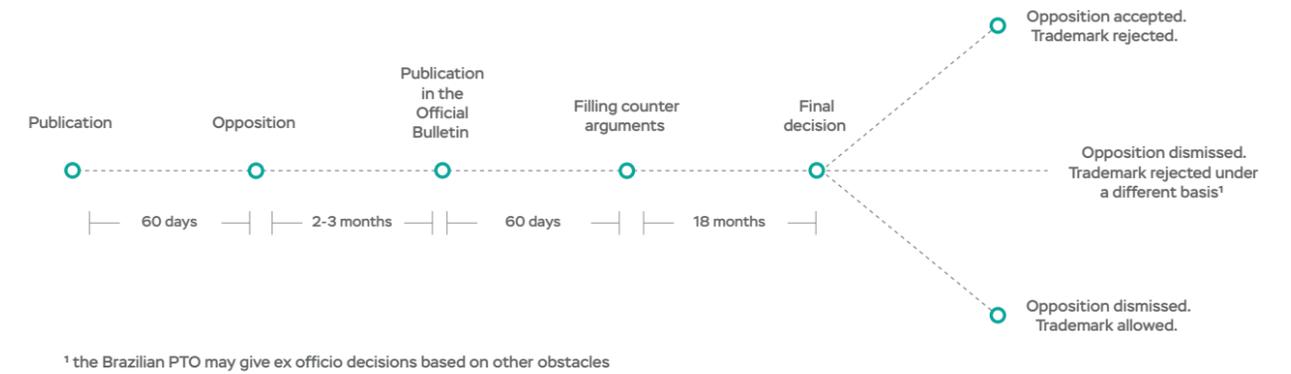
¹ plus additional grace period of 30 days subject to higher official fees
² non-extendible deadline

Appeal System



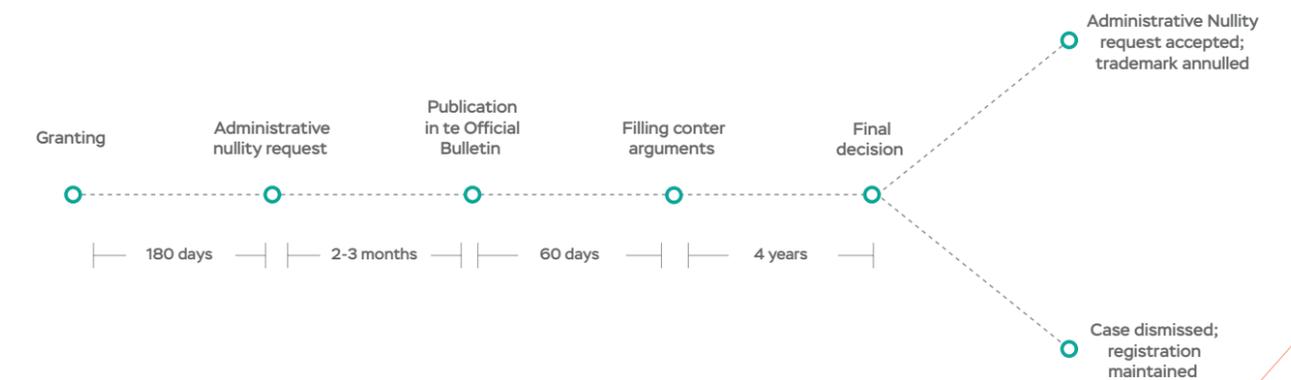
¹ subject to judicial review

Opposition (pre-granting)



¹ the Brazilian PTO may give ex officio decisions based on other obstacles

Administrative Nullity Request (post-grant "opposition")



IT, PRIVACY & DATA PROTECTION

"We are living a fascinating period in the field of IT, Privacy and Data Protection Law in Brazil. Our general data protection regulation (LGPD) has finally been approved by Congress after many years of debate. We now have a modern and comprehensive piece of legislation on data protection, which means a lot of challenges and opportunities for companies dealing with the personal data of Brazilian individuals. Additionally, our Internet Law (considered as a relevant international standard) is now 5 years old, and, as result, complex debates on net neutrality, e-commerce, e-contracts, IoT and blockchain are quickly arising. It is safe to say that, due to its modern regulations and huge market opportunities, Brazil is becoming a very attractive hub for companies interested in doing IT business here".

Luis Fernando Prado Chaves – Partner and Head of IT,
Privacy and Data Protection



André Oliveira
PARTNER & HEAD OF LEGAL
andre.oliveira@daniel-ip.com

Luis Fernando Prado
PARTNER & HEAD OF IT,
PRIVACY & DATA PROTECTION
luis.prado@daniel-ip.com



OVERVIEW OF THE BRAZILIAN DIGITAL LAW

1 Relevant Legislation and Rules

1.1 What is the main legislation?

With respect to IT Law, Brazil's main legislation is the Civil Framework for the Internet (Federal Law no. 12,965/2014, also known as the Internet Act), which sets forth key elements of net neutrality, reinforces the secrecy of electronic communications, establishes data retention periods, prohibits Deep Packet Inspection (DPI) practices by Internet Service Providers (ISPs) and briefly addresses the matter of online personal data protection by requiring consent in order to legitimize data sharing among application providers. Moreover, Decree no. 8.771/2016 regulates the above-mentioned Civil Framework for the Internet by establishing technical rules related to net neutrality and information security standards for internet companies (both ISPs and application providers).

In the field of tech transactions, it is important to highlight Decree no. 7,962/2013, which applies to e-commerce platforms and provides for specific requirements regarding the minimum information customers must be provided with and the right to withdraw when shopping online (or by any means other than purchasing in a physical store).

Furthermore, Brazil now has its main data protection regulation, known as the LGPD (Lei Geral de Proteção de Dados; Federal Law no. 13,709/2018), which is quite similar to the European Union's General Data Protection Regulation and will come into force in August/2020 (according to its current version). Although this law has already been passed by Congress, a presidential legal instrument aiming to create a National Data Protection Authority (Provisional Measure no. 869/2018) has reopened the discussion in the Legislative Branch, where additional debates on specific topics of this regulation are being

reactivated (for example: rights to explanation, data protection officer requirements and responsibilities, organization of the National Data Protection Authority).

1.2 Is there any other relevant legislation?

There are a few other regulations that are somehow related to IT, privacy and data protection in Brazil:

- The Federal Constitution: guarantees the 'private life' of Brazilian citizens in Article 5, X;
- The Consumer Defense Code: establishes that a database of consumer data cannot be created without the consumer first having been notified (which is commonly interpreted as needing consent from the Judiciary and competent authorities);
- The Bank Secrecy Law (Complementary Law no. 105): regulates the secrecy of financial information and its exceptions; and
- Resolution no. 4,658 of the Central Bank (sectorial regulation): sets forth specific conditions related to the contracting of cloud computing services by Brazilian banking institutions, including some security standards for information.

1.3 What authorities are responsible for Data Protection and IT related matters?

There is no specific Data Protection Authority (DPA) in Brazil yet. At the present time, the specific regulation that will establish the Brazilian DPA is under discussion in Congress. Nevertheless, there are some authorities that have been leading debates and enforceable actions in Brazil in the field of IT, Privacy & Data Protection, mainly the Public Prosecutor in the Federal District and SENACON (the National Consumer Department).

OVERVIEW OF THE BRAZILIAN DIGITAL LAW

2 Territorial Scope

2.1 Will the LGPD be applied abroad?

Like the GDPR criteria, what determines the applicability of the LGPD is basically the location of the data subject. In short, it is correct to state that, once the LGPD is in force, it will be applied to any company doing business in Brazil, unless that business does not involve the personal information of Brazilians.

