

Brazil

Change is in the air as sporting events draw closer

The variety and complexity of proposed changes to Brazilian IP legislation and practice during the past year demonstrate that all players (government, courts and the private sector) have woken up to the key strategic value of intellectual property as a driver for sustainable growth in the Brazilian economy.

Patents

Pipeline patents

On April 24 2009 the attorney general filed a special injunctive action at the Supreme Court for a declaration of unconstitutionality in relation to Sections 230 and 231 of the 1996 Industrial Property Law. The action has been referred to Justice Carmem Lúcia.

Such a declaration would result in the invalidity of all so-called 'pipeline' patents granted in Brazil. The attorney general alleges that the law cannot authorise the grant of patents for subject matter that was already in the public domain. Moreover, the law ignores the criterion of novelty, since novelty is not necessary for the examination and grant of a pipeline patent application. If the attorney general's request for a preliminary injunction is granted, the effects of the law's relevant sections will be suspended. So far, the judge has not reviewed the case or set a date for deciding the request.

The Patent Cooperation Treaty

From August 7 2009 the Brazilian Patent and Trademark Office (PTO) began functioning as an international searching authority and a preliminary examining authority under the Patent Cooperation Treaty (PCT).

PCT searches conducted by the PTO for evaluating patentability requirements will use the local database of more than 20 million documents. Further, Brazil will conduct searches in Portuguese, Spanish and English.

Patenting genetic material and traditional knowledge

On April 24 2009 the PTO published Resolution 207 on patent applications involving genetic heritage and

traditional knowledge. Resolution 207 refers to all Brazilian patent applications covering subject matter obtained through access to genetic material or traditional knowledge. It states as follows:

- Applicants for patents covering such inventions must inform the PTO whether the subject matter was obtained using genetic samples to which access was made on or after June 30 2000. The applicant must declare that the access was made in accordance with Provisional Measure 2,186-16/2001 regarding access to national genetic material, and provide the number and date of the corresponding access certificate, as well as the origin of the genetic material and any associated traditional knowledge.
- During examination, the PTO may issue an office action related to the matter. In response, the applicant must file a declaration as to whether access or use of traditional knowledge was involved and, if so, the respective number and date of the certificate of access.

The main changes introduced by the new resolution are as follows:

- It is no longer obligatory to submit such information when filing an application.
- The obligation applies only to patent applications for inventions related to access of samples of Brazilian genetic material and associated traditional knowledge.
- The PTO now has the option of issuing an office action during examination to request information and/or a declaration.
- Changes have been made to the filing form (there is no longer a field containing the declaration) and the declaration form.

In view of this new resolution, companies should review their portfolios in Brazil to check whether there are any patents or patent applications covering inventions resulting from access to Brazilian genetic

material or traditional knowledge that took place on or after June 30 2000.

Software

The PTO is responsible for registering software in Brazil. Although registration of software (as with any copyright-protected work) is not mandatory, it helps to establish ownership and a date of creation in case of disputes. However, due to administrative problems, from 1998 until 2008 the PTO's software department only received applications without issuing certificates of registration.

Now, the software department has resumed its registration duties. In 2009 it issued Regulations 201 and 204, which allow technical information for software applications to be filed on electronic media (ie, read-only CDs or DVDs), and also establish different fees for submissions made on paper and electronic media. The application fees for electronic media are substantially lower so as to encourage their use.

Topography of integrated circuits

After some delay, on September 23 2008 the PTO published Resolutions 187 and 190, which establish procedures for registering topographies (layout designs) of integrated circuits. Federal protection for this type of invention was initially set out in Law 11,484 of May 31 2007.

These new measures finally align Brazilian legislation with the World Trade Organisation Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), and with the World Intellectual Property Organisation Treaty on Intellectual Property in Respect of Integrated Circuits.

The creator of the layout design, which must be original, may register it with the PTO. When filing, the applicant may request non-disclosure for up to six months. If the application is withdrawn by the month before non-disclosure ends, it will have no effect.

The registration shall be valid for 10 years from the date of application or first exploitation, whichever occurs first. The petitioner must declare when it began using the layout design and this must be not more than two years before the application.

