



APPLIED INDUSTRIAL PROPERTY REFLECTIONS FOR JUDGES

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REFLECTIONS FOR JUDGES

BRAZILIAN NATIONAL CONFEDERATION OF INDUSTRY – CNI

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APPLIED INDUSTRIAL PROPERTY REFLECTIONS FOR JUDGES

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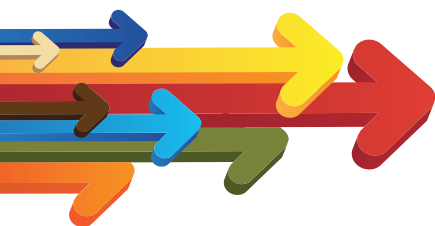
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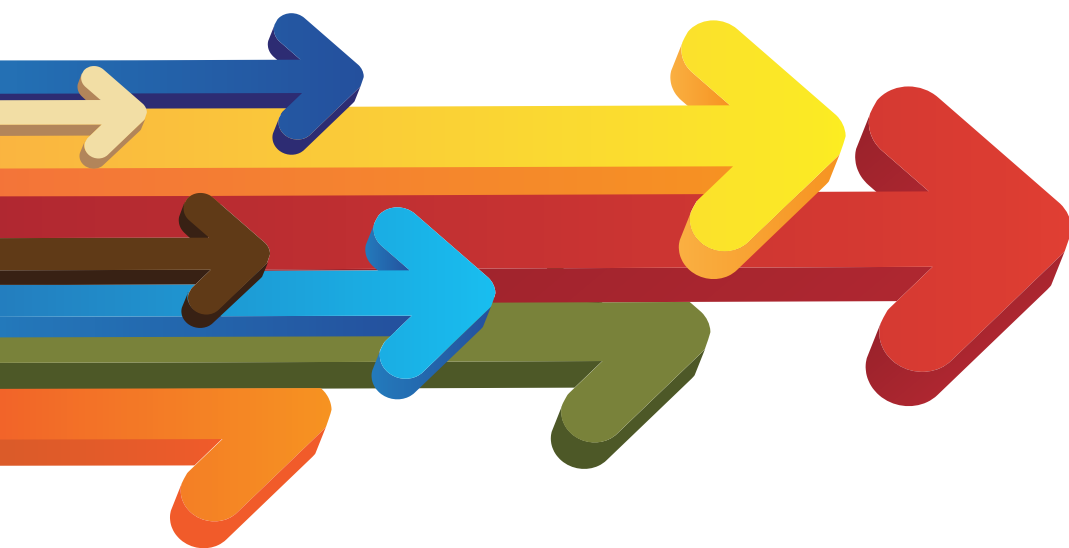
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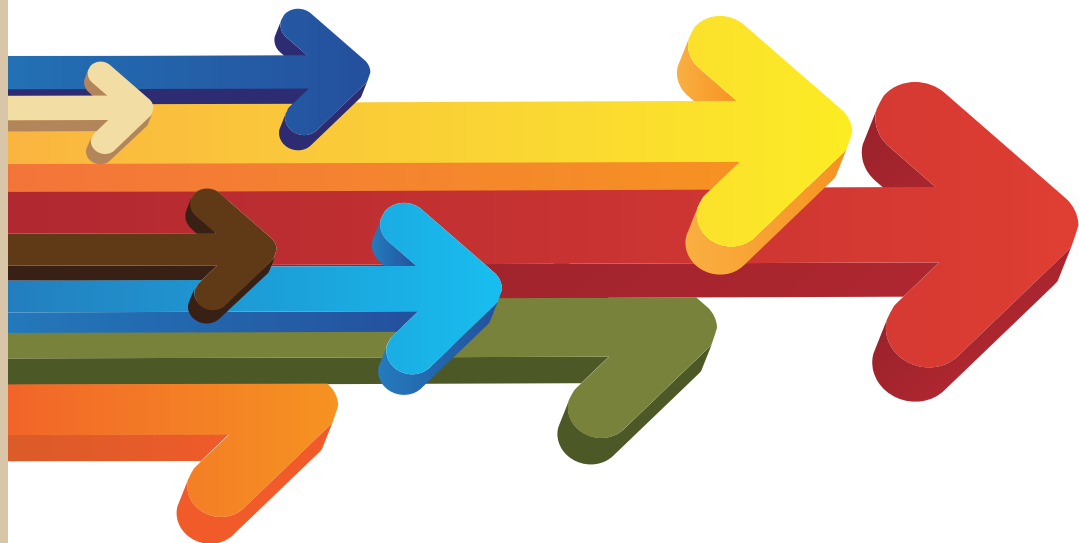
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PRESENTATION

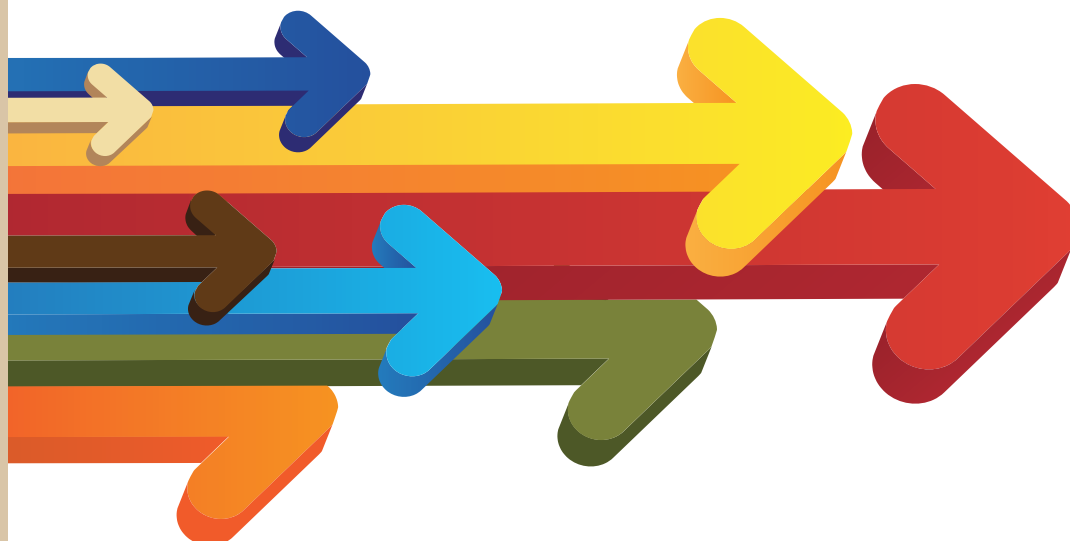
It is with great pleasure that I present the publication Applied Industrial Property - Reflections for Judges to the legal and business community. This work is the result of a partnership between the National Confederation of Industry (CNI) and the Federal Regional Court (TRF) of the 2nd Region, the Federal Regional School of Magistracy of the 2nd Region (Emarf), the National Institute for Industrial Property (INPI) and the Dannemann Siemsen Institute for Technical and Legal Studies (IDS).

The ultimate goal of this successful joint effort, which was made as part of CNI's Intellectual Property for Innovation in Industry Program, was to gather ideas on the subject. The idea is to make it possible for this knowledge to be used as a working tool that can be easily accessed and handled. The main beneficiaries of this publication will be those who, in disputes before the Judiciary involving the subjects addressed here, will apply the law to specific cases.

Considering the excellence of this work and the detailed descriptions it provides of relevant legal provisions on the matter, without losing sight of the objectivity that the subject requires, this publication will also be of great value to other legal professionals, as well as to entrepreneurs.

It is therefore the result of a true not-for-profit, public-private partnership intended to provide a reliable source of legal knowledge in the area of intellectual property for broad dissemination. In short, it is a rich and enjoyable read that will surely be useful to all those who deal with the subject or want to know more about it.

Robson Braga de Andrade
President of the National Confederation of Industry (CNI)



FOREWORD

A Word to Judges

Since the beginning of this project, I realized how important it would be to include a few words from a judge accustomed to dealing with disputes involving industrial property, especially for the benefit of those who never had any contact, or had little contact, with the subject.

This is a highly specialized area of law that involves unique principles and specific aspects that only the most watchful eyes can perceive.

I therefore tried to include here a few considerations on aspects that I consider important for a judge to make a sound decision on an industrial property dispute. These are just “tips” that are even superficial in some cases, but which can be useful for those who are not very familiar with the subject. I emphasize that there is no need to delve into these “tips” much deeper, as more detailed information can be found in this same publication, in the doctrine already available in the Brazilian literature, or in the jurisprudence of courts that deal with the subject more closely.

Let’s take a look at them.

Patents

Types

It should be noted that the Brazilian Industrial Property Law (hereinafter referred to as “IPL”) provides for different types of patents in both its permanent text (invention and utility model patents) and transitional text (pipeline and mailbox). You will be reading about them in this publication, but I want to make a few important observations here.

The last patents of the transitional text will fall into public domain in 2016 (or around that year, if the term of any of them is extended as a result of a court decision). Still, it’s worthwhile highlighting an aspect that sometimes goes unnoticed: the basis for drawing a distinction between permanent rules and transitional rules is the contrasting between abstract/concrete notions. The permanent text of a law provides for the facts and situations it was designed to address in abstract terms, while the transitional text provides, in concrete terms, for certain situations that will go extinct naturally as time goes by, and is therefore conditioned not only by temporal validity, but also and primarily by principles and norms contemplated in the permanent text that are applicable to it and complement it.

The preeminence of the permanent text means that the transitional text is to be interpreted in the exact measure of the principles and standards set out in the permanent text, in a true complementary relationship between them. This is so because, among other reasons, the transitional text does not provide for full regulation of the situations and facts contemplated therein, but only for a basis of concrete rules to be complemented by the abstract rules set out in the permanent text.

Novelty

The legal definition of novelty (article 11 of the Industrial Property Law - IPL) is superficial; it is thus up to the Judiciary to define its limits for all practical purposes.

What needs to be evaluated is whether an invention is different from everything that is known. How can one know whether a prior patent would prevent the granting of a new patent based on the principle of conflicting prior art?

What should be checked is whether there was an advance in ideas, an improvement in an existing technique, a solution to a hitherto unsolved problem.

Here is a little trick: the conflicting prior art mentioned above, based on which a product can be shown to already exist, must be contained in a single document. If two or more documents are necessary to confirm prior art conflict, the novelty requirement will have been met, as this would prove, at least in theory, that the invention in question is one by combination.

Note that an invention can consist of a unique combination of known elements, with a new result; an improvement in the way already solved technical problems can be solved; or the transposition of a previous invention to a different industry, with a different end result.

An analysis by a court expert is critical.

Inventive Step

In the analysis of inventive step, the subjectivity of this concept should be reduced to a minimum and the analysis should be based on facts.

This analysis is intended to assess whether or not the solution would be obvious to a technician skilled in the art. How can one know if the new solution is not evidently or obviously based on a technique that is already known?

Try and see if the invention was not obtained through research that added significant knowledge to the product.

Interestingly, the existence of novelty is already an indication of inventive activity as well, but only an indication and nothing more.

Also in this regard, an analysis carried out by a court expert is essential.

The expert should use a minimum analysis method, such as, for example, the one established by the European Patent Office, which identifies the previous document that is closest to the one under evaluation and, based on it, compares both documents in the light of the following aspects:

- a) Technical problem to be solved.
- b) Technical results or effects achieved by the claimed invention.
- c) Considering the state of the art, it is assessed whether a person skilled in the art could have come up with the claimed technical resource or not.

In other words: based on the chosen method of analysis, the expert must determine what the relevant technical problem is and the technical solution being proposed, that is, the difference between the solution being proposed through the claimed invention and relevant elements of the prior art.

Another aspect to be considered is that the parameter to be adopted in this analysis is that of *homo habilis*, i.e. of a technician skilled in the art, and not of

the expert charged with the analysis, who is usually endowed with above-average knowledge.

As Denis Borges Barbosa recalls:

when Albert Einstein examined patent applications filed with the Swiss Patent Office, he had to lower his genius to the level of a normal, but experienced technician in the field of physics. The Theory of Relativity that he was developing in his genius mind would not have been a reasonable legal filter for the contributions (which are usually limited) for which patents can be granted (2010, p. 81).

The expert must thus consider the claimed invention as a technician skilled in the art would, indicating how he would come up with the same technical solution based on his knowledge and on the state of the art.

Judicial investigation

Considering the importance of a judicial investigation for settling a dispute, designating an expert for this purpose is a particularly important task. But it's important to pay attention to the following: the expert should have technical expertise in the area to be evaluated and no expert without sufficient knowledge on the specific matter covered by the patent application should be designated to examine it.

Sometimes a simple official letter to the regional professional council of the area under discussion can clear doubts in relation to the appropriateness of the qualifications of an expert whose designation is being considered.

A poor expert's report subjects a judge - who as a rule does not have sufficient technical knowledge to do without expert evidence - to the so-called dictatorship of technical evidence.

In his sentence, a judge must make an independent, impartial and autonomous analysis. After all, it is up to him to decide on each case, not to the expert.

If the report is insufficient, the technical analysis made by the INPI naturally prevails, based on the distribution of burden of proof system, as administrative acts enjoy presumption of legitimacy and veracity and it is up to those who claim that they are null to prove that a patent is invalid.

Industrial design

For this type of registration, there is only one extremely important observation to be made: an application for industrial design registration is automatically granted by the INPI (article 106) without any technical examination.

A so-called substantive examination is only performed at the request of the respective holder at any time during its term (article 111). If the expert report issued by the INPI indicates that any requirement was not complied with, the court must start a procedure referred to as Administrative Nullity Procedure (in Portuguese, Processo Administrativo de Nulidade – PAN).

Thus, the existence of an industrial design registration - unlike patents and trademark registrations - does not create a presumption of validity of the respective administrative act of granting it, simply because this act did not examine the merits of the application and merely granted the requested registration automatically.

Trademarks

The legislator chose to provide a list, in Article 124 of the IPL, of everything that is not registrable as a trademark.

The paragraphs that give rise to most disputes are paragraphs V (trade name); VI (evocative brand name); XV/XVI (name, surname or nickname); and, mainly, XIX (conflict), which is the main source of discussions and disagreements.

Let me say a few words about examinations of conflicts between trademarks.

This analysis can and should be done in a technical way, avoiding the temptation to consult family and friends to define, based on undue statistics of one or two people, whether or not there is consumer confusion between trademarks. This rudimentary and simplistic way of addressing the issue is the least appropriate one and brings discredit to judges.

The technical approach to analyzing this issue is that of assessing three aspects: (i) whether the challenged mark reproduces or imitates a prior one by comparing the two in their graphic and aural aspect or, in the case of figurative or mixed marks, by comparing their figures and colors; (ii) if the conflicting market segments are the same or if there is affinity between them - if, for example, food products are being compared, it is important to remember that all of them are sold in supermarkets, although their classes may be different; and (iii) whether the consumer can be induced to error or confusion due to the similarity of the marks.

Procedural aspect

In the case of a nullity action involving a patent or a registration, the deadline for the defendant holder to respond is sixty (60) days (article 57, paragraph 1, in the case of a patent; c/c article 118, in the case of an industrial design; and article 175, paragraph 1, in the case of trademarks).

This approach is intended to standardize the deadline set for defendant legal entities or individuals under private law with the deadline set by the INPI, which is a federal quasi-government agency that has a four times as long deadline to challenge based on article 188 of the Code of Civil Procedure.

It should not be forgotten that special law derogates general law; in this case, the IPL derogates the Code of Civil Procedure in this regard.