3 Companies' Representative and Data Protection Officer (DPO)

3.1 I am a foreign company based outside Brazil. Do I need to nominate a representative?

Unlike the GDPR, the Brazilian regulation does not impose on foreign companies (subject to the LGPD) the need to appoint a representative.

3.2 Do I need to appoint a Data Protection Officer (DPO)?

Yes. According to the current version of the LGPD, every company (both controllers and processors) must designate someone (possibly a company) as its Data Protection Officer. However, the LGPD does not establish any special requirement in terms of the qualifications of the DPO, which shall be addressed in the future by the Data Protection Authority.

3.3 Can a business appoint a single DPO to cover multiples entities?

Yes, there are no restrictions on that.

3.4 Must the appointment of a DPO be notified to the Data Protection Authority?

No, there is no obligation in this regard.

3.5 Must the contact information of the DPO be disclosed?

Yes. Companies must provide data subjects with clear contact information of its DPO in public privacy notices or similar documents.

3.6 What are the activities of the DPO provided by law?

The LGPD sets forth the following activities for the DPO:

- accepting complaints and communications from the data subjects, providing clarifications and taking necessary measures;
- receiving communications from the National Data Protection Authority and taking necessary measures;
- instructing the company's employees and contractors on the practices to be adopted with respect to personal data protection; and
- carrying out any other duties established by the controller or in supplementary rules, which can also be edited/published by the National Data Protection Authority.

4 International Data Transfer

4.1 Are there any restrictions on the transfer of personal data to other jurisdictions?

Once the LGPD is in force, there will be similar restrictions to those set out by the GDPR. The Data Protection Authority will define some legal instruments that may be adopted by companies in order to legitimize international data transfer to jurisdictions which are not considered as having an 'adequate level' of data protection regulation.

5 Data Security and Data Breach

The LGPD generically states that companies must observe security as a principle, adopting secure measures by design. However, the regulation does not provide for technical requirements, since the LGPD is neutral regarding technology. Both the Data Protection Authority and Data Subject, in turn, must be notified in the event of relevant data breaches, without undue delay.

Additionally, in connection with the Civil Framework for the Internet, there are a few security standards applied to internet companies. In this regard, Decree 8,771/2016 sets forth the following security information requirements: (i) the setting of strict control on data access by defining access permission to specific employees; (ii) authentication mechanisms to access data, by using, for example, two-factor authentication processes; (iii) a detailed inventory of the access logs to the data stored, including the time, duration and identity of the employee; and (iv) the use of log managing solutions by means of cryptography technologies or similar information security measures.

6 Enforcement and Sanctions

Companies in breach of the LGPD may be subject to a fine of up to 50 million reais, among other sanctions, such as prohibitions on processing data and the obligation to exclude data from a certain database. Moreover, violation of a data subject or customers' rights online may justify lawsuits or administrative procedures against the company, through which authorities or individuals may request collective (class actions) or single damage compensation (without a pre-determined limit).

7 Privacy in the workplace

In the context of work, despite the lack of specific provisions in the Consolidation of Labour Laws (CLT), the Superior Labour Court has already decided that it is legally possible to monitor employees' corporate e-mails, provided that they are previously informed of this monitoring (case reference TST-AIRR-1640/2003-051-01-40.0).

"My professional experience says that misconceptions about the reality on the ground in Brazil or Latin America cause many problems for foreign clients that intend to successfully enter into a business transaction with a local partner. A belief that Brazilian contract law follows the law of the home country is one of the most common mistakes. For example, there are many protections for companies doing business with licensees/franchisees that aren't found in other countries' laws. Translating a foreign contract would miss these protections - to the delight of your licensees. We have invested not only in an experienced team of transactional lawyers, but also in a business intelligence unit that helps channel relevant worldwide information about our clients' business to us, so that we are well informed about the context in which our client is investing or expanding its business in Brazil or Latin America. With that information, we can guide our clients through the reality on the ground here and refine our understanding of the client's goals. Our main concern is addressing client risk and setting realistic goals - which most of the time are business growth and solid margins. We help our clients see good returns with low risk."

Hannah Fernandes - Partner and Head of Licensing & Business Transactions

Hannah Fernandes
PARTNER & HEAD OF LICENSING &
BUSINESS TRANSACTIONS
hannah.fernandes@daniel-ip.com



OVERVIEW OF THE BRAZILIAN FRANCHISE SYSTEM*

1 Relevant Legislation and Rules Governing Franchise Transactions

1.1 What is the legal definition of a franchise?

According to Article 2 of the Brazilian Franchise Law, a franchise is defined as the system by which a franchisor grants a franchisee the right to use a trademark or patent, associated with the right to exclusively or semi-exclusively distribute goods or services and, optionally, also the right to use technology to implant and administrate a business or operational system developed or owned by a franchisor in return for direct or indirect remuneration, without, however, being characterized as an employment relationship.

1.2 What laws regulate the offer and sale of franchises?

The main Brazilian legislation regulating the offer and sale of franchises is Law no. 8,955 of December 15, 1994 ("the Brazilian Franchise Law" or "BFL"). Brazilian Civil Code provisions, which outline principles and set rules concerning the formation, duration and performance of contracts, also apply to franchise agreements. With respect to international franchise agreements, the BPTO Normative Act 70/2017 requires their recordal at the BPTO for specific provisions to be effective.

1.3 Are there any registration requirements relating to the franchise system?

Yes. Although the disclosure document does not require registration with any regulator, international franchise agreements must be recorded at the BPTO for the following purposes:

- (i) to make the agreement effective against third parties;

- (ii) to permit the remittance of payments to the foreign party; and
- (iii) to qualify the licensee for tax deductions. In addition, for the purposes of remittances of remuneration, the registration of the agreement at the Brazilian Central Bank ("BACEN") is also required.

1.4 Are there mandatory pre-sale disclosure obligations?

Yes. The main purpose of the BFL is to give transparency to the future franchise relationship and it does so by obliging the franchisor to provide any prospective franchisee with a franchise disclosure document ("FDD") 10 days before the execution of any binding document/agreement or payment of any amount to the franchisor or other designated recipients.

1.5 Is the format of disclosures set forth in law or any other regulation, and how often must disclosures be updated? Is there an obligation to make continuing disclosure to existing franchisees?

The FDD must be provided to the prospective franchisee in writing, as clearly and as accessibly as possible, to allow understanding of the franchised business, its rights and obligations. Although not mandatory, we recommend, at least, an annual update of the FDD. There are no legal statutes requiring continuing disclosure to existing franchisees.

1.6 Are there any other requirements that must be met before a franchise may be offered or sold?

Franchised trademarks must, at least, be filed at the BPTO before a franchise may be offered and/or sold in Brazil. The trademarks do not necessarily have to be granted by the BPTO but rather filed with the Office.

* Source: updated content from the original publication in the International Comparative Legal Guide - chapter on Brazil

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1.7 Is membership of any national franchise association mandatory or commercially advisable?

Although not mandatory, franchisors and franchisees may join the Brazilian Franchise Association (“ABF”), which is the most representative entity of the franchising sector.

1.8 Does membership of a national franchise association impose any additional obligations on franchisors?

The payment of a membership fee is the most relevant obligation imposed on franchisors. For more information, please go to www.portaldofranchising.com.br.