Trademarks

The PTO's new examination guidelines

In September 2009 the PTO published new draft trademark examination guidelines. The current guidelines were issued in 1997, shortly after the current Industrial Property Law was enacted.

For the most part, the draft guidelines do not depart

from the previous version. However, some aspects should be noted. For example, the draft guidelines maintain the possibility of parties submitting coexistence agreements to resolve potential conflicts, a long-established practice which has recently come under threat due to internal discussion in the PTO. In relation to forfeiture procedures, the draft guidelines recommend not accepting agreements after a first decision on the forfeiture request, whereas current practices do not block agreements until a final decision.

In addition, the PTO maintains that the current law does not allow for registration of marks that are not directly visually perceptible and thus will continue not to accept non-traditional marks such as olfactory and sound marks.

The trademark group of the Brazilian Industrial Property Association is preparing comments to the draft guidelines.

Online advertising

One of the few decisions on keyword advertising is Criminal Action 591/97 of October 12 2008. Pistelli Engenharia Ltda filed an action before the First Criminal Court of Sao Carlos against two of its former employees who, after leaving the company, established a competing business under the name of Fomatto Coberturas Especiais Ltda. The defendants allegedly started a keyword advertising campaign on several well-known search engines using the terms 'Pistelli', 'Pistelli Engenharia' and 'Pistelli Engenharia Ltda' to trigger sponsored links to their new company.

On the evidence, the court found that although free competition is one of the general principles guaranteed by the Constitution, the law punishes anyone that competes unfairly. According to the court, the keyword advertising was misleading in this case because consumers searching for any of the terms bought by Fomatto (ie, the name of Fomatto's competitor) would be directed to a results page featuring a link to Fomatto's website in the first, or at least a prominent, position.

Therefore, the court considered Fomatto's entire online advertising campaign an act of unfair competition under Section 195(III) of the Industrial Property Law, which prohibits using fraudulent means to divert another party's clientele for one's own or a third party's benefit.

Interestingly, the court dismissed the claim of unfair competition through the use of a third party's trade name. It found that Fomatto's use of the Pistelli name did not amount to the use of another party's trade name in the course of commerce.

Considering that the defendants had no previous criminal record, the court ordered them to pay fines

corresponding to one-fifth of the minimum annual wage. The decision was at first instance and, at the time of writing, was still open to appeal.

The issue of keyword advertising is complex and this decision was rendered under the specific facts of the case. It is still uncertain whether other courts will follow this decision if the parties are unrelated (in this case the defendants were former employees of the plaintiff), and the advert is clearly labelled as a sponsored link in the results page.

Copyright

The Copyright Act has been in effect for 11 years as of February 19 2009. There have been many developments during that time and many more are on the horizon.

As a result, the Ministry of Culture is pushing for radical changes, including the following:

- creating a new governmental entity that would be responsible for collectively managing public performance rights, formulating and managing copyright policy, coordinating international copyright negotiations, centralising and regulating works in the public domain and fostering the diffusion of copyright;
- abolishing provisions designed to protect technological measures used for digital rights management;
- introducing a private copying fee to be distributed among copyright owners;
- permitting the performance of works without remuneration in religious sites, public hospitals and public schools where there is no intent to profit;
- creating criminal penalties for anyone that blocks access or use of a work in the public domain;
- prohibiting clauses of assignment in labour-related agreements;
- creating a right of use for the public administration of any work created with public funds or prizes;
- limiting assignment of future works;
- regulating the definitive assignment of works (possible with restrictive rules);
- prohibiting the automatic renewal of assignments;
- instituting rules for revising past assignments in case there is an increase in the value of the work; and
- revising the current rules regarding resale rights or *droit de suite* to establish a 5 per cent rule in relation to the price of sale and not in relation to the eventual price increase.

The government is examining a bill that was submitted to Congress and encompasses all these points.

A heated debate is expected in both parliamentary houses due to the scope of the changes and the number of parties affected.

Licensing

The current Industrial Property Law grants the PTO authority to impose changes on contractual provisions when parties record their licence agreements with the PTO. This controversial position was upheld in a decision of the Second Federal Court of Appeals in a case where the PTO reduced the contractually agreed royalty rate from 20 per cent to 5 per cent. However, in a new judgment dated April 28 2009, the same court decided by a majority vote that the PTO lacks the legitimacy to intervene and force the reduction of a royalty rate agreed by the parties in the absence of an express provision in the law.