Conclusion

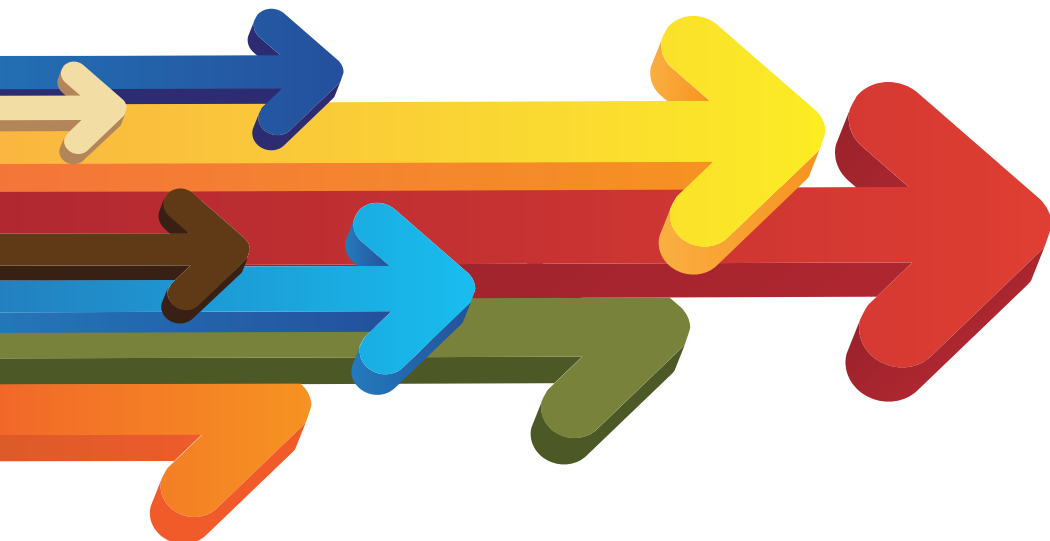
These were the words I wanted to leave our eminent colleagues with.

Disputes involving industrial property are usually extremely important for all

the stakeholders and they require a careful and detailed analysis, as in most cases they can define the paths of an enterprise.

Keep this in mind when deciding on such disputes.

Federal Judge Liliane Roriz
Director-General of the Federal Regional School for Magistrates
Federal Regional Court of the 2nd Region
(2011-2012 biennium)



INTRODUCTION

1

1.1 What is intellectual property?

The convention of the World Intellectual Property Organization (WIPO) defines intellectual property as follows:

All rights related to literary, artistic and scientific works, performances of performing artists, phonograms, and broadcasts, inventions in all fields of human endeavor, scientific discoveries, industrial designs, trademarks, service marks, and commercial names and designations, protection against unfair competition, and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic field (WIPO apud JUNGSMANN; BONETTI, 2010, p. 21).

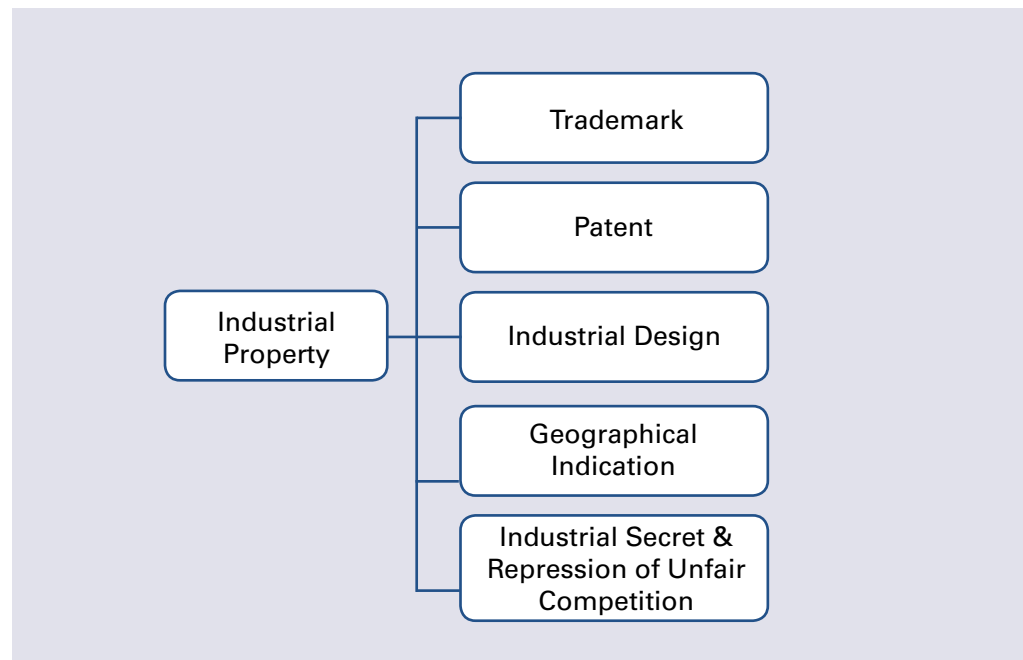
The legal system for protecting intellectual property in Brazil covers the fields shown in figure 1.

Figure 1 - Fields of Intellectual Property Protection.

| | | |
|-----------------------|------------------------|---|
| Intellectual property | Copyright | Author's Right Related Rights Software |
| | Industrial Property | Trademark Patent Industrial Design Geographical Indication Industrial Secret & Repression of Unfair Competition |
| | Sui Generis Protection | Integrated Circuit Topography Cultivar Traditional Knowledge |

Source: CNI

Thus, as a type of intellectual property, industrial property is the field of law designed to ensure legal protection to industrial inventions; utility models; industrial designs; trademarks (of a product, service of certification and collective marks); trade secrets and geographical indications.



Source: CNI

Figure 2 - Industrial Property Fields.

The conditions for securing these rights are listed in the Industrial Property Law (IPL), Law no. 9,279 of May 14, 1996. There are other legal provisions governing the matter, such as the Federal Constitution, international conventions and treaties ratified by Brazil, resolutions of the National Institute for Intellectual Property (INPI), administrative rulings and service orders.

The Industrial Property Law also defines crimes against industrial property in its title 15.

In relation to international agreements and treaties, special mention should be made of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which along with other treaties makes up the umbrella of the World Trade Organization (WTO), the Paris Convention for the Protection of Intellectual Property (CUP) and the Berne Convention.

1.2 What is its legal nature?

The legal nature of industrial property is linked to rights over intellectual creations, such as property rights, as it is based on the right to use, enjoy and dispose of property as well as to recover it from those who might hold it unfairly, as well explained in the Civil Code itself in its Article 1,228, which sets out the rights of owners (RIBEIRO, 2010).

The following are elements of the property right: the right to use property, such as the right of the owner to make use of it for his purposes; the right to enjoy property, such as the possibility of enjoying the proceeds derived from the object of the right; the right to dispose of property, which consists in the power to transfer, donate, sell, consume the property. Therefore, the characteristics of the property right are perfectly suited to the right to protect intellectual creations, and thus the following well-established denomination is correct: industrial property right (JUNGSMANN; BONETTI, 2010).

The argument above is supported by both the Federal Constitution (article 5, XXIX) and by the Industrial Property Law (Law no. 9,279/1996), which in its Article 6 provides as follows: "Article 6 - The author of an invention or of a utility model shall be afforded the right to obtain a patent to secure property rights on it, under the terms set out in this Law" (BRAZIL, 1996).

Finally, according to the doctrine, industrial property has the legal nature of a right in rem, meaning that a number of restrictions can be imposed on it, including those resulting from expropriation. According to this doctrinal understanding, possessory actions can be filed to protect it, as will be seen below.

1.3 Invention and Innovation

The IPL focuses on the term invention, but it doesn't define it by listing types of inventions that can be protected by patents (article 8); what is not considered as an invention (article 10) and what types of inventions are not patentable (article 18). However, many Brazilian and foreign specialists did this in their works, such as the French expert Allart, according to whom "an invention is a creation of the mind that is produced in the domain of industry and manifests itself in the obtaining of an industrial result" (apud CERQUEIRA 1946, p. 233).

Jungsmann and Bonetti define invention as "a conception derived from the creative capacity of human beings that represents a solution to a specific technical problem within a given area of technological knowledge" (2010, p. 28).

In his analysis of the role of entrepreneurship in markets, where he mentions that one of its characteristics is the ability to combine existing resources creatively, Joseph Schumpeter (2000) draws a distinction between "invention" and "innovation." According to him, "invention" is the discovery of new technical knowledge and its practical industrial application; while "innovation" is the introduction of a new technological process, product, source of resources and forms of industrial organization. Based on the distinction between these two concepts, one can identify the economic changes generated by innovation and who generated them.

Allart (apud CERQUEIRA, 1946, p. 233), in turn, draws a distinction between "invention" and "discovery." Since "invention" would be a human creation, a "discovery" is not derived from the inventive or creative spirit of a human being who acts, but rather from his speculative mind and capacity of observation. The examples of inventions he provided include the radar, the cell phone, drugs and the processes for obtaining them. The examples of discoveries provided include

a new comet in the sky, the Higgs boson that was recently identified by the European Organization for Nuclear Research (Conseil Européen pour la Recherche Nucléaire - CERN), a new plant or animal species in the Amazon forest and the laws of nature.

One must have a good understanding of these concepts, due to the economic effects that they can generate and to the decisions that can be taken because of them. These effects affect not only the parties involved in a possible dispute over industrial property, but they can be extremely important due to the impact they can generate for the end consumer of a product derived from an invention or innovation.

1.4 What is a patent?

In the wake of the legal nature of industrial property, a patent is a temporary property title granted by the state, based on the IPL, to those who invent new products or processes or make improvements therein for industrial application. Article 6 of the IPL defines the right-granting character of the issuing of a patent by making it clear that the latter secures inventors property of their invention, with all its accessory rights.

Its importance is crucial, as the granting of this exclusive right ensures its holder the possibility of enjoying a return on the investment made in developing new products and industrial processes. In other words, a patent confirms and ensures its holder the exclusive right to exploit a technology, while ensuring him the right to prevent third parties from exploiting it without his authorization. As a counterpart for allowing the public to have access to knowledge on key elements of an invention or model, the law grants the patent holder a time-bound right, assuming that the exchange of actual exclusivity (that of the secret of the technology) for a temporary exclusive right is more socially productive under such conditions (JUNGSMANN; BONETTI, 2010).

Nevertheless, erroneous recognition of the exclusive right ensured by a patent can be detrimental to the market and affect both its internal competition and the technological development process itself. This assurance of exclusivity for marketing an invention generates monopolistic effects in the market that are fully justified temporally due to the investments made by the creator - whether financial or physical investments or investments in human resources - to make the inventive leap of the creation possible. Therefore, erroneous recognition or non-recognition of a patent or its nullity can, on the one hand, benefit the so-called free riders - who take advantage of others' inventions - and, on the other, create a market monopoly that might not be justified due to the low degree of inventiveness of what was patented.

After all, the launching of new products and processes plays a major role in reshaping competition in both the domestic and the international market. It has short- to long-term effects for consumers, industry and the nation, particularly in relation to the creation and redistribution of economic well-being in our country, where the economy is expanding gradually (Hagedoorn, 1996).

A new idea can consume years or decades before it becomes a viable technology and can compete in the market - see the figure below. The business risk involved in developing a new product is therefore very high, but with a proper market analysis this risk can be well defined, justifying a decision to invest in a new idea or product (JUNGSMANN; BONETTI, 2010).

Figure 3 - Cycle of investment and profit of a product.

| PRODUCT DEVELOPMENT |
|---|
| Investment phase |
| Evaluation |
| Development |
| Pilot production |
| Semicommercial production |
| MARKETING AND LIFE CYCLE OF THE PRODUCT |
| Profitability phase |
| Introduction |
| Development |
| Pilot production |
| Pilot production |
| Semicommercial production |

Source: CNI

Only the patent holder can sell the patented product, apply the patented process or assign the right to exploit his or her intellectual asset for free or for a fee, either for good or temporarily. It should be noted that the granting of this right is territorial. It is only valid within the country in which the protection was granted, i.e. a patent granted in Brazil only guarantees to its holder the right to protection within Brazil (JUNGSMANN; BONETTI, 2010).

A patent is like a contract between the inventor (the patent holder) and society, under which he undertakes to make his invention public, being granted an exclusive right to exploit it commercially for a certain period in exchange for doing this. The patent is thus a protective factor that makes investment in scientific and technological research feasible.

In its classic formulation, a patent presumes the end of a secret by making a technology accessible to everyone. As a requirement for a patent to be granted, the state requires the technology to be described in such a way that a technician with average training in the area in question will be able to reproduce the invention.

1.5 Who can be a patent holder?

A company, other legal persons or an inventor (individual) can apply for a patent with the competent office in the country of interest. In Brazil, the institution in charge of granting patents is the National Institute for Industrial Property - INPI.

The IPL also provides that a patent may be applied for in the author's own name, by the heirs or successors of the author, by the assign or by whomever the law or the employment or services contract determines to be the owner (article 6, paragraph 2, of the IPL).

1.6 What can be patented?

The requirements applied to what can be patented are listed in article 8 of the Industrial Property Law, namely, any invention whose object is a new product or process, in all fields of technological application, provided that they meet the requirements listed in that article, i.e. (JUNGSMANN; BONETTI, 2010):

- **Novelty:**

- it must be beyond the state of the art;
- it must not be known and must not have been disclosed; and
- it must not exist in or be derived from nature;

- **Inventive step:**

it must not be obvious to one skilled in the art.

- **Industrial application:**
- it must be a product for consumption or a production process.

1.7 What types of patents are available?

Two types:

Invention patent

Refers to products or absolutely new and unique processes not derived from improvements in existing ones. Its maximum term is 20 years from the date of filing (JUNGSMANN; BONETTI, 2010).

According to the understanding above, an invention is a conception derived from the creative capacity of human beings that represents a solution to a specific technical problem within a given area of technological knowledge. It is protected by article 8 of the Industrial Property Law, which provides that "an invention is patentable if it satisfies the requirements of novelty, inventive step, and industrial application." (JUNGSMANN; BONETTI, 2010, p. 28).

Utility model patent

The Industrial Property Law defines a “utility model” as follows: “an object of practical use, or part thereof, is patentable as utility model if it is susceptible of industrial application, has a new form or arrangement, and involves an inventive act, that results in a functional improvement in its use or manufacture” (article 9 of the IPL (BRAZIL, 1996).

It refers to improvements in existing products that improve their use or facilitate their production process. Its term is up to 15 years from the date of filing of the application (JUNGSMANN; BONETTI, 2010).

Gama Cerqueira, in turn, observes that

utility models consist of objects that, without focusing on a particular technical effect (in which case they would constitute an invention), are simply intended to improve the use or usefulness of the objects in question by making their use more efficient and convenient through their arrangement or combination of their different parts or through a new mechanism or device, in other words, through a special or advantageous change in common objects (1946, p. 281).

Utility model is a term whose origin can be traced back to France, where a term was coined that gives an idea of what it is all about, namely, *petit brevet* (small patent).

According to Suthersanen (2006), the U.S. patent law does not provide for a similar object and sees it as “second tier” (second-use invention), because it is related to creations of a lower degree of inventiveness. This is due to the fact U.S. industrial policy is geared to promoting free and high competitiveness in innovation and product markets, which might not need this protection. The granting of patent rights for utility models - i.e. for these creations of little inventive appeal - could result in the disproportionate granting of an exclusive right, slowing down the flow of technological development, since only inventions and innovations of great inventive value would be eligible for the exclusive right guaranteed by a patent. However, in practice, the United States Patent and Trademark Office (USPTO) grants patents for inventions that could fall under the category of utility models provided for in the Brazilian legislation.

In England, Germany and Australia, in turn, the granting of patents for utility models led, from a historical perspective, to a reduction in the number of patent and industrial design registrations (Suthersanen, 2006).

Therefore, great responsibility is placed on the shoulders of judges, since the Brazilian law guarantees patent rights over utility models by considering the “inventive act that results in a functional improvement in its use or manufacture” (article 9 of the IPL) without jeopardizing the competitive and technological development of the domestic market, especially in a globalized world undergoing rapid change.

Figure 4: Example of a utility model.