1.9 Is there a requirement for franchise documents or disclosure documents to be translated into the local language?

The BFL does not set forth any specific rule regarding the language of the franchise or disclosure documents. It only sets forth that the disclosure document should be in a language which is precise and clear to the prospective franchisee. Although it is advisable to draft such documents in Portuguese, which is the official language in Brazil, in international franchising it is perfectly common and possible for the FDD to be written in a foreign language, provided that the Brazilian party is fluent in the respective language and expressly acknowledges it.

2 Business Organizations through which a Franchised Business can be carried out

2.1 Are there any foreign investment laws that impose restrictions on non-nationals in respect of the ownership or control of a business in your jurisdiction?

Although non-nationals can perfectly well

own or control a business in Brazil, Brazilian law does impose some legal requirements to be observed by any legal entity (or individual) domiciled abroad that holds equity interests in a Brazilian company. For example, foreign entities must be enrolled on the Federal Corporate Taxpayer’s National Register and with BACEN. Also, foreign entities must appoint an individual resident in Brazil to act as their attorney-in-fact and for being served with process on their behalf. Moreover, there are specific restrictions on foreign investors taking part in certain sectors and types of company, such as the aerospace industry and cable TV.

2.2 What forms of business entity are typically used by franchisors?

The types of companies that are most commonly adopted in Brazil are limited liability companies (LLC) and corporations, since in both the partner’s liability is generally limited with respect to the company and third parties. However, it is noteworthy that the costs for setting up a limited liability company are less significant than the costs for setting up and maintaining a corporation, as limited liability companies are not subject to the considerable expense of publishing certain relevant corporate acts, whereas corporations are.

2.3 Are there any registration requirements or other formalities applicable to a new business entity as a pre-condition to being able to trade in your jurisdiction?

Yes, a number of registrations are required, at local, state and federal level. Registration, licenses and formalities normally vary depending on (i) the type of entity being set up, and (ii) its field of activity. In order to set up an LLC, for example, the basic licenses and authorizations that companies are required to obtain, regardless of

their field of activity, are detailed below:

1. Federal Corporate Taxpayer’s National Registration for Foreign Investors (for foreign partners of the Brazilian company);
2. registration of the articles of association/organization with the Trade Board that will generate the identification number on the Registry of Companies;
3. Federal Corporate Taxpayer’s National Registration of the Brazilian Company;
4. State Taxpayer Registration for Corporate Entities;
5. Municipal Registration and Operating Permit; and
6. Social Security Registration.

3 Competition Law

3.1 Is there a maximum permitted term for a franchise agreement?

No, there is no legal limitation related to the term of franchise agreements.

3.2 Is there a maximum permitted term for any related product supply agreement?

No, there is no legal limitation related to the agreements executed between franchisors and the suppliers of the franchise network.

3.3 Are there restrictions on the ability of the franchisor to impose minimum resale prices?

According to BFL, there are no express provisions restricting the franchisor’s ability to impose minimum resale prices. However, said minimum resale prices must be carefully analyzed, so that they are not considered abusive under Brazilian law and do not undermine the franchisee’s ability to compete in the market. Also, it is important that no particular advantage is given that would afford unreasonable privilege to a specific franchisee to the detriment of others.

3.4 Encroachment – are there any minimum obligations that a franchisor must observe when offering franchises in adjoining territories?

There are no legal restrictions related to the offering of franchises in adjoining areas or streets. Having said that, it is important to stress that the BFL determines that the franchisor disclose to prospective franchisees whether the franchisee is guaranteed exclusivity or a right of first refusal in any particular territory or activity and, if so, under what conditions. Therefore, if any rights are given to the prospective franchisee in respect of an adjoining territory and the franchisor does not comply with it, this may be construed as a breach, which could lead to early termination of the agreement.

3.5 Are in-term and post-term covenants not to compete and not to solicit enforceable?

Covenants not to compete (which also include non-solicitation of customers) are very common in franchise agreements in Brazil. Although Competition Law establishes that any act that obstructs the establishment and operation of businesses in the local market is an infringement of the economic order, covenants that prohibit from competing directly or indirectly with the franchisor during or after the term of the franchise agreement are legally valid and enforceable due to the special features of a franchised business.

4 Protecting the Brand and other Intellectual Property

4.1 How are trademarks protected?

Brazil adopts a first-to-file system. As a consequence of this, any trademark whose right of use is granted by a franchise agreement must be registered or at least be subject to a pending application with the BPTO. The franchisee will only have rights to use the franchised trademarks as long as the

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franchise agreement is in force. Once the agreement is terminated or has expired, the franchisee does not hold any rights to the trademark.

4.2 Are know-how, trade secrets and other business-critical confidential information (e.g. an Operations Manual) protected by local law?

Yes. Know-how, trade secrets and confidential information are entitled to intellectual property protection in Brazil under unfair competition rules, pursuant to Article 195 of the Brazilian Industrial Property Law.

4.3 Is copyright (in an Operations Manual or in proprietary software developed by the franchisor and licensed to the franchisee under the franchise agreement) protected by local law?

Yes. Operations manuals can be subject to protection under Brazilian Copyright Law (Law no. 9,610/1998). Computer programs on their end are also protected by copyright, as expressly set forth in the Brazilian Software Law (Law no. 9,609, dated February 19, 1998).

5 Liability

5.1 What remedies can be enforced against a franchisor for failure to comply with mandatory disclosure obligations? Is a franchisee entitled to rescind the franchise agreement and/or claim damages?

Failure to deliver the FDD within the term established by the BFL entitles the franchisee to seek the cancellation of the Franchise Agreement and the refund of any and all monies paid by the franchisee to the franchisor, or to any third party indicated by franchisor, as franchise fees and royalties (duly updated) plus damages.

6 Governing Law

6.1 Is there a requirement for franchise documents to be governed by local law? If not, is there any generally accepted norm relating to the choice of governing law?

The rules for choosing a venue in Brazilian private international law are to be found in Decree-Law No. 4657 of September 4, 1942 (Law of Introduction to the Civil Code or "LICC") and in the Code of Civil Procedure. According to LICC, the parties are free to agree on the applicable law, provided that the foreign law complies with the following conditions: (i) it must conform to Brazilian public order and good morals; and (ii) it must not infringe upon questions of national sovereignty. In addition, Article 9 of the LICC determines that, if the parties do not specify the applicable law in the contract, obligations are governed by the law of the country where they are created (*lex loci celebrationis*).

6.2 Do the local courts provide a remedy, or will they enforce orders granted by other countries' courts, for interlocutory relief (injunctions) against a rogue franchisee to prevent damage to the brand or misuse of business-critical confidential information?

Brazilian local Courts do provide a remedy for interlocutory relief in the event of urgent matters related to franchises, especially involving the use of trademarks following termination, intellectual property, unfair competition practices, repossession of inventory and equipment (if relevant) and covenants not to compete. The number of available tools increased as of March 2016, when Brazil enacted a new Code of Civil Procedure. One of the newest and most efficient options is to file an autonomous and

ex parte request for a preliminary injunction, which, if granted, may lead to the immediate closure of the case if the defendant fails to appeal in time. If the defendant appeals, the plaintiff has a 15-day term to file a full claim. However, in order to obtain a fast response from the Courts, the parties should choose Brazilian law and jurisdiction to govern the agreement. Although the Brazilian judicial system does recognize the validity of foreign decisions, in order to be locally enforceable, they need to go through a ratification proceeding before the Brazilian Superior Court of Justice, which is rather complex and time-consuming. Among the main requirements to be complied with are:

- the parties must prove that the decision meets all legal formalities;
- the decision must be final, with no possibility of further revision;
- it needs to be notarized by a Brazilian Consul in the country where it was delivered and translated into Portuguese; and
- in addition, in order to receive the exequatur from the Superior Court of Justice, the foreign decision cannot be contrary to Brazilian public order and local practices. Although the case should not be retried, the approval of the decision may take some time locally.