The controversy is still far from being settled; a final disposition will probably need a decision from the Superior Court of Justice or even from the Supreme Court. However, this most recent decision offers some hope that the courts may limit the PTO's current practice of interfering in stipulations negotiated by private parties as a condition for recording IP-related agreements.

Ambush marketing and sports events

Brazil has been elected to host the World Cup in 2014 and the Confederations Cup in 2013, subject to certain conditions agreed with the *Fédération Internationale de Football Association* (FIFA). Accordingly, several proposals are already in place, including a bill designed to curb ambush marketing or marketing by association, which can affect the rights of organisers and official sponsors.

Senate Bill 394 was presented on September 3 2009. It deals with the 2014 World Cup and the 2013 Confederations Cup, and establishes, among other provisions, that:

- FIFA owns the rights related to WORLD CUP 2014 and CONFEDERATIONS CUP 2013, including all the media, marketing, licensing and tickets;
- FIFA and its licensees have exclusive rights to use the following terms, as well as combinations and similar terms: 'Copa do Mundo da FIFA Brasil 2014', 'Copa do Mundo da FIFA 2014', 'Copa do Mundo da FIFA', 'Copa do Mundo de Futebol', 'Copa do Mundo', 'Copa do Mundo de 2014', 'Copa do Mundo do Brasil', 'Copa de 2014', 'Copa 2014', 'Copa', 'Brasil 2014', 'BRA 2014', 'BR 2014', 'Copa das Confederações da FIFA Brasil 2013', 'Copa das Confederações da FIFA 2013', 'Copa das Confederações da FIFA', 'Copa das Confederações de Futebol', 'Copa das Confederações',

‘Copa das Confederações de 2013’, ‘Copa das Confederações do Brasil’, ‘Copa de 2013’, ‘Copa 2013’, ‘Copa’, ‘Brasil 2013’, ‘BRA 2013’ and ‘BR 2013’;

- the names, flags, logos, anthems, trademarks and symbols of the organisations and national teams, as well as the names and nicknames of athletes, are their exclusive property and enjoy national protection without the need for registration; and
- the Brazilian Soccer Confederation (*Confederação Brasileira de Futebol*) and its sponsors have exclusive use rights over the following names until 30 days after the events: ‘SELEÇÃO BRASILEIRA’, ‘SELEÇÃO’, ‘SELEÇÃO CANARINHO’, ‘EQUIPE BRASILEIRA DE FUTEBOL’, ‘EQUIPE BRASILEIRA’ and ‘EQUIPE CANARINHO’.

Further, the bill prohibits goods, services and marks from being associated with protected names, flags, anthems, marks, logos and symbols. ‘Association’ is defined as any use of the protected symbols, regardless of whether such use is unintentional or disclaimers such as ‘non-authorized’ or ‘unofficial’ are used.

The only exceptions are not-for-profit use by natural persons and uses exclusively for information, critique or opinion by media outlets, including online, without association with an unauthorised natural person or company. In addition, there is a grandfather provision governing rights registered before the law

comes into force.

The bill also establishes ‘clean zones’, where any form of commerce, advertising, marketing or publicity not authorised by FIFA is prohibited.

A similar bill is likely in relation to the Olympic Games, now that Rio de Janeiro has been named host city for the 2016 Olympics.

Ambush marketing regulations have been adopted in other countries that have hosted events of this type and therefore these bills were expected. Companies should be aware of the fact that the Brazilian courts will probably take harsher action on marketing by association, even in relation to the upcoming 2010 World Cup in South Africa, as Brazil is committed to demonstrating its compliance with FIFA’s conditions. However, defining ‘marketing by association’ is a difficult task. There is always a grey area where the rights of official sponsors must be balanced against the legitimate marketing efforts of third parties, as there should not be a monopoly on sports marketing even during events such as the World Cup and the Olympics.

Conclusion

These are indeed interesting times and the heated discussions and alternatives which are being considered will undoubtedly have a profound impact on investment decisions especially for sectors heavily based on IP assets, such as the pharmaceutical, entertainment, software and internet industries.



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