Source: CNI

Finally, it should be emphasized that an invention or utility model that meets the key requirements set out in the IPL is not susceptible to registration, but rather to patent protection which, as mentioned before, is a title granted by the state (in this case, the INPI) to an applicant (individual or corporation) to ensure an exclusive right to use it throughout the Brazilian territory, so as to prevent any third party from registering or using it without authorization.

1.8 What is an industrial design?

Industrial designs can enjoy industrial property protection in relation to a design associated with the ornamental plastic form of an object or an ornamental arrangement of lines and colors which may be applied to a product, providing a new and original visual result to its external configuration. It can have three-dimensional features, such as the shape or surface of an object, or two-dimensional features, such as patterns, lines or colors. The design must be a model that can be reproduced by industrial means. In Brazil, the INPI is the agency that grants the registration, with a term of up to 25 years (BONETTI, 2010).

The term “industrial design” has been used synonymously with the term design. For enterprises, design usually includes the development of the functional and aesthetic features of a product, taking into account aspects such as marketing, production costs, ease of transportation, storage, repairing and recycling.

It is worth noting that industrial design, as an industrial property right category, refers only to the ornamental or aesthetic nature of a finished product. It refers to the external shape of a product and is distinct from the technical or functional aspects that it can provide, even if they imply innovations (JUNGSMANN; BONETTI, 2010).

Industrial designs are also present in the creation of packaging, containers and product presentation. These elements, along with the branding strategy of an enterprise, ensure major differentials by creating a desirable visual impact for product identification at the point of sale (JUNGSMANN; BONETTI, 2010).

With these preliminary observations, in the practical handbook entitled **Desenho Industrial: O que fazer? Por que fazer? Como fazer?**, published by Sebrae/RJ, Dannemann et. al. confirms that

industrial design registration protects the ornamental plastic form applied to a product, whether it is a three-dimensional object or a set of two-dimensional lines and colors, and it is necessary that its visual result is new and unique and that the ornamental product can be manufactured on an industrial scale (that it is not merely a work of art) (2008, p. 7).

National case law also had the opportunity to comment on the key requirements

for an industrial design registration to be granted - verbi gratia an excerpt from the abstract of a judgment of the First Specialized Panel of the Federal Regional Court handed down in connection with civil appeal no. 2005.51.01.500193-0, reported by acting federal judge Marcello Ferreira de Souza Granado, where it reads “an industrial design registration should provide an ornamental plastic form of an object that generates a new and original visual result in its external configuration that can be industrially manufactured” (BRAZIL, 2012, p. 135).

American case law (Schwinn Bicycle Co. versus Goodyear Tyres & Rubber Co. case), in turn, indicates that for a design to be protected, it must have an aesthetically pleasing appearance that is not dedicated to the function of the object and meet the requirements for patentability (i.e. absolute novelty and non-obviousness). Thus, the law should not protect new or original designs, but rather industrial designs that meet the two patentability criteria and lead their creator to get a patent to secure a higher level of protection; or, in other words, the law protects those that are actually innovative (SUTHERSUNEN, 2006).

1.9 What distinguishes an industrial design from an artistic design?

An industrial design refers to the design of a product of replicable manufacturing, while artistic design refers to an aesthetic expression that is not applicable for industrial purposes (JUNGSMANN; BONETTI, 2010, p. 44).

1.10 What is protected by industrial design?

Industrial design registration protects the external configuration of an object and not its functioning. This protection is valid only within the territorial limits of the granting country (principle of territoriality of the Paris Convention).

To protect an industrial design through a registration system, it is crucial for a company to keep the design strictly confidential before application. Therefore, if an issue involved in a dispute forces it to show the design to others before filing, it is extremely important that the written contract between the parties to the dispute includes confidentiality clauses clearly indicating that the design is confidential. Obviously, in cases where the disclosure of an industrial design involves an employment relationship, this relationship will also be appropriately checked by the judge (JUNGSMANN; BONETTI, 2010).

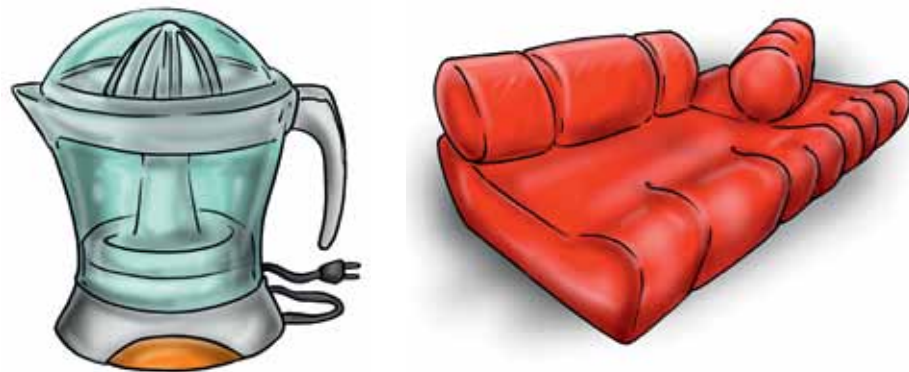
1.11 What can be registered as industrial design?

As a general rule, a design has to fulfill the following conditions to be registered:

Novelty.

Originality.

Industrial use or application.



Source: CNI

Figure 5: Examples of industrial design.

1.12 What is a trademark?

The TRIPS Agreement, promulgated by Decree no. 1,355 of December 30, 1994, provides a precise definition of trademarks in its article 15.1, namely:

any sign or combination of signs capable of distinguishing goods and services of an enterprise from those of another enterprise may constitute a trademark. These signs, particularly words, including personal names, letters, numerals, figurative elements and combinations of colors, as well as any combination of such signs, can be registered as trademarks (MOROCCO, 1994).

Barbosa compares trademarks to “magical names” - “they are so magical that U.S. companies see them as the most relevant of all types of industrial property protection” (1997, p. 265). The author illustrates this idea by mentioning that “64% of all companies consider [their] trademarks very important, against 43% that consider their trade secrets more important, 42% their patents, and 18% their copyrights” (1997, p. 265).

Thus, a trademark is a visually noticeable, distinctive sign that identifies and distinguishes products and services from other similar products and services from different sources. In Brazil, the registration of trademarks is regulated by the Industrial Property Law and the INPI is the institution in charge of granting it. Its term is 10 years, which can be extended indefinitely at the request of the holder for equal and successive periods. Importantly, the registration granted by the INPI is valid only in Brazil (JUNGSMANN; BONETTI, 2010).

Trademarks, which as such are legally protected, are identified by the symbol ®.

1.13 Who can be a holder of a trademark?

A trademark can only be requested by an individual or legal person engaged

in a legal and actual activity consistent with the product or service that the trademark is meant to distinguish.

After the certificate of registration is issued, the holder has the exclusive right to use the trademark nationwide and can prevent competitors from using similar signs that could confuse consumers. Unauthorized reproduction of a trademark can be prevented through lawsuits.

The owner of a trademark can authorize other people to use it free of charge or not under licensing agreements. The ownership of the registration or of the application can be transferred to another person. Such transfer must also be formally requested to the INPI.

The holders of a trademark cannot prevent marketers or distributors from using, along with the trademark of their product or service, their own trademarks in their promotion and marketing activities and they cannot prevent accessory manufacturers from using the trademark to indicate the destination of a product. In addition, they have no right to prevent the trademark from being mentioned in a speech, scientific or literary work or in any other publication, provided that this is done without any commercial connotation and without prejudice to its distinctive character (JUNGSMANN; BONETTI, 2010).

1.14 What can be registered as a trademark?

A trademark registration is intended to protect products and services. To be registered, a trademark must be distinctive, that is, it must be sufficiently different from others to distinguish - unambiguously - products or services from other similar ones.

One should remember that the registration of a trademark is intended to protect products and services derived from the activity of an enterprise. This limitation is meant to prevent trademarks from being registered by individuals and companies that only want to sell them, that is, that have no plans to use the trademarks in their professional activities.

In Brazil, the Industrial Property Law does not provide for protection of sound, smell, tactile, and gustatory trademarks and neither for trade dress.

With the advent of the Internet, domain names have become a very valuable asset for companies to be present in the digital world promoting and selling their products and services globally. Although they are usually associated with a brand made, domain names are not seen as trademarks and therefore cannot be registered with the INPI (JUNGSMANN; BONETTI, 2010).

1.15 And what are geographical indications?

It is the name given to a type of industrial property protection that refers to products from a specific geographic area (country, city, region or locality in their territory) that became known for possessing qualities or a reputation related to their extraction, production or manufacturing methods. It also refers to the provi-

sion of certain services (JUNGSMANN; BONETTI, 2010).

Ascensão teaches that “a geographical indication is characterized by the reputation, a certain quality or other characteristics of a product can be attributed to its geographical origin” (2009, p. 107).

Based on articles 176, 177 and 178 of the IPL, there are two types of geographical indications: indication of source and denomination of origin.

Those articles define these as follows:

Article 177 - An indication of source shall mean the geographic name of a country, city, region or locality in its territory, which has become known as a center of extraction, production or manufacture of a given product or of provision of a given service.

Article 178 - A denomination of origin shall be the geographical name of a country, city, region or locality in its territory, that designates a product or service whose qualities or characteristics are due exclusively or essentially to the geographical environment, including natural and human factors (BRAZIL, 1996).

Here are some examples of indications of source registered with the INPI under the category of indications of source or denominations of origin: Wine from Vale dos Vinhedos/state of Rio Grande do Sul, Golden Grass from Tocantins, Hand-Made “Minas” Cheese from Serro and Beef from the Pampa Gaúcho region.

1.16 Who can apply for a geographical indication?

The representative body of the community involved in the production of the good or provision of the service in question can apply for protection. When there is no such plurality of entities, a single producer or service provider operating in the region can apply for geographical indication directly (JUNGSMANN; BONETTI, 2010).

1.17 What can be protected by geographical indication?

Both the name of the geographical area and the product or service produced in it are eligible for protection under this type of industrial property right. Products protected by geographical indication can be identified by seals of origin on their packaging (JUNGSMANN; BONETTI, 2010).

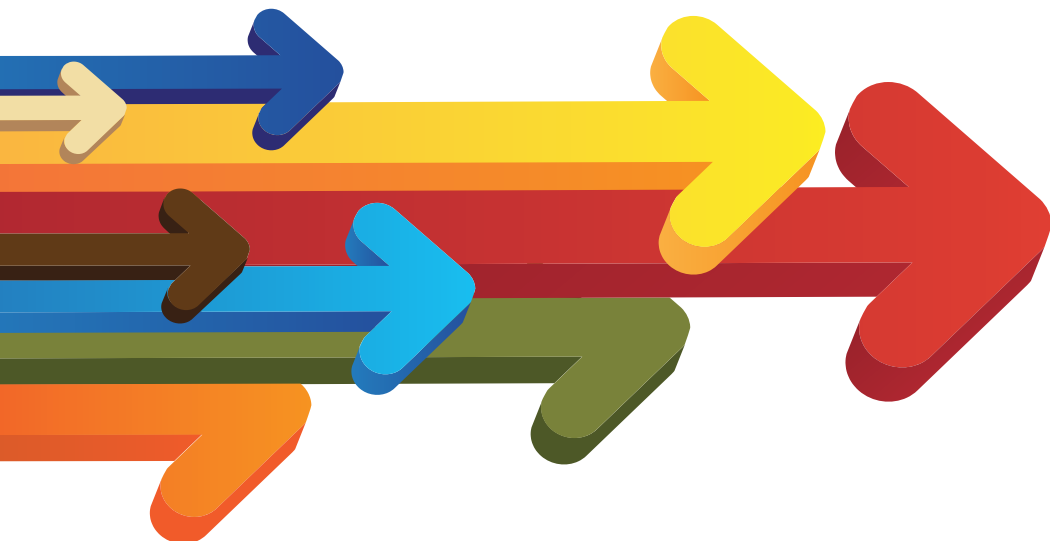
1.18 Notes

It should be noted that trademarks, industrial designs and geographical indications are protected by means of registrations granted by the INPI.

Another observation concerns the term “privilege.” Although the IPL does not use this term or its derivatives, they may be used in petitions and oral arguments of attorneys. This is due to the fact that under previous legislation established in the Industrial Property Codes of 1945, 1967, 1969 and 1971 the term “privilege” was often used. For example, the Code of 1945 (Decree-Law no. 7,903) uses these terms in articles 7, 8, 16, 17, 22, 23, 39, 40 and 64, among others. In this regard, Gama Cer-

queira explains that “in our legal terminology, an inventor’s right is referred to as privilege of invention; and an invention patent is the title that proves it” (1946, p. 220). These two expressions are not the same and have unique meanings: a privilege is the right of inventors to exercise their right over their inventions; while a patent is the legal title that is granted for exercising such right on such inventions.

By the way, it is also worth stressing that patent protection does not ensure, by itself, that an inventor will not face competition from other competitors who develop new inventions from that new patent legally or from others who violate the acquired patent rights and develop new products illegally to compete in the same market (GILBERT, 2006).



INVENTION PATENTS AND UTILITY MODELS

2

2.1 Advantages afforded by a patent

Protecting an invention or utility model by a patent is not mandatory, but it is highly advisable, given the multiple advantages it offers.

In the business world, works, knowledge, inventions, innovations and other expressions of human creativity are converted into private property and protected by law under the intellectual property system. As private property, they are marketed as immaterial goods referred to as intangible assets.

Disseminating the concepts and use of intellectual protection instruments is critical for businesses and individuals to ensure that their creations, inventions and artistic or literary works will provide a financial return when these assets are marketed (JUNGMANN; BONETTI, 2010).

Moreover, in the knowledge economy era, legally protected intellectual property has become an important asset for the competitiveness of companies wishing to optimize its value. However, to achieve this goal they should know how to plan their business strategy and how to protect their current and future products, thus creating value for their innovative capacity. This process is extremely important for the development of nations, as it:

- Increases the value of the financial effort and investment in human and intellectual capital for designing new products or processes.
- Ensures an exclusive right that allows a company to prevent third parties from producing, manufacturing, selling or exploiting for economic purposes the protected invention or models without the consent of the patent holder.
- Prevents others from protecting the same product or process or from using protected means or processes via patents.
- Allows the holder of an invention or utility model patent to indicate in the products that they are protected with the aim of deterring potential violations (using expressions such as “patented” or “patent no.” or the initials “Pat. no.,” “Utility Model no.” or “U.M. no.”).
- Prevents third parties from copying creations that acquire economic value. Protects results of research activities that always involve capital investment and need to have a financial return.
- Stimulates continued research funded by previous results.
- Protects and rewards inventors.
- Creates a wealth of technological information.
- Ensures the possibility of transferring the right or of granting exploitation licenses to third parties, either for free or for a fee.
- Promotes international trade.
- Stimulates new production methods.
- Increases productivity.

- Generates wealth.
- Improves quality of life.
- Stimulates creativity.
- Increases the possibilities of science and technology.
- Enriches the world of literature and of the arts.

2.2 The different types of inventions

According to the INPI, only two kinds of claims can be made: “product claims,” which refer to a physical entity, and “process claims,” which refer to any activity in which a material product is necessary for a process to be performed. The activity can be exerted on material products, energy and/or other processes, such as control processes.

Examples of “product claims” categories include: product, apparatus, object, article, equipment, machine, device, cooperating equipment system, compound, composition and kits; and examples of “process claims” include: process, use and method. For all purposes, process and method are synonymous.

The same application can make claims in one or more categories, provided that they are linked by the same inventive concept.

The first category of inventions is that of products. Gama Cerqueira notes that “a product is a material object, a physical item, determined by its characteristics” and recalls a little later that it can consist of “an instrument, an apparatus, a machine” (1952, p. 54).

This type of invention is contemplated in article 42 (I) of the IPL.

When the technology in question consists in using certain means to achieve a technical result through an action on nature, then we have the second category, which in this case is that of a process or means patent. Thus, the set of human actions or mechanical or chemical procedures that are necessary to achieve a result (heating, adding an acid, bringing a product down to absolute zero) can be the object of this second type of patent, as provided for in article 42 (II) of the IPL.