Such ratification procedure currently takes from two to 24 months if the decision complies with all the rendering country's procedural requirements. Once ratified, such decision is then forwarded to the Federal Court in the State where the defendant has its headquarters, to begin its enforcement procedure, which usually takes from four months to two years, according to the complexity of the case.

6.3 Is arbitration recognized as a viable means of dispute resolution and is your country a signatory to the New York Arbitration Convention on the Recognition and Enforcement of Foreign Arbitral Awards? Do businesses that accept arbitration as a form of dispute resolution generally favor any particular set of arbitral rules?

Brazil ratified the New York Arbitration Convention on July 24, 2002, with Legislative Decree no. 4,311. Since then, and particularly over the last decade, the number of conflicts subject to arbitration has been sharply increasing in Brazil and even the new Brazilian Code of Civil Procedure dated 2016 now encourages parties to find alternative means of dispute resolution. The parties are free to elect the set of arbitral rules that best suits their interests, as there is no particular set used in Brazil. It is noteworthy that the Superior Court of Justice, in a decision in 2016, recognized that franchise agreements are "take it or leave it" agreements and ruled that an arbitration clause may be declared invalid if it does not comply with Article 4, paragraph 2 of Law no. 9.307/96 ("the Arbitration Law"), which establishes that, in take it or leave it agreements, an arbitration clause would only be valid if it is written in bold or as an attachment document to the agreement, where the parties can specifically express their consent by inserting their signature or initial next by the arbitration clause.

7 Real Estate

7.1 Generally speaking, is there a typical period for a commercial property lease?

Based on Article 51, II of Law no. 8,245/1991, commercial property is normally leased for a period of five years.

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7.2 Is the concept of an option/conditional lease assignment on the lease (under which a franchisor has the right to step into the franchisee/tenant's shoes under the lease, or direct that a third party (often a replacement franchisee) may do so upon the failure of the original tenant or the termination of the franchise agreement) understood and enforceable?

From a legal perspective, there is no impediment to the inclusion of a conditional lease assignment in the lease agreement. However, based on our experience, this assignment is seldom negotiated and might be difficult to accept by some landlords (especially in the case of shopping malls). However, if the parties agreed to such condition in the lease agreement, it will be duly valid and enforceable under Brazilian law.

7.3 Are there any restrictions on non-national entities holding any interest in real estate, or being able to sub-lease property?

For properties located in urban areas, with the exception of properties owned by the Federal Government where the President's authorization is required, there are no legally established restrictions to non-national entities holding any interest therein. However, the same cannot be said about properties located in rural areas. In this regard, Law 5,709/71, Decree 74,965/74 and Normative Act 76/2013 from the National Institute of Land Reform ("INCRA") must be noted as they establish some restrictions and conditions for non-nationals becoming the owner of rural properties.

7.4 Give a general overview of the commercial real estate market. Specifically, can a tenant reasonably expect to secure an initial rent-free period when entering into a new lease (and, if so, generally for how long), or are landlords demanding "key money" (a premium for a lease in

a particular location)?

After the real estate market boom in Brazil until 2012, prices significantly dropped in the following 4 years and are now facing stagnation. Based on this commercial scenario, although it is not common practice, some landlords have exceptionally accepted the negotiation of an initial rent-free period, when entering into a new lease agreement. Although not expressly authorized by Law no. 8,245/1991 (which is the law regulating lease agreements in Brazil), our local Courts hold that shopping malls, acting as landlords, are authorized to demand payment for res sperata, which may be understood as "key money", as a precedent condition for the execution of the lease agreement for the mall.

8 Online Trading

8.1 If an online order for products or a request for services is received from a potential customer located outside the franchisee's exclusive territory, can the franchise agreement impose a binding requirement for the request to be re-directed to the franchisee for the territory from which the sales request originated?

Since the Brazilian Franchise Law is not intended to govern the private franchisor-franchisee relationship and in the lack of a legal impediment, it is possible to establish such a binding re-direction requirement contractually.

8.2 Are there any limitations on a franchisor being able to require a former franchisee to assign local domain names to the franchisor on the termination or expiry of the franchise agreement?

Provided that the domain names registered by the franchisee are directly related to the franchise business and/or franchisor's IP rights, there are no limitations to contractually imposing the assignment of local domain names to the franchisor.

9 Termination

9.1 Are there any mandatory local laws that might override the termination rights that one might typically expect to see in a franchise agreement?

There are no mandatory local laws that might override the termination rights typically detailed in franchise agreements.

9.2 Are there local rules that impose a minimum notice period that must be given to bring a business relationship that might have existed for a number of years to an end, which will apply irrespective of the length of the notice period set out in the franchise agreement?

Different sets of rules apply depending on whether the franchise agreement has a fixed term or is indefinite.

With respect to indefinite term agreements, a 90-day prior notice period is required for terminating the agreement.

However, with respect to fixed term agreements, which is the most common choice in franchising, the franchise agreement will terminate upon expiration of its contractual term. Although the parties may stipulate that it will not be necessary to take any specific action to terminate the franchise agreement in this case, it is advisable to send a proper notice for post-termination obligations.

Also, it is important to stress that Article 473 of the Brazilian Civil Code establishes, as a rule for termination of agreements, that if any of the parties has made significant investments for the execution of the agreement then unilateral termination will only be effective after the agreement has been in force for a term compatible with the nature and amount of such investments. If the termination conflicts with such provision, the Brazilian courts may (i) set an additional term for the agreement to remain in force or (ii) set specific compensation if the conflict between the parties renders an extension unfeasible.

10 Joint Employer Risk and Vicarious Liability

10.1 Is there a risk that a franchisor may be regarded as a joint employer with the franchisee in respect of the franchisee's employees? If so, can anything be done to mitigate this risk?

It is relatively common for the franchisee's employees to insert the franchisor as a co-defendant in labor actions. However, Labor Courts have consistently ruled that franchisors are neither jointly nor secondarily liable, provided that they refrain from directly intervening in the business administration of the franchisee. In a typical franchise agreement, there is no hierarchical subordination of the franchisee's employees in relation to the franchisor. Nevertheless, to minimize risks it is recommended that the franchise agreement expressly contain a non-liability clause for the franchisor with respect to the labor and tax activities of the franchisee.

10.2 Is there a risk that a franchisor may be held to be vicariously liable for the acts or omissions of a franchisee's employees in the performance of the franchisee's franchised business? If so, can anything be done to mitigate this risk?

The franchisee is directly responsible for its employee's acts or omissions, as defined in Article 932, III of the Brazilian Civil Code. Nevertheless, from a consumer protection perspective, it is worth mentioning that the Brazilian Consumer Defense Code ("CDC") sets forth a joint and strict liability of all the parties involved directly or indirectly in the supply chain of products and services to consumers. Hence, the franchisor could be deemed liable to end consumers for acts of the franchisee. However, if the franchisor is held liable to redress damages caused by defective goods, Article 88 of the CDC grants the franchisor the right to recover the amount of damages paid to consumers from the franchisee, provided that the latter was directly responsible for the

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infringement. In any event, it is recommended that the franchise agreement expressly sets forth that the franchisor will not be liable for any act or omissions by the franchisee or its employees.