A process patent ensures exclusive use of protected means for producing the indicated result - but it does not ensure, necessarily, an exclusive right on the result, as long as it can be generated by another process.

It is noteworthy that in actions involving violations of process patents, the law provides for reversal of the burden of proof (Article 42, paragraph 2, of the IPL), i.e. the accused of infringement must prove that his product was obtained by a manufacturing process that is different than the one protected by the patent in question.

The third category is that of inventions consisting in combinations, which are protected

as a way of applying known means or processes, provided that the assembly or association of means that existed separately constitutes, undoubtedly, a new

way of applying them to achieve the same result or a different one (CERQUEIRA, 1952, p. 66).

Second use or new use inventions consist in obtaining a new way of employing the same product, this time in connection with an application for a purpose that is different from that for which the product was originally patented.

In the case of pharmaceutical products, some decisions of our courts of justice consider that second use may be patentable, provided that: (i) there is an already known substance; (ii) that this substance is already used for a certain purpose; and (iii) that a new use has been invented for the substance that is the object of the original invention, associated with new elements. Therefore, the presence of the requirements of novelty, inventive step and industrial applicability is possible in second use, as clarified by the vote of federal appeals judge Liliane Roriz, of the 2nd Specialized Panel of the Federal Regional Court of the 2nd Region, in connection with Civil Appeal no. 2005.51.01.507811 -1, which reads as follows:

Thus, in relation to the first evaluated aspect, I believe that it is not the case of simply considering the “second use” category as unpatentable, as it is not always derived from a simple, inevitable discovery of a new drug effect and it can have some novelty, even if the substance itself already incorporates the prior art and inventive activity, particularly because of the surprising and valuable effects of the new use (BRAZIL, 2009, p. 55).

Finally, a comment about the pipeline patents addressed in Article 230 of the Industrial Property Law is worthwhile.

Pipeline represented the recognition in Brazil of patents issued abroad for the time remaining for them to expire in their country of origin. In the aforementioned article 230, the IPL granted the holders of foreign patents and patent applications, whose patentability was forbidden under the previous legislation, the right to enjoy the same protection in Brazil even if the respective technology had already been disclosed and, therefore, no longer met the requirement of novelty. The granting of pipeline patents is an exception to the general rule applied to patents and it was a sort of “revalidation” of patent applications filed abroad.

It allowed those who filed a patent application in any of the member countries of treaties or conventions ratified by Brazil whose protection was forbidden under Law no. 5.772/1971 to apply for the same protection in Brazil based on article 230 of the IPL, provided that certain conditions were met, such as: (i) until the date of filing of the corresponding application in Brazil, the subject matter of the patent pending abroad had not been placed on any market at the initiative of the applicant; (ii) also until the date of filing of the application, Brazilian third parties had not made serious and effective preparations to exploit the invention in Brazil; and (iii) the Brazilian application was filed within 1 (one) year from the date of publication of the IPL. Thus, the holders of a patent abroad who met the requirements set out in the IPL could have a patent for the same invention granted in Brazil for the time remaining for it to expire in the country where the first application was filed up to a maximum period of time of 20 years, as provided for in article 40 of the IPL. This occurred from the first filing abroad.

2.3 Novelty and prior art

An invention meets the requirement of novelty when it is not comprised in the prior art (article 11 of the IPL).

The term prior art is defined in paragraph 1 of article 11, according to which it comprises everything disclosed to the public before the date of filing of a patent application by written or oral description, by use or by any other means, in Brazil or abroad, subject to the provisions of articles 12, 16 and 17, which will be analyzed later. One should note that, according to this definition, novelty must be absolute, i.e. to be patentable, an invention must be new in Brazil and abroad - in other words, it must not be comprised by the prior art in Brazil and abroad.

In her vote in connection with Civil Appeal no. 519509-7, federal appeals judge Liliane Roriz stated that prior art is a legal concept that establishes a legal fiction by determining, in objective terms, whether or not novelty is present, regardless of any subjective knowledge that the inventor might have of anything related to the prior art, thus privileging the principle of legal certainty. In the end, she stressed that if the legislator had established subjective criteria, it would be impossible to overcome legal uncertainty in relation to patentability requirements (BRAZIL, 2009b).

2.4 Inventive step

Once again, it is the IPL that defines, in its article 13, what inventive activity is, namely, "an invention is endowed with inventive step provided that, to a technician versed in the subject, it is not derived in an evident or obvious way from the state of the art" (BRAZIL, 1996).

A technician skilled in the art is a person with average knowledge on the subject and not a great expert or a renowned specialist (IDS, 2005, p. 34). According to Mangin (1974, p. 46), based on his interpretation of article 103 of the U.S. Patent Law, a technician skilled in the art or a professional in the field must:

- Have the general professional training required of all technicians.
- Possess a special technique in the field of industry in which he or she works.
- Know, in their closest generalities, techniques applied in fields of industry similar to theirs.
- Have acquired the skills and professional experience of a technician, who is not a novice in the field in which he or she works.
- Have the usual intellectual capacity of technicians in a particular field.

According to the definition adopted by the INPI, a "technician skilled in the art" is, for this purpose, not only an individual aware of the field of education related to the invention itself and its references, but one who also has general knowledge of the art at the time of filing. It is considered that this person had at his or her disposal the necessary means and capacity for routine work and experimentation, as usual in the technical field in question. There may be cases where it is

more appropriate to think in terms of a group of people, such as a production or research team. This may be particularly appropriate for certain advanced technologies, such as those used in computers and nanotechnology.

2.5 How does the IPL conceptualize industrial application?

In its article 15, the Industrial Property Law provides that “an invention and a utility model are considered susceptible of industrial application when they can be used or produced in any kind of industry” (BRAZIL, 1996).

This legal definition is based on article 1 (3) of the Paris Convention for the Protection of Industrial Property, according to which

industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to agricultural and extractive industries and to all manufactured or natural products, for example, wines, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour (FRANCE, 1883).

According to Cerqueira, industrial application applies “to various kinds of patentable inventions, i.e. to inventions of new products and new means, including processes, and to new applications and combinations of known means to achieve an industrial result” (1952, p. 104). Industrial application, he adds, “comprises all inventions that can be industrially exploited or that can be employed in this exploitation with the aim of producing a good or a result” (1952, p. 104).

2.6 What is not considered an invention or a utility model

In its article 10, the IPL lists what is not considered an invention or a utility model, namely:

- a) Discoveries, scientific theories and mathematical methods.
- b) Purely abstract conceptions.
- c) Commercial, accounting, financial, educational, advertising, raffling, and inspection schemes, plans, principles or methods.
- d) Literary, architectural, artistic and scientific works, or any aesthetic creation.
- e) Computer programs per se.
- f) Presentations of information.
- g) Rules of games.
- h) Surgical techniques and methods, as well as therapeutic or diagnostic methods, for application to human or animal body.

The whole or part of natural living beings and biological materials found in nature, even if isolated therefrom, including the genome or germoplasm of any natural living being, and natural biological processes.

Note: *“Despite the explicit exclusion of that which is isolated from nature, the process used for isolating it, if it fulfills the requirements for patentability, can be patented, since article 18 of the IPL, which deals with non-patentable inventions, does not exclude it from patent protection” (IDS, 2005, pp. 26-7).*

2.7 Unpatentable inventions and utility models

These are listed in article 18 of the IPL, as follows:

- a) Anything contrary to [accepted principles of] morals, standards of respectability and public security, order and health;
- b) Substances, materials, mixtures, elements or products of any kind, as well as the modification of their physical-chemical properties and the respective processes for obtainment or modification, when resulting from the transformation of the atomic nucleus; and
- c) All or part living beings, except transgenic microorganisms that satisfy the three requirements of patentability—novelty, inventive step and industrial application—provided for in Article 8 and which are not mere discoveries (BRAZIL, 1996).

In its sole paragraph, article 18 of the IPL states that

For the purposes of this Law, transgenic microorganisms are organisms, except for all or part of plants or animals, that express, by means of direct human intervention in their genetic composition, a characteristic normally not attainable by the species under natural conditions (BRAZIL, 1996).

2.8 What are the essential requirements for a patent to be granted for a utility model?

As seen above, three requirements are applied to inventions: (1) novelty; (2) inventive step; and (3) industrial application.

In addition, there are two essential conditions: descriptive sufficiency and clarity and accuracy of the claims, without which a patent cannot be granted (articles 24 and 25 of the IPL).

Utility models must also comply with these requirements. As with inventions, the novelty and industrial application requirements are essential for utility models, but the inventive step requirements applicable to inventions are not applied to them. In this case, the third requirement applied to utility models is that of inventive act.

The term “inventive act” is defined in article 14 of the IPL, according to which a utility model is regarded as involving an inventive act whenever, in the judgment of a technician skilled in the art, it is not commonly or vulgarly derived from the state of the art.

2.9 What is the difference between inventive step and inventive act?

As a precedent, the position of federal appeals judge Liliane Roriz is the following

inventive step consists in a set of human acts carried out in a sequence leading to an objectified result, while an inventive act is an intervention of human ingenuity with the intention of achieving a desired result, i.e. the objectified purpose is simpler, less sophisticated and less costly than in an invention (records of Civil Appeal no. 2006.51.01.530252-0, DJ. November 17, 2009, p. 93).

Another position is derived from what an “inventive step” would be. The IDS (2005) believes that this assumption (erfinderischer schritt = inventive step) has its roots in paragraph 4 of the German Patent Law in its wording of April 1, 1994, according to which innovation not commonly or usually derived from the state of the art is required for utility models; it embeds the notion that a utility model also requires a degree of inventiveness, but to a lesser degree than that required of an invention, in other words, an inventive act can be seen as a minor action of an inventive step.

2.10 What is the term of invention patents and utility model patents?

The terms of invention and utility model patents are set out in article 40 of the IPL, in verbis:

Article 40 – An invention patent shall remain in force for a period of 20 (twenty) years, and a utility model patent for a period of 15 (fifteen) years from the date of filing (BRAZIL, 1996).

Exceptionally, for holders not to be harmed by unreasonable delays in processing their application with the INPI, the sole paragraph of that article provides that “the term shall not be less than 10 (ten) years for an invention patent and 7 (seven) years for a utility model patent, beginning on the date of granting, unless the INPI has been prevented from examining the merits of the application by a proven pending judicial dispute or for reasons of force majeure” (BRAZIL, 1996).

2.11 Rights conferred by a patent

It bears repeating that article 6 of the IPL is quite clear when it provides that “it shall be assured to the author of an invention or a utility model the right to obtain a patent that guarantees his property, under the conditions established in this Law” (BRAZIL, 1996).

These include:

- a) **Property right:** article 6 of the IPL provides that “it shall be assured to the author of an invention or a utility model the right to obtain a patent that guarantees his property, under the conditions established in this Law.”
- b) **Right of exclusion:** according to article 42 of the IPL, a patent confers on its titleholder the right to prevent a third party from, without his consent,

producing, using, offering for sale, selling or importing for these purposes:
I) a product that is the object of the patent; and II) a process or a product directly obtained by a patented process.

The right of exclusion provided for in article 42 of the IPL also covers the right to prevent infringement by equivalence.

Considering this article and article 186 of the IPL jointly, one can see that the characterization of this type of violation is vague and could lead to disputes as to its scope and ways of determining equivalence. However, the infringement can be better perceived based on a decision of the 8th Private Law Chamber of the Court of Justice of the State of São Paulo (Appeal no. 994.09.338262-3, reported by appeals judge Caetano Lagrasta), namely:

Therefore, based on the conclusions of the expert examination, it can be seen that despite the claims of the plaintiff and of those that her design is different from that used by the defendants, there was counterfeit by equivalence, i.e. the plaintiff benefits from the essential feature of the technology that is the subject matter of protection and that was not considered in the prior art, i.e. the product of the plaintiff infringes the characteristic point of the independent claim of patent PI 9914639-8 of the defendant SEB S/A by equivalence, since the rounded edges of the tightening and/or support surfaces (blades) perform substantially the same function, substantially in the same way and produce substantially the same result as the element defined in the claim (BRAZIL, 2010a).

It is worth remembering that the mere filing of a patent application does not ensure exclusivity, or even the precariousness of the right of a holder and the peculiarities of the patent system, as indicated by case law of Brazilian courts:

CIVIL PROCEDURE. BILL OF REVIEW BROUGHT AGAINST FINAL DECISION. INDUSTRIAL PROPERTY. LAW 9,279/96. FILING OF PATENT APPLICATION. MERE EXPECTATION OF RIGHT. 1. The mere filing of a patent application with the competent office does not ensure, immediately, rights to a patent, including an exclusivity right. Precedent of this Civil Chamber. 2. Only after a patent is actually granted by the IPNI can an applicant exercise rights related to industrial protection, including the right to claim indemnity from third parties that unduly exploited his or her invention. By unanimous vote, the bill of review has been denied (BRAZIL, 2010c)

TRADEMARKS AND PATENTS - ABSTENTION OF USE OF COUNTERFEIT PRODUCT - CAUSE OF ACTION FOUNDED ON PATENT REGISTRATION WITH THE INPI - Mere expectation of right that does not allow a party to prevent others from exploiting a similar product - Decision upheld, Appeal denied." (BRAZIL, 2010d)

INDUSTRIAL PROPERTY. UTILITY MODEL. APPLICATION FOR REGISTRATION WITH THE INPI. Simple expectation of a right, the appellant has no right to protection in relation to the defendant. Precedents of this Court. Absence of the requirement of new form set forth in articles 9 and 11 of Law no. 9,279/96. Inadmissibility of the case upheld. APPEAL DENIED (BRAZIL, 2011).

- a) **Right to indemnity:** article 44 of the IPL provides that "the patent holder is assured the right to obtain indemnification for improper exploitation of the

object of his patent, including that which occurs between the date of publication of the application and the date of granting of the patent" (BRAZIL, 1996).

b) **Criteria for compensation:** article 210 of the IPL provides that

losses of profits shall be determined using the most favorable criterion to the aggrieved party, among the following: a) the benefits that the aggrieved party would have made if the violation had not occurred, b) the benefits made by the perpetrator of the violation of the right, or c) the remuneration that the perpetrator of the violation would have paid to the titleholder of the violated right throughout the granting of a license that would have allowed him to lawfully exploit the property (BRAZIL, 1996).

c) **Scope of patent protection:** article 41 of the IPL provides that "the scope of the protection conferred by the patent shall be determined by the content of the claims, and interpreted on the basis of the specifications and drawings" (BRAZIL, 1996).

d) **Crimes against patents:** these are characterized in articles 183-186 of the IPL.

e) **Exceptions to patent rights:** these are listed in article 43 of the IPL, namely:

"I - acts carried out by unauthorized third parties, privately and without commercial purposes, provided that these acts do not prejudice the economic interests of the patent holder (private exploitation), II - "acts carried out by unauthorized third parties for experimental purposes, in connection with scientific or technological studies or research" (tests and experiments), III - "preparation of a medicine in accordance with a medical prescription for individual cases, carried out by a qualified professional, as well as to the medicine so prepared" (compounding pharmacies), IV - "a product manufactured in accordance with a process or product patent that has been introduced onto the domestic market directly by the patent holder or with his consent" (exhaustion of rights), V - "third parties who, in the case of patents related to living material, use the patented product, without economic intent, as an initial source of variation or propagation to obtain other products" (experimental use), VI - "third parties who, in case of patents related to living material, use, place in circulation, or market a patented product that has been legally introduced into commerce by the patent holder or the holder of a license, provided that the patented product is not used for commercial multiplication or propagation of the living material in question" (exhaustion of rights) and VII - "acts done by unauthorized third parties related to an invention protected by patent for the sole purpose of producing information, data and results of tests, with the aim of obtaining a registration for marketing a product that is the subject matter of a patent after the expiration of the terms set out in article 40 of the IPL" (BRAZIL, 1996).