11 Currency Controls and Taxation

11.1 Are there any restrictions (for example exchange control restrictions) on the payment of royalties to an overseas franchisor?

International franchise agreements must be recorded at the BPTO and Brazilian Central Bank ("BACEN") to allow the payment of franchise fees and royalties to parties outside Brazil. As a rule, the parties may freely set the percentage of remuneration provided that it stays within the price commonly practiced in the respective field and in the domestic and international market. The remuneration may be established as a percentage of net sales or by means of a fixed amount based on each unit produced.

Nevertheless, royalties involving subsidiary and parent companies are limited by the corresponding ceiling of fiscal deductibility specified by Ministerial Ordinance no. 436/58, which varies between 1% and 5% of the net sales of contractual products, depending on the field of activity involved.

11.2 Are there any mandatory withholding tax requirements applicable to the payment of royalties under a trademark license or in respect of the transfer of technology? Can any withholding tax be avoided by structuring payments due from the franchisee to the franchisor as a management-services fee rather than a royalty for the use of a trademark or technology?

Withholding Income Tax ("IRRF") will always apply on royalties paid in consideration for the right to use the whole franchise system,

comprising the trademark license and the technology transfer. IRRF is levied at a general tax rate of 15% on net revenues, which may be higher or lower depending on where the franchisor is resident or domiciled (e.g. in a tax haven or jurisdiction with which Brazil has executed a double taxation convention), and the foreign franchisor is the legal entity responsible for payment (the taxpayer).

However, IRRF is withheld by the BACEN whenever the franchisee remits any royalty abroad. So, in practice, the franchisee collects IRRF on behalf of the franchisor (taxpayer). However, the financial burden for such tax may be contractually shifted, by means of a gross-up clause. The abovementioned rule for IRRF on royalty payments also applies to the payment of a services fee, whatever its nature.

11.3 Are there any requirements for financial transactions, including the payment of franchise fees or royalties, to be conducted in local currency?

Brazilian law authorizes franchise agreements to determine that royalties will be paid in foreign currency.

12 Commercial Agency

12.1 Is there a risk that a franchisee might be treated as the franchisor's commercial agent? If so, is there anything that can be done to help mitigate this risk?

Agency agreements are strictly regulated by Law no. 4,886/65 (with amendments introduced by Law no. 8,420/92) and by specific provisions of the Brazilian Civil Code. The main characteristic of agency agreements is the promotion by the agent, who can be a person either with or without employment ties, of a third-party business with the purpose of

prospecting new clients. In other words, the agent acts on behalf of a company to prospect new clients and receives a commission for its services.

Conversely, franchise relationships are much more complex than agency relationships, since franchising normally involves the granting of several rights to the franchisee, as well as the transfer of know-how.

Therefore, it would be difficult for a real franchise operation to be considered an agency in Brazil, since both commercial structures are ruled by specific laws and have fundamental differences between each other.

13 Good Faith and Fair Dealings

13.1 Is there any overriding requirement for a franchisor to deal with a franchisee in good faith and to act fairly in its dealings with franchisees according to some objective test of fairness and reasonableness?

The general rules and principles laid down by the Brazilian Civil Code concerning the negotiation and execution of agreements, including post-contractual obligations, also apply to franchise agreements.

Articles 113 and 422 of the Brazilian Civil Code set forth that all agreements are subject to the principles of good faith. Beyond the obligation not to harm, according to the principle of good faith, the parties are legally expected to cooperate with one another with fairness, mutual trust, transparency and honesty during all phases of the transaction in order to ensure that the other party fully understands what is being negotiated and obtains the expected results.

The observance of good faith clearly drives the offering stage of franchise transactions, where the franchisor is obliged to provide prospective franchisees with an FDD, describing in detail the main information on the franchised business. The standards of the principle of good faith should subsist through all phases of

the transaction and even survive termination, which means that the contracting parties must observe and act in accordance with such standards during negotiations, before and during the term of the agreement, as well as after its termination.

14 Ongoing Relationship Issues

14.1 Are there any specific laws regulating the relationship between franchisor and franchisee once the franchise agreement has been entered into?

As mentioned above, the BFL is not intended to govern the relationship between franchisor and franchisee. Thus, after the franchise agreement is executed, the franchisor-franchisee relationship will mostly be regulated by the franchise agreement itself, according to the general rules and principles of the Brazilian Civil Code.

15 Franchise Renewal

15.1 What disclosure obligations apply in relation to a renewal of an existing franchise at the end of the franchise agreement term?

There is no mandatory renewal in franchise agreements. The parties are free to include renewal conditions in the franchise business, if any. However, once such conditions apply, they must be disclosed in the FDD, which must also contain a draft of the Franchise Agreement and any preliminary agreement.

15.2 Is there any overriding right for a franchisee to be automatically entitled to a renewal or extension of the franchise agreement at the end of the initial term irrespective of the wishes of the franchisor not to renew or extend?

No. Considering that there is no mandatory renewal in franchise agreements, there is no overriding right for a franchisee to be automatically entitled to a renewal or extension of the franchise agreement.

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15.3 Is a franchisee that is refused a renewal or extension of its franchise agreement entitled to any compensation or damages as a result of the non-renewal or refusal to extend?

The BFL does not regulate the relationship and, therefore, it does not deal with breach, non-renewal or other reasons for termination. Considering that the law does not require mandatory renewal, if the franchise agreement does not provide for automatic renewal, it will end upon expiration of the term set by the parties. If the agreement provides for automatic or conditional renewal, those provisions will prevail.

16 Franchise Migration

16.1 Is a franchisor entitled to impose restrictions on a franchisee's freedom to sell, transfer, assign or otherwise dispose of the franchised business?

Yes. As franchises are deemed *intuitu personae* agreements, the franchisor may impose restrictions on a franchisee's freedom to sell, transfer, assign or otherwise dispose of the franchised business.

The franchisor is also able to include conditions in the agreement, i.e. the franchisor's prior approval being required for the transfer of assets or equity, or even the franchisor's ability to prevent it from happening at all. The main purpose is to maintain the administration and guidance of the franchisee business as initially agreed with the franchisor.

16.2 If a franchisee is in breach and the franchise agreement is terminated by the franchisor, will a "step-in" right in the franchise agreement (whereby the franchisor may take over ownership and management of the franchised business) be recognized by local law, and are there any

registration requirements or other formalities that must be complied with to ensure that such a right will be enforceable?

Provided that said "step-in" right is detailed in the franchise agreement, it will be recognized by Brazilian law and, consequently, it will be enforceable in Court. In practical terms, if the franchisee business is based on a lease agreement, said "step-in" rights must be detailed both in the franchise and lease agreements to guarantee that the landlord agrees to the assignment of the lease to the franchisor. There are no registration requirements or other formalities that must be complied with for enforceability purposes.

16.3 If the franchise agreement contains a power of attorney in favor of the franchisor under which it may complete all necessary formalities required to complete a franchise migration under pre-emption or "step-in" rights, will such power of attorney be recognized by the courts in the country and be treated as valid? Are there any registration or other formalities that must be complied with to ensure that such power of attorney will be valid and effective?

Although there are no registration requirements or other formalities that must be complied with for the enforceability of "step-in" rights duly detailed in the franchise agreement, a power of attorney ("PoA") in favor of the franchisor could be granted by the franchisee through the franchise agreement, provided that said PoA is granted for specific and determined rights. There is no additional registration or formalities to be observed to ensure the validity of said PoA. However, a PoA can be revoked at any time by the grantor. So, from a practical point of view, although it is possible to include a PoA in favor of the franchisor in

the franchise agreement, the franchisee has the right to revoke it at any time.

17 Electronic Signatures and Document Retention

17.1 Are there any specific requirements for applying an electronic signature to a franchise agreement (rather than physically signing a "wet ink" version of the agreement), and are electronic signatures recognized as a valid way of creating a binding and enforceable agreement?

Yes, although seldom used in franchise agreements, electronic signatures are accepted and used in Brazil in a wide variety of agreements, such as lease agreements, for example.

However, the main issue remains the ability to prove the authenticity of the parties' e-signature. To counter that, despite not being mandatory, it is advisable that the Brazilian party e-signs the agreement by means of a certified digital signature issued by entities accredited at the Infrastructure of Brazilian Public Keys. This digital signature affords the presumption of validity on the e-signature, as per Article 10, paragraph 1 of Executive Order no. 2,200-2/2001.

17.2 If a signed/executed franchise agreement is stored electronically (either having been signed using e-signatures or a "wet ink" version having been scanned and saved as an electronic file), can the paper version of the agreement be destroyed?

Although most Brazilian Courts have adopted an online system, we do not recommend destroying the paper version of agreements because the parties may be requested, during the course of a lawsuit, to present the original agreement if the authenticity of the "wet ink" signature is challenged and an expert report is required.

COPYRIGHT

"Copyright registration in Brazil is an important tool not only to prevent third parties from infringing one's rights, but also to settle and end disputes in a cost-effective fashion. Due to the formalistic approach of Brazilian judges, when facing a dispute over the authorship of an artwork, a Certificate of Registration issued by a public authority may play a vital role in swaying the judge's ruling in one's favor, whether as a final decision or advance relief. Recent experience has shown that a copyright registration is of particular relevance to software creators and companies, as computer programs are often a result of combined efforts or a commissioned work. At DANIEL, we help our clients secure and protect their copyrights, from the beginning of the creative process until the commercial exploitation of the artwork. Our goal is to make sure that our clients' copyrights are safeguarded, and their financial goals are met. With that in mind and considering the low costs involved, copyright registration helps to consolidate our clients' IP portfolio, in combination, if needed, with other IP protection, such as trademarks and designs."

Antônio Curvello - Licensing & Business Transactions Partner

Antônio Curvello
LICENSING & BUSINESS
TRANSACTIONS PARTNER
antonio.curvello@daniel-ip.com



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1 Copyright Subsistence

1.1 What are the requirements for copyright to subsist in a work?

As Brazil is a member of the Berne Convention, copyright protection under Brazilian Law is inherent to the creation of the work and no registration is necessary for the enforcement of rights against third parties, provided that the legal conditions of protection are met. Law no. 9,610/98 (the "Brazilian Copyright Law" or "BCL") sets forth, in Article 7, that all creations of the spirit expressed by any means or affixed in any type of tangible or intangible support are protected as intellectual works. From that legal definition and the doctrine developed on the subject, it is possible to draw two main conditions with which an intellectual work must comply to be entitled to protection in Brazil: (i) the work must be externalized in some form, meaning that the work cannot be a simple idea; and (ii) the work must be original. The uncertainty around the definition of originality has led to different doctrinal approaches: on one hand, we find the objective approach where a work is considered original when it is novel; on the other hand, according to the subjective approach, an original work is a work that expresses the author's individuality/personality. Brazilian Courts have applied different thresholds according to the type of work, but it is safe to say the work must contain a minimum level of creativity to be protected in Brazil.

1.2 On the presumption that copyright can arise in literary, artistic and musical works, are there any other works in which copyright can subsist and are there any works that are excluded from copyright protection?

Under the BCL, copyright protection is given to any type of intellectual work that meets the

legal criteria and is not expressly excluded from protection.

As examples of work subject to protection, Article 7 of the BCL sets forth that copyright can arise in works such as:

- (i) literary, artistic or scientific works;
- (ii) lectures, speeches, sermons and other works of the same nature;
- (iii) dramatic works with or without accompanying music;
- (iv) choreographic works and pantomimes, if their scenic performance can be fixed in writing or any other form;
- (v) musical compositions with or without accompanying words;
- (vi) audiovisual works, with or without accompanying sound, including cinematographic works;
- (vii) photographic works and works produced by a process similar to photography;
- (viii) works of drawing, painting, engraving, sculpture, lithography and kinetic arts;
- (ix) illustrations, geographical maps and other works of the same nature;
- (x) plans, sketches, and works of fine art concerning geography, engineering, topography, architecture, landscaping, scenography and science;
- (xi) adaptations, translations and other transformations of original works presented as new intellectual creations;
- (xii) computer programs; and
- (xiii) collections or compilations, anthologies, encyclopedias, dictionaries, databases and other works that, in view of the selection, organization or arrangement of their contents, constitute intellectual creations.

Conversely, Article 8 of the BCL expressly sets forth that the following are excluded from protection:

- (i) ideas, normative procedures, systems, methods, projects or mathematical concepts as such;

*) Source: updated content from the original publication in the International Comparative Legal Guide - chapter on Brazil

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- (ii) schemes, plans or rules to carry out mental acts, games or businesses;
- (iii) blank forms to be completed with any kind of information, whether scientific or not, as well as their instructions;
- (iv) texts of treaties and conventions, laws, decrees, regulations, court decisions and other official acts;
- (v) information of common use such as calendars, agendas, registries or captions;
- (vi) isolated names and titles; and
- (vii) the industrial or commercial use of ideas contained in the works.

1.3 Is there a system for registration of copyright and, if so, what is the effect of registration?

Although copyright protection is inherent to the creation of the work, the Brazilian legal system sets forth the relevant registration. An important benefit of copyright registration is securing hard evidence of the rights thereto. Since the main challenge in copyright-based lawsuits/infringements is to prove authorship and the creation date, having an actual document issued by a public office attesting that the copyright constitutes prima facie evidence of ownership and validity is recommended.

With the exception of computer programs, which are registered by the Brazilian Patent and Trademark Office, intellectual works can be registered before public offices, such as the National Library, the School of Fine Arts and the School of Music. Each institution has its own procedure and related costs.

1.4 What is the duration of copyright protection? Does this vary depending on the type of work?

Copyright is vested on moral and property rights. Moral rights are perpetual while property rights are limited in time. The overall rule for the duration of property rights is 70 years, as of January 1st of the year

following the author's death. In the case of jointly owned works, the 70-year period will be as of the death of the last surviving co-author. Moreover, anonymous works or works published under pseudonyms will also be protected for 70 years as of January 1st, following the first disclosure of the work. The same applies to audio-visual and photographic works.

1.5 Is there any overlap between copyright and other intellectual property rights such as design rights and database rights?

Yes, it is possible to accumulate different intellectual property rights to the same work, provided that said work meets the protection requirements for each intellectual property right, which differ substantially from one another. Usually, copyright overlaps with 3D trademarks and industrial design rights, although it is possible for a computer program to be protected as copyright as well as being part of an invention protected by a patent, if the industrial invention is implemented by software. In this case, the computer program itself would not be protected, but rather the invention itself.

1.6 Are there any restrictions on protection for copyrighted works that are made by an industrial process?

Article 8 of the BCL establishes that the industrial or commercial use of ideas contained in the works is not subject to protection. This has led in the past to a false interpretation that works made by an industrial process are not entitled to protection under copyright law. Accordingly, Brazilian judges were skeptical in granting copyright protection for goods manufactured by an industrial process. Nowadays, this controversy seems a bit outdated, and important case law has in

general terms afforded copyright protection for products made by an industrial process, such as bags and purses, under the argument that the means reproducing the work does not affect in any way the protection granted by copyright.