2.12 How should the claims of a patent be interpreted?

Claims are the part of a patent application exclusively set apart for describing the technical characteristics of an invention for which a patent is being requested and which the applicant wishes to protect. These characteristics are related to the technical features that constitute an invention, to how they are combined in the physical, chemical or biological structure of an invention, and to industrial processes and methods to obtain it. Claims differentiate the techniques that are regarded as constituting novelty from those under public domain. They must be clear, concise and written without interruptions by periods, and they must not leave room for indetermination or generalization.

It's based on the claims section that the interpreter determines the scope of the patent, either to indicate an alleged infringement or the validity of the patent in relation to the prior art. In case of doubt in the interpretation of the text of the claims, the interpreter checks the content of the specification and the drawings included in a patent application or in a patent under consideration, according to article 41 of the IPL, to have appropriate criteria and parameters to interpret the claims correctly. Another factor that must be considered in interpreting the scope of a claim is the argumentation used by an applicant/patent holder during the examination of his application or in any procedure to challenge the validity of his patent.

Even though the claims must be interpreted based on the specification and drawings, this doesn't mean that the text of the claims should be disregarded on the basis of information contained in other parts of the patent or that a "basic inventive concept" should be sought without sticking to the text of the claims. It means that the report and the drawings can aid in the interpretation of the terms of the claims, which, when interpreted in this way, determine the scope of protection ensured by the patent. Only under very specific circumstances should the "partial infringement" concept be applied and any of the characteristics of an independent claim disregarded in the process of determining whether there was an infringement or not.

For interpreting claims, attention must also be paid to the provisions of article 186 of the IPL, which deals with crimes against industrial property, as a crime is not to be dismissed based on the fact that a violation does not involve all the claims in a patent or is restricted to the use of means that are equivalent to those of the subject matter of the patent. The provisions of article 42 of the IPL must also be considered in assessing the extent of protection guaranteed by the claims of a patent.

2.13 Is it possible to change the claims section of a patent?

The prevailing understanding is that when changes are made in the claims sections in response to a requirement from the INPI or as an attempt by the applicant to make his or her application patentable, the provisions of article 36 of the IPL apply. According to this article, changes may be made in the claims section provided that their purpose is to comply with possible requirements from the INPI, meaning that they cannot exceed the scope of the subject matter initially

disclosed in the specification. In this regard, it is worth mentioning an excerpt of the vote of federal appeals judge Liliane Roriz in connection with Civil Appeal no. 2005.51.01.507811-1:

When changes are made in response to a requirement from the INPI or as an attempt by the applicant to make his or her application patentable, the provisions of article 36 of the IPL apply:

[...]

Mention should also be made of ACP no. 2003.510513584, which was judged by the 35th Federal Court, according to which an applicant for a patent can change an original claims section of a patent application provided that the change does not exceeded the scope of what was initially disclosed in the specification (BRAZIL, 2009e, p. 55).

2.14 What characterizes the infringement of a patent?

Article 42 of the Industrial Property Law ensures patent holders the right to prevent others from making, using, offering for sale, selling or importing, without their consent: (i) a product that is the object of the patent; or (ii) a process or a product directly obtained by a patented process.

On the other hand, there is a concept called infringement by equivalence (or direct infringement) according to which even if a feature or an element of a product or process used by an unauthorized third party does not literally correspond to the terms of a given patent claim, infringement can still occur if this feature or element can be regarded as technically equivalent to a feature or element of the claim.

There is also the concept of infringement by contribution (or indirect infringement), which includes any act that, in the opinion of a judge, contributed to the infringement of a patent either materially or subjectively. This infringement is expressly provided for in article 42, paragraph 1, and article 185 of the IPL.

In addition, the Industrial Property Law provides for possible crimes against patents that can be fought by means of private criminal lawsuits and which are typified in articles 183-186. Crimes against patents can be characterized even if the violation in question did not include all the claims of a patent or is restricted to the use of means equivalent to those of the subject matter of the patent.

It is important to highlight the intent of the legislation to curb patent infringement for economic purposes, regardless of the type of benefit enjoyed. Thus, the simple existence of the object of the infringement, even if it is not being used, but which was purchased from anyone who is not the patent holder or his or her licensee, is enough to characterize the infringement.

2.15 Prohibitory injunctive relief

The main procedural weapon to fight patent infringement is the prohibitory injunctive relief (*tutela inibitória* in Portuguese), which does not require damages in order to be granted. Thus, its cognitive field excludes questions about the subjective element, i.e., about the fault. The prohibitory injunctive relief is essentially preventive, always directed toward the future and is aimed at preventing the commission, repetition or continuation of an offence.

With the advent of interim relief and specific types of relief involving the obligation to act, refrain from acting and deliver something (articles 273, 461 and 461 of the Code of Civil Procedure), the procedural system acquired mechanisms of extreme practical and procedural efficacy. The Industrial Property Law added to the procedural framework a provision on prohibitory injunctive relief and immediate removal of the effects of the offence (interim relief), specifically for industrial property, as provided for in article 209, paragraphs 1 and 2, which is discussed below.

Until the enactment of Law no. 10.444/2002, which amended paragraph 3 of article 273 of the Code of Civil Procedure and added two paragraphs to that article (paragraph 6 and paragraph 7), much was discussed about the nature of the types of relief provided for in the two paragraphs of article 209 of the IPL.

This differentiation, however, has always been less important, thus summarizing a conceptual concern. The emergency relief provided for in article 209, paragraphs 1 and 2 of the Industrial Property Law can currently be defined as prohibitory injunctive relief and injunction to seize the object(s) of the offence. These types of injunctions will be either a preventive relief or an interim relief, depending on the specific case. The Superior Court of Justice has established a precedent on the matter:

The granting of a request for injunctive relief for the infringement of patent regularly issued by the INPI (the Brazilian Patent Trademark Office), or an act that occasions it, in order to avoid irreparable damage or damage that is difficult to repair, is conditional upon the presence of the requirements provided for in the Code of Civil Procedure for ordering a provisional measure or for anticipating the effects of the equitable relief, as applicable, since Law 9,279/96, article 209, paragraph 1, only guarantees the material right of the injured party to preliminary suspension of the damaging act (BRAZIL, 2005, p. 3030).

If the request for preliminary injunction is a part of the claim on the merits of the case, an interim relief will be granted. In the event of a rights protection measure, a preventive relief will be granted. Nevertheless, interim and preventive reliefs are fully fungible (under paragraph 7, article 273 of the Code of Civil Procedure), which is why if an interim relief is mistakenly requested en lieu of a preventive relief or vice versa, the emergency relief appropriate to the specific situation should be granted. The plaintiff will also be entitled to preventive relief against the commission, repetition or continuation of the offence.

In addition, the Industrial Property Law clearly provides for the acquisition of industrial property rights; for what these rights are; and even for conducts that

infringe these rights. Thus, the identification of one of the prohibitive conducts contained in said legal provisions will characterize the offence, which will be prohibited or have its effects immediately removed, including and especially by the granting of emergency relief.

Prohibitory injunctive relief and the injunction to immediately remove the effects of an offence already committed are not based on damages. Their target is the offence. The damage is essential for the obligation to indemnify, but not to characterize the offence. If the offence is independent of damage, there must be a relief against the offence itself. It is from this perspective that the measures contained in article 209, paragraphs 1 and 2 of the Industrial Property Law should be considered, analyzed and enforced in a systematic manner with the provisions of articles 273 and 461 of the Code of Civil Procedure. They protect industrial property rights and ensure protection against acts of unfair competition, requiring no proof of damage or even specific damage.

In this context, the “justifiable fear of inefficacy of the final decision” contained in paragraph 3 of article 461 of the Code of Civil Procedure, and the “irreparable damage or damage that is difficult to repair” established in article 209, paragraph 1, of the IPL refer inevitably to the justifiable fear that the offence could be committed or continued.

The commission of the offence is the very inefficacy of the final preventive decision. Since the prohibitory injunctive relief, particularly in the case of industrial property, is linked to preventive relief, the impossibility of being preventive constitutes the very irreparable damage or damage that is difficult to repair, should we be speaking of damage.

On the topic, according to Pereira

Industrial property is inextricably linked to preventive relief. In this context, given the close link between industrial property and preventive relief, the ‘justifiable fear’ contained in the provision refers to the justifiable fear that the offence could be committed or repeated. The commission or repetition of the offence is the very inefficacy of the final preventive decision. [...] It must be recognized, however, that the lack of familiarity with the distinction between offence and damage leads to the doctrine, which purports to indicate the outlines of what this justifiable fear would be, relate it to the occurrence of damage [...]. Well, if the provision of article 273 of the CPC is to be understood as an ancillary discipline on behalf of a general system of emergency relief, the “justifiable fear of irreparable damage or damage that is difficult to repair”, this irreparable damage or damage that is difficult to repair will be the occurrence of the offence. By the same token, since the prohibitory relief, especially in relation to industrial property, is linked to preventive relief, the impossibility of ‘being preventative’ constitutes the very irreparable damage or damage that is difficult to repair (2006, p. 184-185).

Therefore, the plaintiff in an injunctive relief action related to industrial property rights does not need to allege that the infringement will cause huge losses in order to meet the requirement of justifiable fear. It is enough that the offence is about to occur (or will occur again or is occurring). Hence the justifiable fear.

The occurrence of damage can serve as a mere reinforcing argument.

Nor can it be argued that the losses caused to the plaintiff can be converted into damages. The indemnity claim is insufficient and inadequate. Industrial property in fact has no relationship whatsoever with indemnity relief. The insufficiency of an indemnity relief under the Industrial Law stems from some basic arguments. First, because the insufficiency of the damage will be recurrent, since an economic benefit derived directly from the offence will always exist in favor of the offender, corresponding to a decrease experienced by the owner of the infringed right. The offense leads to the offender's illicit enrichment at the expense of someone else's property, and this enrichment, in order to be considered illicit does not depend on the characterization of damage in exact accordance with article 884 of the Civil Code.

Those who infringe trademarks or commit acts of unfair competition for a long period of time – such as, for example, free riders - add a type of value to the products and to the company itself, that is difficult to be undone in the indemnity relief. It must also be recognized that the admission of indemnity relief in the case of non-patrimonial rights is the same as accepting, for example, that patent misuse is authorized by means of subsequent payment. Thus, as interpreted by the 6th Civil Chamber of the Court of Justice of the State of São Paulo, Civil Appeal 588003582, given the nature of the infringed right the loss is embedded in the offense itself. When someone uses another's property for their own benefit they are causing damage to the owner's assets by the mere fact of depriving him of extracting from said assets the economic gains they can provide. And this applies to the ownership of both tangible and intangible property.

The prolonged use by the offender creates among consumers a link between the spurious and the legitimate trademark, or even between the establishments of origin of one and the other. Obviously, this situation would take at least the same amount of time and major expenditures in advertising to be reversed. The same applies to the unauthorized sale by third parties of patented products at low prices because it disregards investments in research and development. These would be clear examples of the alleged "inefficacy of the final decision" and of the irreparable damage caused by a loss of clientele that would be extremely difficult to reverse and virtually impossible to be demonstrated.

Proof of damage in lawsuits for damages deserves, however, special mention. This proof, which is often difficult in cases of infringement of rights related to industrial property, is particularly thorny when it comes to the infringement of trademark registrations, and therefore judges cannot be too severe when demanding it" (Cerqueira, 1982, p. 1129-1131).

In fact, what should be understood from these positions is the translation of the need for preventive relief of industrial property into the field of emergency relief, as already mentioned.

The country's courts have promoted the understanding that the mere violation of industrial property rights generates the duty to compensate, regardless of proof of damage. As noted, according to this understanding the damage is embedded in the very occurrence of the offence, which allows us to state that in

the case of industrial property rights, the damage is, in practice, mistaken for the occurrence of the offence. Thus, once the offence is determined, the duty to compensate is seen as a consequence of the right.

Under the doctrine of Goyanes (2007), it should be highlight that article 209, which invokes the provision authorizing material remedy in the event of any act of infringement of industrial property rights, actually restricts proof of damage to the mere characterization of the occurrence of forgery.

Insisting on the sources provided by the Industrial Property Law for the intended purpose, the wording of article 210 establishes comprehensive criteria for determining compensations for lost profits, making it clear that in any event the manufacture and sale of counterfeit goods cause losses. The analysis of the aforementioned provisions shows that legislator focused his concern solely and exclusively on the criteria for determining compensations and not on the requirements for the suitability or unsuitability of the compensation.

Goyanes' understanding finds support in the jurisprudence of the Superior Court of Justice, which very appropriately identifies the 'vulgarization' of the original product by its counterfeit and the damage caused to the business reputation of the owner of an industrial property right as the main reasons for the counterfeiting to cause, by itself, a damage susceptible of compensation, regardless of proof of damage:

There is no doubt, in the Doctrine and Jurisprudence (REsp^{1TN} n°. 30.582/SP, Rap. Justice Sálvio de Figueiredo Teixeira, Fourth Panel, Justice Gazette of 08/14/1995) that material damages are payable only if actually proven in the course of cognitive proceedings. The question here is different, and is related to the identification, in cases of trademark counterfeiting, of sufficient elements to prove the existence of material damages. The thesis, to this day sustained by this Court, is that material damages in such cases are contingent upon proof of sale of the counterfeit product, since this sale, albeit in low volumes, is the element able to generate financial damages to the owner of the trademark. Along this line, mention should be made of the following precedents: REsp n°. 101.059/RJ, Rap. Justice Ruy Rosado de Aguiar, Fourth Panel, Justice Gazette of 04/07/1997; REsp no. 115.088/RJ, Rap. Justice Eduardo Ribeiro, Third Panel, Justice Gazette of 08/07/2000; REsp. n°. 101.118/PR, Rap. Justice Sálvio de Figueiredo Teixeira, Fourth Panel, Justice Gazette of 09/11/2000; and REsp n°. 316.275/PR, Rap. Justice Ruy Rosado de Aguiar, Fourth Panel, Justice Gazette of 11/12/2001. This understanding, however, deserves an interpretative evolution in view of the current social context, for two reasons. First, because of the widely known huge extent of counterfeiting in our country, especially in the market segment under analysis (leather goods). This unjust and pernicious factual situation cannot be ignored by the Judiciary, at the risk of failing to achieve in this field the desired social peace represented by ethics and fair competition that should guide business practices. Second, because article 209 of Law n°. 9,279/96, on clear exegesis, does not condition the reparation of material damage upon proof of sale of the products manufactured, verbatim: "The injured party is guaranteed the right to recover damages

^{1TN} Translator's note - Appeal to the Superior Court of Justice.

in compensation for losses caused by acts of infringement of industrial property rights and acts of unfair competition not provided for in this Law, intended to harm the reputation or business of others, create confusion among commercial or industrial establishments or service providers, or among the goods and services placed on the market.” The provision authorizes material reparation in case of act of infringement of industrial property rights, which, in this lawsuit, is a fact duly evidenced by the seizure of counterfeit handbags. Therefore, the compensation for material damages is not based on the ‘sale of the counterfeit product’, but on the ‘vulgarization of the product and the harm to the business reputation of the trademark owner’, caused by the practice of counterfeiting. In fact, those who would be willing to buy, for a considerable amount of money, an exclusive product developed by the owner of the trademark in consideration of various standards of quality, durability and safety, would no longer do it if such a product were vulgarized through widespread counterfeiting. Thus, it is concluded that the falsification, by itself, substantially reduces the revenue to be earned from the sale of the product distinguished by the trademark, which authorizes, as a result, compensation for material damages (REsp 466.761/RJ, Justice Nancy Andri ghi, RSTJ v. 185, p. 380).

The recognition of this idiosyncrasy of industrial property rights by the country’s courts is extremely relevant in view of the great difficulty to effectively assess the damages resulting from the infringement of trademarks or patents, for example.