2 Ownership

2.1 Who is the first owner of copyright in each of the works protected (other than where questions 2.2 or 2.3 apply)?

The first owner is the individual who created the intellectual work, pursuant to Article 11 of the BCL.

2.2 Where a work is commissioned, how is ownership of the copyright determined between the author and the commissioner?

There are no legal provisions in the BCL that specifically regulate the ownership of rights arising out of commissioned works. Bearing in mind Article 11 of the BCL mentioned in question 2.1 above, it is therefore recommended that, in the commission agreement, the parties establish that all property rights related to the commissioned work are transferred to the commissioner. The moral rights, however, will always remain with the author.

Moreover, when it comes to collective works, it is noteworthy that Article 17, paragraph 2 of the BCL determines that the "organizer" is the titleholder of the property rights. The organizer may be an individual or a company that publishes the work under its name or trademark. On the other hand, with respect to computer programs, the Brazilian Software Law sets forth that, unless otherwise stipulated in the commission or employment agreement, copyright belongs to the commissioner of the computer program or the employer.

2.3 Where a work is created by an employee, how is ownership of the copyright determined between the employee and the employer?

There are no express rules in the BCL addressing employees' creations. While the issue is controversial, it is understood that there is no automatic assignment of rights to the employee, except in the case of computer programs. Thus, it is advisable for employers to insert a copyright assignment clause in the employment contract, and also to execute separate assignments for each work created by the employee. However, it is important to highlight that if the work falls under the concept of collective work, the employer that disclosed the work under its name or trademark may claim ownership over the property rights as the organizer of the work.

2.4 Is there a concept of joint ownership and, if so, what rules apply to dealings with a jointly-owned work?

Yes, joint ownership is recognized by the BCL as a work created together by two or more authors. If the jointly-owned work is divisible, each co-author can exploit his/her contribution as an individual and separate work, provided that it does not bring any harm to jointly owned work. Conversely, if it is indivisible, none of the co-authors may disclose or authorize the disclosure of the work without the consent of the others, excepted as a collection of all his/her works, under the penalty of paying for losses and damages. In the event of conflict, the decision taken by the majority of the co-authors rules. Nevertheless, the co-author on the losing side of the conflict may choose not to bear any costs related to the disclosure and not have his/her name displayed. In this case, he/she would automatically waive the profit share arising from the exploitation of the work. Also, if the jointly-owned work is indivisible, each co-author may, without the consent of

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the remaining co-authors, apply for registration and defend his/her own rights against third parties.

It is worth paying special attention to our comments regarding collective works in questions 2.2 and 2.3 on page 63.

3 Exploitation

3.1 Are there any formalities which apply to the transfer/assignment of ownership?

In accordance with Article 50 of the BCL, total or partial assignment of authors' property rights must be executed in writing. It is important to note that, in Brazil, any assignment agreement is interpreted in a restricted fashion in favor of the author. Accordingly, it is paramount that all assignment conditions are expressly contained in the agreement, including the territory, all forms of exploitation, right to disclose and adapt the work, the term and the price, etc. According to Articles 49 and 50 of the BCL, in the absence of written provision, the assignment will be presumed royalty-bearing, will have a maximum term of five years, will only be valid in the country in which the agreement was executed, and will only comprise the form of exploitation for which the agreement was executed.

3.2 Are there any formalities required for a copyright license?

The comments made in question 3.1 above also apply to copyright licenses. Accordingly, license agreements must be executed in writing in clear language and must detail all parties' rights and obligations.

3.3 Are there any laws which limit the license terms parties may agree (other than as addressed in questions 3.4 to 3.6)?

Initially, it is important to stress that Article

27 of the BCL states that moral rights are inalienable and cannot be the subject of an agreement. Regarding future works, Article 51 of the BCL sets forth that the assignment will only comprise works created in a maximum term of five years.

3.4 Which types of copyright work have collective licensing bodies (please name the relevant bodies)?

The most important collective licensing body is the Collection and Distribution Central Office ("ECAD"). Its purpose, established by Article 99 of the BCL, is to centralize the collection and distribution of public musical execution rights. ECAD is composed of seven non-profit associations, mostly connected with musicians and performers.

In the field of dramaturgy and visual arts, there is ABRAMUS – the Brazilian Association of Music and Arts, which also includes musicians and is itself affiliated to ECAD.

3.5 Where there are collective licensing bodies, how are they regulated?

The collective licensing bodies are regulated by Articles 97 to 100-B of the BCL, as modified by Law no. 12,853/13. These provisions lay the foundation for the formation and functioning of collective licensing bodies. Said articles establish, among other provisions, that collective licensing bodies perform an activity of public interest and must be non-profit associations.

3.6 On what grounds can license terms offered by a collective licensing body be challenged?

Once conveyed by the copyright owner, the license can only be challenged in court under very few circumstances, especially if they are not consistent with the law. However, the copyright owner may challenge the lack

of payment, the methods of collecting and distributing payments, as well as their amounts, either in court or by means of mediation/arbitration as provided in Article 100-B of the BCL.

4 Owners' Rights

4.1 What acts involving a copyrighted work are capable of being restricted by the rights' holder?

All acts that violate an author's moral rights and property rights may be restricted by the author, unless otherwise provided by law or an agreement.

Accordingly, Article 29 of the BCL lists a series of acts that require the author's prior and express consent. We list below the most relevant ones:

- (i) the reproduction (partial or total, by writing, drawing and/or other means) of the work or its use in any form that currently exists or has yet to be invented;
- (ii) the disclosure of the work;
- (iii) the adaptation, translation into any language, musical arrangement or any other transformation of the work;
- (iv) the distribution of the work, unless otherwise provided in an agreement executed by the author with a third party concerning the use or exploitation of the work; and
- (v) the direct or indirect use of the literary, artistic and scientific works (such as performances and recitals, etc.).

4.2 Are there any ancillary rights related to copyright, such as moral rights, and, if so, what do they protect, and can they be waived or assigned?

Yes, Article 22 of the BCL recognizes the author's moral rights to the work created. Further, Article 24 provides a description of said moral rights. The first one is the right to claim authorship of the work at any given time. Accordingly, the author also has the right to

have his/her name, pseudonym or any desired sign displayed in the exploitation of the work. Moreover, the author has the moral right to keep the work from being disclosed to the public. The author also has the right to adapt the work before or after the work was used. Conversely, the author has the right to secure the integrity of the work, by refusing any modification or act that may put the work in harm's way or that damages the author's reputation or honor. Accordingly, the author may suspend any form of exploitation that harms his/her image or reputation.

Article 27 of the BCL states that moral rights are inalienable and cannot be the subject of an agreement. Brazilian courts and doctrine have interpreted this norm rigorously, considering that moral rights are not subject to transferal or waiver by the author.

However, under very specific situations and on an exceptional basis, we understand that, although moral rights cannot be alienable, the parties could limit their effects and applicability if the work is applied to the industry, especially if there are technical constraints imposed by the means of production. Unfortunately, court actions involving the validity of such clauses are not very common in Brazil, as we do not have a solid understanding of this matter from the courts.

4.3 Are there circumstances in which a copyright owner is unable to restrain subsequent dealings in works that have been put on the market with his/her consent?