That said, it follows easily that, if for the purpose of claiming compensation, the damage is admitted as mistaken for the occurrence of the offence, it shall be considered as such also for granting emergency relief in industrial property. Except that this understanding only serves to corroborate the peculiarity of industrial property rights, which closely links it to the prohibitory relief of the offence, regardless of the discussion about the occurrence of damages. The argument seeks to demonstrate that the protection of industrial property rights requires prohibitory relief in order to be effective.

Article 209, paragraph 1, of the Industrial Property Law expressly authorizes the judge to grant a preliminary injunction even before the summons of the respondent, with the aim to stop the violation or act that entails it. Emergency relief aims to prevent the continuity of the violation while the judgment of the action for compensation is pending which, in practice, will always be cumulated with the merit of the claim for specific relief involving the obligation to refrain from doing (prohibitory injunctive relief). The continuing violation could lead to the impossibility of the plaintiff to be compensated in the future, given the possibility that the lawsuit could take too long to resolve, increasing even further the respondent’s debt and compromising the effectiveness of the relief, especially considering that the protection of industrial property is geared to prevent the occurrence of the offence, and the action for compensation is merely an inaccurate restoration of the inevitable damage experienced until the date of the effective prohibition of the offence/removal of the effects of the offence.

In turn, article 209, paragraph 2, of the Industrial Property Law provides that in cases of reproduction or flagrant imitation of a trademark, the court may order

the seizure of all goods, products, objects, packages, labels, etc. containing the counterfeit or imitated trademark.

In fact, reliefs under article 209 are intended to curb the continued commission of the offence while the action for compensation is pending. This concept has clearly been taken from article 461 of the Code of Civil Procedure (introduced by Law no. 8,052 of December 13, 1994), which provides for obligations.

The aforementioned legal text makes it clear that the judge shall determine measures to ensure the practical result corresponding to the due performance of the obligation to do or refrain from doing, including on a provisional basis, if there is justified fear of inefficacy of the final decision (paragraph 3), including by imposing a daily fine for due fulfillment of the relief (paragraph 4). Moreover, the judge may also, ex officio or upon request, determine the measures necessary for executing the specific relief, such as search and seizure, removal of persons and things, undoing of works, prohibition of harmful activity, besides requesting police action (paragraph 5).

The entry into force of Law no. 10.444/2002 led to the interplay of articles 273, 461 and 461-A of the Code of Civil Procedure. The same scheme is followed by lawsuits aimed at compelling the respondent to comply with the obligation to do and refrain from doing and to deliver something, with the possibility of interim relief in all cases. The judge, who is endowed with significant powers (article 461, paragraphs 5 and 6) may grant the injunction so that for the respondent it may seem more appropriate to fulfill the obligation spontaneously than being subjected to acts of people and things, e.g., search and seizure of property, removal of people and things, undoing of works, prohibition of harmful activity.

Although the established rules are virtually identical, it must be recalled that article 461 of the Law of Rites is specific for actions aimed at the fulfillment of an obligation to do or refrain from doing and to deliver something, while article 209 of Law no. 9,279/1996 provides for actions of compensation within the scope of industrial property, and nothing hinders the accumulation of claims based on the two legal provisions.

It should also be emphasized that article 209, paragraph 1, of the Industrial Property Law does not require proof of “verisimilitude,” but only of irreparable damage or damage that is difficult to repair, and paragraph 2 is silent as to the requirements for granting search and seizure. However, the interpretation must be in line with articles 273 and 461 of the Code of Civil Procedure.

Generally, the granting of emergency relief presupposes (i) the relevant basis of right able to prevail in the judgment of probability and verisimilitude, in the case of judicial cognizance; and (ii) the danger (emergency) able to prevail in the judgment of consideration of the greater evil, and the judge should determine, given the values of the conflicting rights and circumstances of the specific case, whether the protection of copyright is justifiable by imposing the risk of loss on the respondent.

As seen above, the requirement of emergency (danger) should be understood in line with Didier’s statement that “protection is urgent when facing a factual

situation of risk or hindrance to the effectiveness of the right” (2007, p. 502).

The mere fact that a right is being infringed and that this persistent infringement entails losses to its holder or to the effectiveness of judicial protection is sufficient to merit a request for emergency relief which, it must be noted, should be analyzed based on the judgment of consideration of the greater evil.

The ill-considered refusal of a request for emergency relief means attributing to the plaintiff alone the burden of the time of the investigative proceeding. What judges often fail to understand is that the refusal of emergency relief, or the establishment of ordinarieness, automatically entails granting the respondent an inverse benefit of the same nature. Hence the clear need to consider the potential risks for the parties in each case.

Indeed, the two types of relief under article 209 aim exactly at preventing the continuity of the act of infringement until the trial of the merits of the action for compensation, and at seizing, on a provisional basis, goods unlawfully containing a trademark that has been reproduced or imitated from the property of others.

The aim is to protect industrial property rights or copyrights, with no requirement to demonstrate the probability of the damage, but only the determination of the danger of committing an act that is probably contrary to Law.

Thus, nothing prevents the plaintiff from seeking, in addition to compensation for damages caused by the violation of intellectual property rights and acts of unfair competition, an injunction to stop the unlawful acts that the respondent has been committing.

The Industrial Property law itself provides the opportunity for adequate relief of the rights it protects, by providing in article 207 that “independently of the criminal action, the aggrieved party may bring any civil suits he considers as appropriate pursuant to the Civil Procedure Code” (BRAZIL, 1996).

The anticipation of prohibitory relief is essential. Prohibitory relief without the possibility of preliminary injunction is a relatively enhanced sanction. It is common ground in our higher courts the importance of interim relief, which does not seek to directly hinder the maintenance of the offender’s activity, but only to inhibit the persistence of counterfeiting. See, for example, a recent decision of the Superior Court of Justice (STJ):

- a) Interim relief, as provided for in article 273 of the Code of Civil Procedure, is a relevant set of instruments available to the judge so that, in the presence of unequivocal evidence and likelihood of claims, he can, at his discretion, provide timely and adequate legal remedy that effectively grants relief to the protected legal interest, thus reducing, albeit temporarily, the practical effects of the definitive measures.
- b) The contested decision expressly recognized that “a first analysis of the packaging of the soaps sold by the parties shows the existence of great similarity in the visual appearance of the products, which has undeniable potential to lead to confusion, inducing consumers to buy one instead of the other”, and therefore it has limited itself to demand that the respondent change the packaging

of its new line of soaps within 90 days. Moreover, the injunction, of a provisional nature, does not protect the trademark, but rather stops possible unfair competition, thus preventing the possible misuse of elements making up the overall image of the products, which the doctrine calls “Trade Dress.”

- c) Thus, since article 209, paragraph 1, of Law 9,279/96 expressly provides for the possibility of the judge, in cases of infringement of intellectual property rights or acts of unfair competition, “in the court records, to prevent irreparable damage or damage that is difficult to repair by determining provisionally the cessation of the infringement or act giving rise to the infringement,” the revision of the contested decision faces an insurmountable obstacle in Binding Precedent 7/STJ (Special Appeal no. 1306690/SP (2011/0245390-4), reported by Justice Luis Felipe Salomão).

The analysis of the infringement of a patent requires comparing the object or good considered the offender with the description of the patent claims, and the unlawful act will be characterized as such if the object or good is unlawfully included among said claims.

The production of evidence may be limited to mere proof of the unlawful act. As already mentioned, prohibitory relief is independent of the damage. Documentary, testimonial and expert evidence serve this purpose, and the latter is crucial for the perfect solution of the case.

As a rule, these actions are the responsibility of the Joint State Courts, in their sections specialized in matters involving patents and trademarks, or alternatively the civil courts.

The statute of limitations for injunctions was once a controversial matter in court decisions, but nowadays it is common ground in the Superior Court of Justice that the period is ten years (AgRg in REsp 981004, published in the Justice Gazette of December 26, 2007, and REsp 418 580, published in the Justice Gazette of March 10, 2003).

The injunction authorizes cognition and execution in the same lawsuit, thus straying from the mere condemnatory action and even further from the declaratory action.

The sentence, therefore, under article 461 of the Code of Civil Procedure has a broad action of mandamus and executive nature, with no need for deferred execution.

2.16 Compensatory relief

Historically, compensatory relief (*tutela ressarcitória in Portuguese*) was the only way for industrial property. Today compensation has given way to specific and preventive injunction, especially under Industrial Law.

This has not diminished the importance of compensation to industrial property, because even with the prevalence of preventive injunction, it will not always be possible to inhibit the unlawful act that has not manifested itself. And this part of the unlawful act that was not inhibited and has become damage or loss is essential for compensatory relief.

Under article 225 of the IPL, the statute of limitations for filing these lawsuits is five years, and the claim for compensation may include damage to property (actual damages and loss of profit) or pain and suffering.

Interim relief is possible as regards compensation for losses and damages in compensatory actions for counterfeiting, according to the “amount of losses experienced” and possible “situation of financial stringency of the injured company.”

Compensatory relief is based on the damage caused, in line with the principles of the Brazilian Civil Law, and this leads to the need to produce evidence to that effect, especially for calculating the amount possibly due, under article 210 of the Industrial Property Law.

The article establishes the criteria for determining the amount of compensation, which should be the most favorable to the plaintiff and chosen, preferably, in the original legal brief. Where the assessment of the most favorable criterion is impossible when the lawsuit is filed, nothing prevents the plaintiff from presenting a generic claim, based on article 286, section II of the Code of Civil Procedure (“when it is not possible to determine definitively the consequences of the unlawful act or fact” (BRAZIL, 1973)).

However, with respect to guilt, the general theory of civil liability has been mitigated by the peculiarities of industrial property. Indeed, the alleged guilt of the infringer is determined, since one cannot claim to be unaware of data officially published by the INPI, or even when the trademark is well known.

Under the aegis of article 209 of the Industrial Property Law, the best doctrine understands that the fault is in re ipsa and materializes in the mere misuse of the intellectual property. This understanding, by the way, comes from the Superior Court of Justice, as already noted above in the section on prohibitory injunction.

The sentence can determine compensation in a specific or equivalent amount, in which the compensation proposes to repair the damage regardless of the injured party receiving an equivalent amount in cash corresponding to the amount of the injury, i.e., once the fault, the damage and the causation have been recognized, the need for remedy is unquestionable.

On the other hand, in the equivalent form the amount is determined by assessing the amount necessary for fair remediation.

2.17 Patent nullity action

A patent nullity action (*ação de nulidade de patente in Portuguese*) can be filed at any time during the life of the patent by the INPO or by any person having a legitimate interest, pursuant to article 56 of the IPL. A nullity action can be filed at any time during the term of the patent by the INPE. It is important to note that, in principle, filing a nullity action against the owner of a patent with ordinary procedure does not suspend the effects of the patent rights; however, the judge may order the suspension of the patent rights, provided that the appropriate procedural requirements have been met.

Thus, an interim relief requesting the suspension of the patent effects is possible. However it requires issuing a writ to the INPI for the effects of the patent registration to be actually suspended. This is a temporary suspension of the patent effects, pending further decision. It should be noted that the suspension of the patent or registration effects, as a provisional and early declaration of nullity, takes away from the then owner all prerogatives applicable to registration ownership.

The production of evidence in this case is necessary, especially expert evidence demonstrating from a technical point of view the peculiarities of the patent that is the subject matter of the suit, by verifying the presence of the requirements for granting a patent, in order to help in convincing the judge.

In this regard, it is worth mentioning the judgment of the Remittitur of record in Civil Action no. 050712092.2005.4.02.5101 (2005.51.01.507120-7), issued by Judge Messod Azulay Neto from the 2nd Specialized Panel of the Federal Regional Court of the 2nd Region:

Summary: REQUIRED REMITTITUR - INDUSTRIAL PROPERTY – NULLITY OF INVENTION PATENT - LACK OF BASIC REQUIREMENTS – REMITTITUR DENIED.

I – The expert evidence leaves no doubt that the patent in question lacks basic requirements such as novelty and inventive step, and the records contain abundant documentary evidence confirming the similarity with other patents already registered as well as with products produced by others, available on the market .
II - Remittitur denied.

Judgment: After reviewing and reporting the present case involving the aforementioned parties, the Second Specialized Panel of the Federal Court of the 2nd Region unanimously decides to deny the remittitur as per the vote of the Rapporteur (Judicial Gazette 05/03/2012, p. 149-150).

The heading of article 57 of the IPL establishes that the INPI shall intervene in the proceedings, if it is not the plaintiff. It should be noted that the law does not include the INPI as the respondent in nullity actions when the institute is not the plaintiff. Furthermore, the respondent owner of the patent shall have 60 days within which to reply (article 57, paragraph 1, of the IPL).

Importantly, only the judgment or interim relief pertaining to the nullity of a patent or registration is susceptible of acquiring erga omnes effect, which is not limited to the disputing parties and may even include a third party.

2.18 Arguing the nullity of a patent as a matter of defense in an independent infringement action

Article 56, paragraph 1, of the Industrial Property Law allows the respondent in an infringement action to argue the nullity of a patent, as a matter of defense, in the records of that same counterfeit action.

If the nullity of a patent is argued as a matter of defense in a state court, the most appropriate measure to be taken will be to bring the action before the federal

courts, and the INPI, when it is not the plaintiff, shall be a party to the proceedings, pursuant to article 57 of the IPL.

The issue raised in some court decisions, in particular the judgment of Special Appeal no. 1132449/PR, reported by Justice Nancy Andrighi, is whether the state court would have jurisdiction to hear and try this incidental allegation of nullity presented by the respondent, as a matter of defense, in the records of the counterfeiting action, or whether the respondent would necessarily have to file his own patent nullity action with the federal courts and await the trial of this nullity action in order to use this defense argument in that patent infringement action.

In its judgment of 13 March 2012, the Third Panel of the Superior Court of Justice held that the judgment of the patent infringement action “could not incidentally recognize the nullity of a patent.” A nullity action would need to be brought before the competent court, which, pursuant to article 57 of the Industrial Property Law, is the Federal Court.

Although in its article 56, §1, the law provides for the possibility of arguing the nullity of a registration as a matter of defense, the best interpretation of such provision indicates that it should be inserted in a dispute action brought before the Federal Court, the nullity of registration. It would make no sense to require a special rule of jurisdiction and the indispensable involvement of the INPE for recognizing the nullity through the main channel, but not to require any caution for the mere incidental recognition of infeasibility of the registration. Interpreting the law this way, as well observed by the illustrious Justice Direito, would mean giving the registration with the INPE a purely formal and administrative effect.

It is also important to note that these considerations do not preclude in any way the exercise of any rights of the respondent, herein appealed, to use the allegedly counterfeit product if its registration is in fact invalid. In this regard, all the respondent would need to do is propose before the Federal Court the competent nullity action requiring, as appropriate, anticipation of the effects of the intended protection. Thus, the respondent’s behavior would be lawful in origin and protected, therefore, ab initio, by an emergency relief granted by the competent authority.

In that case, all the burden of demonstrating the feasibility of the interim relief would fall on the alleged infringer, i.e., on the party seeking to object to the formally issued registration. The respondent, therefore, would have to demonstrate the verisimilitude of his claims and provide unequivocal proof of his right. Should the respondent succeed in providing such proof, the entire investment subsequently made in the development and marketing of the allegedly counterfeit product would be protected.

In the present case, everything is reversed. The respondent, rather than obtaining prior protection, invested in his unlawful act, creating a fait accompli. That is, he committed an act that, at least formally, would be apparently unlawful (because it is contrary to the registration granted by the INPI) and, from that, a considerable portion of his revenues came to depend on the sale of the apparently counterfeit product. Such an attitude transferred the full burden of requiring interim relief to the owner of the industrial design registration, who a priori would

be the victim of counterfeiting, would have to prove the verisimilitude of his right, the size of his loss, and so on. The fait accompli created by the respondent also imposed an additional fear on the judge, since the outright authorization of the search and seizure of the unlawfully copied products could generate immeasurable losses to the respondent, with the shutdown of his production, impacts on employment generation and so on. All these consequences, although seemingly severe, were generated by the respondent himself who, even in view of a registration currently in force at the INPI (albeit irregular), chose to simply copy the product rather than seek prior judicial protection of his conduct. This is not how the system in a Democratic Rule-of-Law is expected to behave.

The discussion about the validity of a trademark, patent or industrial design registration, under the Law, must be conducted administratively or, if the party chooses to appeal to the judiciary, undertaken in a lawsuit filed with the Federal Court, with the participation of the INPI in the proceedings. Without this discussion, the registrations issued by that body shall be considered as valid and producers of all legal effects.

Thus, by incidentally recognizing the invalidity of a registration, the TJ/PR violated the rule of article 57 of the IPL (BRAZIL, 2012b).

As noted, the judgment of the Superior Court of Justice turned article 56, paragraph 1, of the Industrial Property Law ineffective, i.e., it eliminated the possibility of the respondent in a patent infringement action to defend himself in these records of the infringement action, claiming only that the patent in question is invalid.

According to the understanding of this third panel of the Superior Court of Justice (STJ), the nullity of the patent could only be argued as a matter of defense in the patent infringement action if the respondent also filed his own action of nullity of that patent with the Federal Court.

Besides bringing an action for nullity of the patent, the judgment also mentions the need for the respondent in the counterfeiting action to apply for and obtain an anticipation of the effects of protection with the Federal Court, so that the effects of the allegedly infringed patent can be suspended. In this regard, only after (and if) this interim relief were granted by the federal court, the defense in the patent infringement action, based on the nullity of the patent, would be duly substantiated and therefore could be exercised.

The previous judgment, despite its noble purpose of preserving and valuing patent rights, which as already mentioned are granted to their respective holders after substantive examination conducted by the INPI, may end up curtailing the defense of those accused of infringing patents.

2.19 Action of adjudication of patent

The action of adjudication is appropriate in cases of a registration originally applied for by someone other than the actual author or by a legitimate heir, successor or assignee. Thus, the law affords the author the adjudication, i.e., the determination by judicial means of the transfer of ownership of the registration.

Articles 49 and 166 of the IPL allow, as an alternative to the nullity action, the adjudication of a trademark or patent registration wrongly granted to others.

In the case of patents, article 49 provides that “in the case of non-compliance with the provisions of Article 6 (patent obtained in contradiction to the law), the inventor may, alternatively, demand, in judicial proceedings, adjudication of the patent.” Similar provisions apply to industrial designs (article 112, §2) and trademarks (article 166).

The provisions grant the owner of a trademark, patent or industrial design illegally registered by a third party, besides the simple annulment of this legitimate registration, the possibility of direct adjudication by requesting the judiciary to determine the forced transfer in his favor.

For the adjudication to be requested the awardee must prove that he was the holder of the right to apply for the patent; in the course of the proceedings the court will be determine whether the author would not have lost such right due to abandonment or abatement or any other reason under the law. Those who allow their inventions to fall in public domain or abandon them so as to enable lawful use by others will not be entitled to adjudication. They may certainly have the right to cancel the privilege granted to a party that is not the author; before a party that is also the author, he will have the right provided for in article 45 of the IPL.

The adjudication action provided for in the current Industrial Property Law (the previous laws did not include this possibility), which in no way resembles the established rules of adjudication of Civil Law, is also applicable in an action for the nullity of trademark registration (article 166²), where in the acquisition of such rights the acquirer has acted in bad faith (see comments on article 166). Therefore, this action aims to integrate into the patent ownership the party that had this right taken away by a third party. This legal provision was applied in the unanimous judgment of the 1st Specialized Panel of the Regional Court/2nd Region, issued in the records of civil Appeal no. 2000.02.01.048903-0, from whose summary the following main parts have been taken:

Civil Action. Industrial Property. Jurisdiction of the Federal Court only for the patent adjudication action. Incompetence of the Federal Court with respect to the claim for compensation for alleged damages and cross-complaint, which are disputes between private parties. Invalidity of the rejected judgment. Retained damages rejected. Request for adjudication of IP patent by a firm in face of the application filed by a former employee less than one year after termination of the employment contract. The patentability of the invention and authorship by the respondent are indisputable. Research related to the subject matter of the employment contract, with the respondent drawing on know-how obtained from years of relationship between the parties. Research continued in the laboratories of UFPR, where the respondent is a graduate professor. Shared patent ownership is the most just solution to the hypothesis. CPI and IPL rules applied. Partial upholding of the appeal.

² “Article 166 – The owner of a trademark registered in a country party to the Paris Convention for the Protection of Industrial Property may alternatively request, by means of a court action, adjudication of the registration, pursuant to the provisions of Article 6septies (1) of the said Convention.”

Jurisdiction of the Federal Court for the patent adjudication action, given the mandatory presence of the INPI, since the effectiveness of administrative action is under discussion and compliance with any court decision depends on the registration authority. Article 109, I of the Constitution of the Federative Republic of Brazil of October 5, 1988 applied (Justice Gazette-2 of July 5, 2006, p. 164).

It should also be noted in the aforementioned paragraph that the TRF/2nd Region rejected the exception of incompetence of the Federal Court argued by the respondent in favor of the State Court, for considering the presence of the INPI mandatory in this type of action.

2.20 Joinder of nullity, injunction and compensatory requests or suspension for external prejudiciality?

In a nullity action in which an injunction is obtained to suspend the registration, or even in the judgment confirming an injunction, this suspension, by itself, does not impose on the respondent the obligation to refrain from his right to the patent in question. Thus, when there is also a claim to prohibit use, the nullity action should be joined with a prohibitory action. In such cases, the aim, besides canceling the registration or patent, is to obtain an order, subject to confirmation by the final judgment, so that the respondent refrains from using the patent at issue.

However, the interpretation of article 109, I of the Federal Constitution indicates the possibility of a parallel and autonomous course of the nullity action and infringement action involving the same conflict situation, in most cases between the same parties, with devastating consequences, giving rise to situations of extreme legal uncertainty such as the order (with the possibility of *res judicata*) to provide compensation for the infringement of a right to be removed in the future, with *erga omnes* and *ex tunc* effect (article 167 of the IPL).

The jurisprudence of the Federal Regional Court of the 2nd Region has judgments which admit joining the above mentioned requests, as seen in the following judgments: Internal Appeal in IA no. 2010.02.01.016597-7; Motion for Clarification in Civil Appeal no. 2003.51.01.505422-5; Civil Appeal 2003.51.01.504309-4; Civil Appeal no. 2005.51.01.519383-0; Civil Appeal no. 2001.51.01.531835-9; Civil Appeal no. 1998.51.01.026605-8; Civil Appeal no. 2001.51.01.531835-9.

Where the actions are filed separately, the influence that a decision issued on one of them will have on the other should be analyzed. In the event the respondent in an infringement action has also filed, after this, an independent nullity action under the same nullity arguments used by him in his defense in the infringement action, the existence of a mere prejudicial matter, which conditions the merit, will be characterized. Accordingly, the need to suspend the action of the independent request for nullity is clear. This understanding is based on article 265, IV, "a" of the Code of Civil Procedure, and the doctrine and jurisprudence refer to this situation as "Suspension due to External Prejudiciality." In this regard, the Superior Court of Justice has taken the following stand:

CIVIL ACTION - SPECIAL APPEAL - INDUSTRIAL PROPERTY - PATENT - EXTERNAL PREJUDICIALITY VERIFIED - APPLICATION OF ARTICLE 265, IV OF THE CODE OF CIVIL PROCEDURE AND ARTICLE 56, §1, OF LAW 9,279/96 - SUSPENSION OF PROCEEDINGS - NECESSITY - Prejudiciality due to the possibility, in an action extrinsic to the present one, of recognizing the nullity of the patent on which the main subject matter of the lawsuit is based (ordinary lawsuit no. 1998.01.1.0128679, 2nd Civil Court of the Judicial Subdivision of the Federal District, and patent nullity action no. 2003.510.1518241-0, 39th Federal Court of Rio de Janeiro) - FIRST SPECIAL APPEAL HEARD AND UPHELD - SUSPENSION OF EXAMINATION OF THE SECOND SPECIAL APPEAL (RSTJ, vol. 206, p. 346).

It is understood that the suspension of an independent patent nullity action filed subsequently should be ordered by the judge when an issue constraining the merits of such action is already present in earlier proceedings, which will be suspended in order to avoid conflicting decisions. If there is interest in having the nullity argued as a matter of defense on the merits of the action, it will be necessary to observe the incidental declaratory request provided for in article 5 of the Code of Civil Procedure.

2.21 Compulsory Licenses

Chapter VIII, Section III, articles 68 and following of the IPL regulate compulsory licenses, which, in summary, can be requested by third parties, when such request is based on abuse of rights or economic power practiced by the patent owner in exercising the patent rights.

As in the case of adjudication actions, the action that grants the author the compulsory license also has a constitutive nature; therefore it is lawful for a judge to constitute the author in the temporary ownership of the patent claimed that is the subject of compulsory license.

It is also possible to join a prohibitory injunction to prevent the respondent, owner of the patent, from continuing to use the patent claimed.

Except for legitimate reasons, the licensee shall initiate exploitation of the subject matter of a patent within a period of one year counted from the grant of the license, an interruption for the same period of time being permitted. The patent owner may request cancellation of the license if the licensee fails to initiate and continue exploitation. Contrary to what occurs with voluntary licenses, the licensee shall always be vested with all powers to take action in defense of the patent (article 74).

The application for compulsory licenses should indicate the conditions offered to the patent owner: price, term and payment conditions among others.

Once a license is applied for, the patent owner shall be notified to submit a reply within a period of sixty (60) days after which, in the absence of a reply, the application shall be regarded as having been accepted under the conditions offered.

2.22 Extinction of patent

Article 80 of the IPL provides for the extinction of patents, while article 142, III regulates trademarks.

Basically, trademarks and patents become extinct for lack of use or unwarranted abuse of intangible property.

Important to note is the obligation of granting a compulsory license before the declaration of an extinction.

Extinction for lack of use, abusive exercise of the rights resulting from the patent or use of the patent in abuse of economic power can only lead to extinction if, based on such lack of use or abuse, a compulsory license has already been granted under article 68 and, cumulatively, the situation has not been remedied within two years from the grant of the license.

The application for recognition of extinction is filed administratively with the INPI, and if the owner disagrees with the recognition he will bring an action for annulment of an administrative act, as per the previous chapter.

2.23 Crimes against industrial property

Crimes against industrial property are crimes against the creative activity of persons resulting from their intellect, which arguably have an impact on assets. The constitutional protection is provided for in article 216 of the Federal Constitution.

Almost all crimes against intangible property entail exclusively private actions to be brought by the offended party. Exceptions include offenses committed against public entities, self-managed federal entities, public enterprises, semi-public enterprises or foundations established by the government and some crimes of copyright infringement, pursuant to article 186 of the Penal Code. The Industrial Property Law contains only the crime provided for in article 191 (crimes committed by means of trademarks, titles of establishments advertising sign). The ordinary criminal procedure applies to all crimes entailing either private or public action.

For bringing criminal action based on crime against intellectual property, some evidence should be collected initially, as is the case of search and seizure. The search and seizure will be conducted by two experts appointed by the judge, who will verify the existence of grounds for the seizure, and whether it takes place or not, the expert report will be submitted within three days after the closing of the investigation. The expert report is a condition for acceptance of the criminal action.

The six-month statutory retention period for bringing criminal action against the infringement of industrial property rights starts once the offended party is informed of such crime. However, once the preliminary investigation is requested and the expert report is completed, the offended party will have a period of 30 days to file the criminal complaint. The records, together with the approved report, are kept at the civil registry office and will be available to the offended party.

The period is not interrupted in any way, and will not be extended if expiring on a holiday, weekend or another date that is not a judicial day. It is understood, however, that the offended party must be notified of the approval of the report for the period to start.

The procedure applicable to crimes of private action entails the following steps: (i) occurrence of an offence that leaves material traces; (ii) request from the offended party for the collection of preliminary evidence to prove materiality; (iii) search and seizure determined by the judge; (iv) search conducted by a court clerk accompanied by two experts, with a view to seizing counterfeit materials for immediate examination by the experts; (v) presentation of the report within three days; (vi) approval of the report by the judge; (vii) 30-day deadline for the offended party to file the complaint; (viii) receipt of complaint; and (ix) ordinary criminal proceedings.

In his decision, the judge may order the destruction of goods unlawfully produced or reproduced, and forfeiture of the seized equipment on behalf of the National Treasury. However, goods of illicit origin must be destroyed, since they cannot be donated to public or charity entities.

2.24 Crimes against patents

Articles 183 to 186 of the Industrial Property Law provide for crimes against patents.

Law no. 9.279/1996 provides not only for differences regarding acts considered civil and criminal offenses but also for different penalties in the criminal sphere, depending on the type of act committed. For example, for the acts under article 183 (manufacturing a product or use a patented means or process), that should be considered acts of direct exploitation of a patent, the penalties are greater than those relating to acts under article 184, which are related to the indirect exploitation of a patent. In summary, indirect exploitation is only possible if an act of direct exploitation has been previously committed either by the same person or by a third party - for example, the sale of a patented product (article 184) is necessarily preceded by the manufacture of such product (article 183).

Importantly, from the interpretation of the heading of article 183 and although the IPL guarantees the offended party, owner of a patent validly granted, the right to sue the offender in the criminal sphere (private criminal action), it is understood that, due to the wording of article 38 and paragraphs thereof, once an invention or utility model patent is granted, its applicants can bring the action referred to in article reviewed herein.

According to Cerqueira, “the criminal action against the infringer of a privilege is the responsibility of the granter of the patent, who should prove the acquisition of the patent and its transfer” (1952, p. 346). This doctrine still prevails in part because the IPL has expanded the legitimacy to propose the action to the licensee of the patent as inferred from the provision of the sole paragraph of article 61, which grants the licensee the right to take action in defense of the patent, provided that he is invested with these powers by the patent owner.

It is absolutely necessary that the initial action is filed, among other things, with the letter patent accompanied by the descriptive report, claims, drawings - if any - and summary of the invention under it, so that the judge can properly determine the scope and limits of the protection it affords. In the event that the action is brought after publication of the acceptance of the application (article 38 and its subsections of the IPL), it is essential to present authentic copies of the descriptive report, claims, drawings, if any, summary and proof of payment of the fee corresponding to the issuance of the patent.

2.25 Inventions and utility models made by service providers or employees

This matter is regulated in articles 88 to 93 and its sole paragraph of the IPL. Article 88 is very clear by providing that

The invention and the utility model belong exclusively to the employer when they result from an employment contract being performed in Brazil and that has research or the inventive step as its object, or if such results from the nature of the services for which the employee was hired (BRAZIL, 1996).

Paragraph 1 of this article completes and clarifies the mens legis of that provision by determining that the remuneration due to the employee as provided for in its heading shall be limited to the salary agreed upon, thus exempting the employer from any other remuneration should a patentable invention result therefrom.

Paragraph 2, in turn, clearly defines the period of time within which an invention or model covered by the provision of its heading will belong to the employer; within 1 (one) year following the date on which the employment relationship is terminated.

According to article 89, the employer may grant the employee a share in the economic gains resulting from the exploitation of the patented invention or model established by said employee in the employment relationship alluded to in article 88. This share, which may result from negotiation between the parties or from following the specific rules of the employing company, according to the sole paragraph of the provision in question, shall not be incorporated under any title to the salary of the employee.

Article 90 of the LPI contemplates the so-called “free inventions”, i.e., those arising from activities totally disengaged from the duties covered by the employment contract; no remuneration shall arise from said invention, which shall belong exclusively to the employer.

For example, the employee in his leisure hours, outside the premises of the employing company creates an invention thanks to the activities carried out in his home workshop. This invention - and therefore a patent that may protect it - falls under this legal provision.