Although not expressly set forth under Brazilian Law, the doctrine recognizes the principle of exhaustion of rights whenever the author willingly agrees to its first sale. In this regard, once the author deliberately put his/her creation onto the market, he/she may not stop its resale to third parties.

However, it is important to highlight that, in the case of works of art and written creations, the BCL determines that the author has a right to

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receive a remuneration of 5% on the additional price the work was resold by, when compared to the initial selling price.

Nevertheless, the sale of the work does not include the assignment of the author's moral rights. Therefore, if use by the new buyer harms the author's image or reputation or the works' integrity, he/she could stop the new buyer's use.

5 Copyright Enforcement

5.1 Are there any statutory enforcement agencies and, if so, are they used by rights' holders as an alternative to civil actions?

As an alternative to civil actions, it is common for copyright owners to work together with customs authorities to counter the import of counterfeit goods. In Brazil, customs authorities may seize suspicious products (that may infringe third parties' copyrights and/or trademarks) at ports and airports ex officio. However, for these products to remain seized and be subsequently destroyed, the IP owner must submit within a 10-business day term, extendable for one additional period of 10 business days, an affidavit confirming that the goods are counterfeit (some customs units require a court order to this end).

In addition, as copyright infringement is a crime set forth in the Brazilian Criminal Code, the copyright owner may file a complaint in any police station and initiate an investigation leading to a criminal lawsuit. Currently, there are two police departments specializing in IP crimes in Brazil, located in the cities of Rio de Janeiro and Recife.

5.2 Other than the copyright owner, can anyone else bring a claim for infringement of the copyright in a work?

Other than the copyright owner, the "collective management bodies" mentioned in questions

3.4 and 3.5 n page 64 have the legitimacy to claim damages for the public reproduction of the work, on behalf of the copyright owner. In addition, licensees may also act on behalf of the copyright owner in the defense of the work, provided that the license agreement expressly grants the licensee the right to do so. In the criminal sphere, if the infringement is made for profit purposes, the criminal action may be filed by the Public Prosecutor's Office even if no prior complaint is filed by the IP rights' holder.

5.3 Can an action be brought against 'secondary' infringers as well as primary infringers and, if so, on what basis can someone be liable for secondary infringement?

In accordance with Brazilian Law, "secondary infringers" can also be civilly and criminally liable by infringing copyright or neighboring rights. In the civil sphere, secondary liability exists if you can prove a strong link between the violation of the right and those additional individuals, as well as the existence of negligence or fault.

The Brazilian Criminal Code expressly sets forth that it is a crime to import, distribute, market and/or maintain in stock products that infringe third parties' copyrights.

5.4 Are there any general or specific exceptions which can be relied upon as a defense against a claim of infringement?

The defense strategy shall be analyzed on a case-by-case basis, but recurrent defense strategies rely on challenging the protection of the work (if the work is entitled to protection under Brazilian Law), if the work has fallen into the public domain, as well as the ownership and authorship of the work.

5.5 Are interim or permanent injunctions available?

The Brazilian courts are receptive to granting preliminary injunction orders against all infringers (primary and/or secondary) if the plaintiff can demonstrate the infringement of his/her rights and the urgency of the measure.

5.6 On what basis are damages or an account of profits calculated?

In Brazil, there is no provision for punitive damages. On the other hand, losses and damages are totally in accordance with our law. In this regard, the main idea of Brazilian civil law is to restore the situation to how it was before the infringement occurred. In this regard, Articles 103 and 107 of the BCL establish that damages will never be less than the profit and revenues obtained during the infringement. Also, if it is not possible to determine the profit made by the infringer, damages and losses can be estimated based on the royalties the copyright owner would have been paid if a license had been granted.

In some cases, moral damages can also be granted, although there is no precise method of calculation and the amount can vary considerably depending on the judge and the circumstance of the infringement.

5.7 What are the typical costs of infringement proceedings and how long do they take?

The timeframe of an infringement action is closely connected with the complexity of the case and especially the court where it is prosecuted. In general, we estimate that a regular case of copyright infringement takes between one and three years to be decided (on the merits) by a District Judge. Regarding typical costs, in addition to lawyers' fees, there are official taxes that are usually connected with the value given by the Plaintiff to the case (and this also varies from one court to another), and a court's bond that is

due by any foreign company that wishes to file court actions in Brazil to guarantee payment of damages (this amount is fully recoverable by the company if it wins the case). We roughly estimate that a company will spend between USD 10,000 and USD 30,000 on a copyright litigation until there is decision on the merits by the District Judge.

5.8 Is there a right of appeal from a first instance judgment and, if so, what are the grounds on which an appeal may be brought?

Decisions on the merits from District Judges (first instance) can be appealed to the State Court of Appeal, where they will be judged by a panel of three Justices. In the appeal, the party may bring any argument to challenge the District Judge's decision. However, there is a restriction on new documents and arguments that were not submitted before the District Judge. From the decision issued by the Appellate Court, it is also possible to file a special appeal to the Superior Court of Justice and/or an extraordinary Appeal to the Supreme Federal Court. However, the grounds on which these appeals may be brought are limited to violation of Federal rules (for a special appeal) and violation of constitutional rules (for an extraordinary appeal). The re-evaluation of facts and evidence is not allowed in these instances.

5.9 What is the period in which an action must be commenced?

In accordance with our Brazilian Civil Code, the statute of limitation for recovering damages from copyright infringement is three years, counting from the date when the owner becomes aware of the infringement. However, for the purposes of stopping an ongoing infringement, it is highly advisable to act immediately after becoming aware of the infringement, as urgency is a mandatory requirement for the granting of preliminary injunctions.

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6 Criminal Offences

6.1 Are there any criminal offences relating to copyright infringement?

Yes, as mentioned above in question 5.1, copyright infringement is a crime set forth in Article 184 of the Brazilian Criminal Code.

6.2 What is the threshold for criminal liability and what are the potential sanctions?

Due to the principle of legality, it is necessary to demonstrate during the lawsuit that the alleged infringer precisely committed the criminal conduct laid down in Article 184 of the Criminal Code. Therefore, at investigation level, it is important to attest that the counterfeit goods belonged to the infringer, and for an expert to produce a report attesting that the seized products are indeed counterfeit. The penalties may range from three months to four years imprisonment, without prejudice to a fine depending on the circumstance of the crime, i.e. if the copyright was infringed for the purposes of obtaining a profit or not.

7 Current Developments

7.1 Have there been, or are there anticipated, any significant legislative changes or case law developments?

In early 2017, the Brazilian Superior Court of Justice ruled in favor of ECAD, the collective licensing body for musicians and performers, in a lawsuit brought against a famous local telecom company for collection of payments generated by the reproduction of music on its streaming services.

In its decision, the Superior Court of Justice held that the reproduction of songs on streaming platforms constitutes new public reproduction of musical works and therefore, under the BCL, royalties must be paid accordingly.

Said decision has impact on other streaming service providers, such as Spotify, Deezer and Google Play.

7.2 Are there any particularly noteworthy issues around the application and enforcement of copyright in relation to digital content (for example, when a work is deemed to be made available to the public online or hyperlinking, etc.)?

In the decision mentioned in question 7.1 above, the Brazilian Superior Court of Justice adopted the understanding that the number of people that had actual access to the work is irrelevant for the purposes of assessing if a musical work was reproduced online. The most important feature is to determine if the work was available to a collective group of online content users. The mere fact of making the work available and at the reach of an undetermined number of people is enough to characterize the public execution of a musical work.

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