Inventions and models provided for in article 91 are known as “establishment inventions/models” or “mixed inventions/models.” They can result from activities performed by the employee in the employer’s establishment and university

laboratories, research centers and technological institutes – in the last three in case of researchers hired by those establishments. It is important, in these cases, that in order to develop such inventions and models these employees have used resources, information, means, materials, or equipment and facilities of the employer, unless specifically agreed otherwise. This proviso makes it clear that where the labor contract establishes that the employee and/or the researcher were hired to develop inventions and/or models, these shall belong to the employer.

Paragraph 1 provides a solution to the case where the invention or model results from the contribution of more than one employee; the part to which each of them is entitled shall be divided equally among them, unless otherwise agreed.

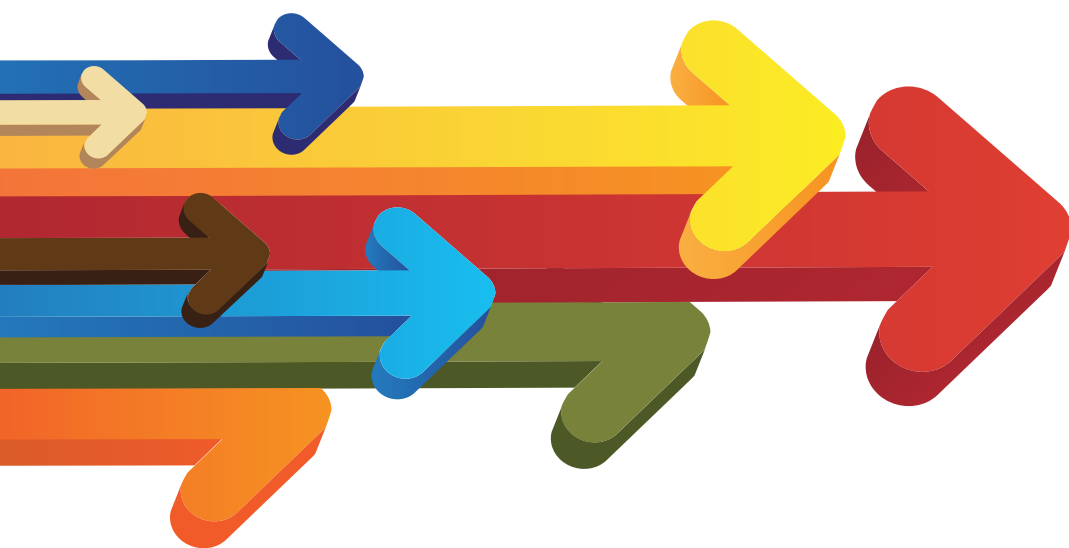
Paragraph 2 of article 91 ensures the employer the exclusive right to license the exploitation of the establishment or mixed invention or model, but assuring the employee fair remuneration. The final part of this provision leaves a gap since it does not explain how said fair remuneration to the employee should be set. Presumably it should result from negotiation between the parties, in view of paragraph 3, which regulates the event of lack of an employee/employer agreement.

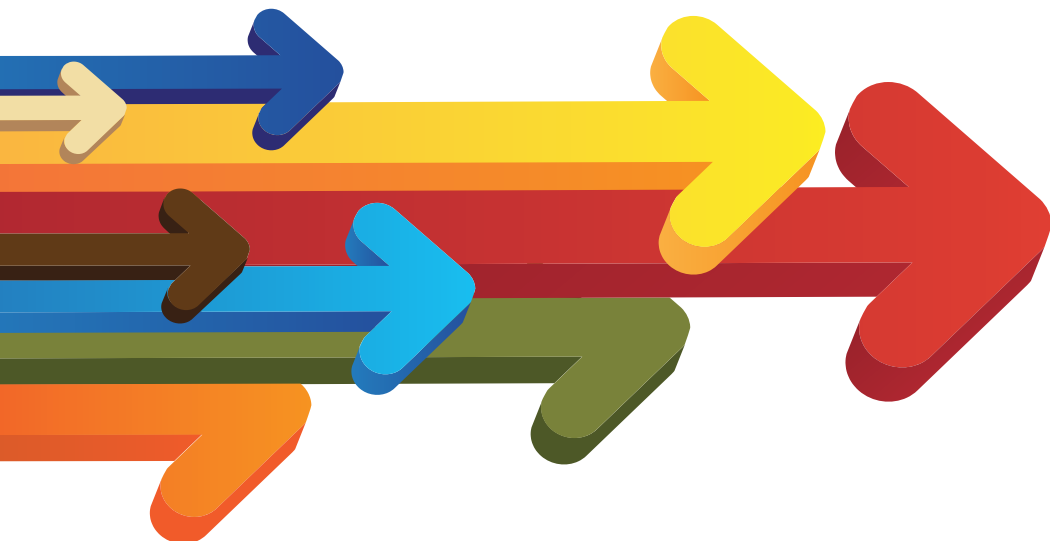
Paragraph 4 provides for the preferential right ensured to any of the co-owners, in the same conditions.

Article 92 makes it clear that the provisions of the preceding articles shall also apply when the authors of inventions or utility models are autonomous workers, trainees and service providers, all of them with the same rights as salaried employees.

Article 93 applies to the entities of the direct or indirect public administration and foundations - whether they are federal, state or municipal - the rules providing for inventions and utility models developed by an employee or service provider.

A difference to be pointed out is raised in its sole paragraph, since the legislature has opted to determine that the inventor hired by the government shall be entitled, as an incentive, to a premium of part of the value of the benefits gained by the application or patent.





INDUSTRIAL DESIGNS

3

3.1 Who can apply for registration of industrial designs?

This registration can be basically made by the same people listed in articles 6 and 7 of the Industrial Property Law (IPL). As outlined in the introduction of this guide, these two provisions regulate the ownership of invention and utility model patents.

3.2 Registrable industrial designs

Also in the introduction of this guide, light was shed on what industrial designs are and which ones can be registered according to the IPL (articles 95-97).

It should be noted that article 98 of the IPL warns that “no purely artistic work is considered to be an industrial design” (BRAZIL, 1996). This type of work is provided for in Law no. 9,610 of February 19, 1998, which amended, updated and consolidated Brazil’s copyright legislation. For example, this law protects canvas that reproduce paintings/artistic works, architectural works, sculptures, etc.

3.3 What is not registrable as industrial design?

Article 100 of the IPL declares that the following are not registrable as industrial design:

- I. Anything contrary to morals and standards of respectability or that offends the honor or image of persons, or attempts freedom of conscience, belief, religious cult or ideas and feelings worthy of respect and veneration;
- II. The common or ordinary necessary shape of the object or, yet, that shape which is essentially determined by technical or functional considerations (BRAZIL, 1996).

3.4 Elements that make up an industrial design registration

- i. Specification, if any.
- ii. Claims, if any.
- iii. Drawings or photographs.
- iv. Field of application of the object.

It is important to note that

the application for industrial design registration shall refer to a single object, of which a plurality of variations shall be permitted, provided that they are intended for the same purpose and all retain the same preponderant distinctive characteristic, each application limited to a maximum of 20 (twenty) variations (introduction of article 104 of the IPL). The design shall clearly and sufficiently represent the object and its variations, if any, in such a manner as to permit its reproduction by a technician versed in the subject (sole paragraph of article 104).

With the special aim of especially encouraging creators of industrial designs, significant changes were made by the legislator of the IPL in its articles 104, 106 and 108 and its paragraphs, according to which:

- a) The application for industrial design registration shall refer to a single object, of which a plurality of variations shall be permitted, provided that they are intended for the same purpose and all retain the same preponderant distinctive characteristic, each application limited to a maximum of 20 (twenty) variations (article 104);
- b) Once the application for an industrial design registration has been filed and the provisions of articles 100, 101 and 104 have been observed, it shall automatically be published and the registration shall be granted simultaneously, being issued the respective certificate (article 106), and
- c) The registration shall remain in force for a period of 10 (ten) years from the date of filing, being extendable for 3 (three) successive periods of 5 (five) years each (article 108).

As with patents and registrations of trademarks, registrations of industrial designs may also be declared null and void if they be granted not in accordance with the provisions of the IPL, and such declaration of nullity, also as mentioned for the other examples, shall be effective from the date of filing (article 112, paragraph 1).

Similarly, third parties harmed by the granting of industrial design registrations shall have the right to claim their adjudication (paragraph 2 of article 112).

As with patents, judicial nullity proceedings may be filed for industrial design registrations with a federal court at any time during their term, and the INPI, when not the plaintiff, shall participate in them (articles 56, 57 and 118).

3.5 Granting and term of industrial design registrations

It is worthwhile repeating, as stated before, that in accordance with article 106 of the IPL, "Once the application for an industrial design registration has been filed and the provisions of articles 100, 101 and 104 have been observed, it shall automatically be published and the registration shall be granted simultaneously, being issued the respective certificate" (BRAZIL, 1996).

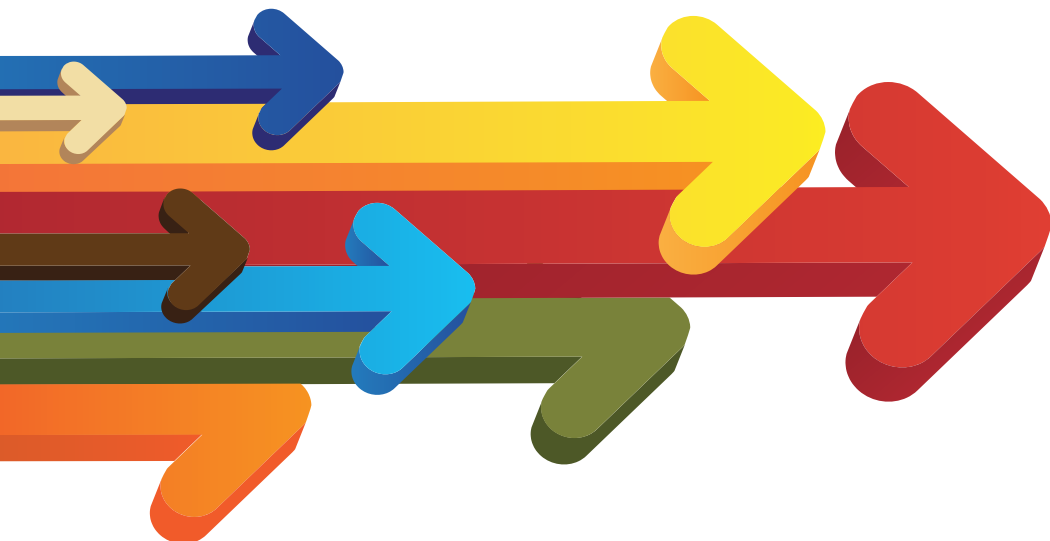
It should be noted that, in this legal provision, the legislator wanted to grant registration simultaneously with its publication, of course provided that the respective application met all the conditions laid down in the IPL. What is the purpose of this summary processing, without the possibility of interference from third parties during the formal examination of an application? It's very simple. Considering that the exploitation of an industrial design is ephemeral, the legislator, in response to the concern of authors that it took a long time for protection to be granted by the INPI under the previous law, decided to speed up the procedure. It is worthwhile mentioning that article 111 of the IPL provides that the titleholder of an industrial design may request the examination of the object of registration, at any time during the term of the registration, in relation to novelty and originality aspects.

3.6 Term of industrial design registrations

Also repeating, an industrial design registration remains in force for a period of 10 (ten) years from the date of filing, being extendable for 3 (three) successive periods of 5 (five) years each (article 108).

Attention

It is important to note that article 110 of the IPL contains an exceptional provision, according to which “a person who, in good faith, prior to the filing date or priority date of an application for registration was exploiting the object thereof in this country, shall be assured the right to continue the exploitation, without onus, in the same manner and under the same conditions as before” (BRAZIL, 1996).



TRADEMARKS

In the introduction of this guide, it was mentioned, quoting Denis Borges Barbosa, that trademarks are true magical names and that the intangible assets that can be protected under our IPL include those of the highest value for their owners.

At the judicial level, the importance of trademarks was emphasized in a vote of justice Salvio de Figueiredo, who was then a member of the 4th Panel of the Superior Court of Justice, who observed that

at the current stage of social evolution, the protection of a trademark is not merely limited to ensuring individual rights and interests, but also the rights and interests of the community by protecting the general public, consumers at large, those who hire services, users, the people in general, who will have the best elements to check the origin of a product and of the service provided (Special appeal no. 3,230, whose docket was published in the Federal Court Gazette of October 1, 1990, p. 10.450).

In today's consumer market, where several companies operate in the same market segments, people often come across several brands that identify different types of products and services. So much so that just by visiting a store, consumers are faced with hundreds, if not thousands, of distinctive signs.

The importance of trademarks is therefore evident. After all, it is through trademarks that entrepreneurs present themselves to the market, as they are the main link between enterprises and the general public.

From an economic perspective, trademarks are tools that play a key role in a free competition economy. This is so because by distinguishing their products from those of their competitors, entrepreneurs have increasing incentives to invest in quality and thus to create and strengthen their reputation¹.

Otherwise, if there were no trademarks, they would have no incentive to invest. Their products would not be distinguished from lower-quality ones and, consequently, they would not be preferred in relation to lower-priced ones. Such a situation would have serious consequences for the proper functioning of the system². Still from an economic point of view, trademarks also reduce the effort consumers have to make when buying a product. This is explained by the fact that, over time, consumers get used to the quality and characteristics of a product and begin to buy it almost automatically, based only on the reputation of the trademark that distinguishes it.

¹ Cerqueira made the following remark about the interest of entrepreneurs in trademarks: "In the field of industrial and commercial competition, manufacturers who manage to win the preference of consumers for their products and traders who endorse their products and build a good reputation for their stores are highly interested in individualizing and distinguishing the products that they produce or sell to prevent them from being confused with other similar products. That is the use and usefulness of industrial marks, whose importance has been growing daily and whose use has been increasing among manufacturers and retailers, who are well aware of their value and of the advantages they offer" (1982, p. 755).

² This is the opinion of the American economist Richard Craswell, who explains it as follows: "If consumers can learn about the quality levels associated with each brand, this gives each manufacturer an incentive to improve the quality of his products as much as consumers are willing to pay for it. By contrast, if there were no trademarks... a manufacturer would gain little or nothing from improving his product's quality. Consumers would be unable to recognize high- or low-quality brands, so sales would tend to go to manufacturers who reduced their price by cutting corners on quality. The result would be a race to produce inferior products, rather than competition to produce better ones" (1979, p. 111).

4.1 Functions of trademarks

The domestic and foreign doctrines are virtually unanimous in recognizing at least four functions of trademarks. These functions are the following ones: identifying a specific product or service, distinguishing it from similar products available on the market; indicating that the products or services come from the same source; indicating that the products have the same quality; and the function of a marketing tool. Let us check each of these functions.

4.2 Identification

The identifying role of a trademark is, without any doubt, its main function. A trademark identifies, distinguishes, individualizes a certain product or service in relation to those of competitors.

Thanks to trademarks, a product or a service acquires identity amid other products and services. When a consumer goes to a supermarket, he often knows exactly the product that he wants to buy. Were it not for trademarks and their identifying function, this would not be possible.

About the identifying function of trademarks, Gama Cerqueira proposes the following: “trademarks are powerful identifiers: they mark a product, making it different in relation to a multitude of similar products” (1982, p. 757).

By playing this role, marks often become real magnets, as the simple mention of them is sufficient to catalyze a process of association with the respective product or service. This is exactly when a mark begins to symbolize the goodwill of a business, thus becoming a good of considerable value to its owner³.

4.3 Origin

The second function of trademarks is that of indicating the source and origin of the goods or services they identify.

This can happen even if, in many cases, the consumer does not necessarily know the name of the manufacturer of the product or of the provider of the service. For example, most Brazilian consumers certainly know the OMO washing powder, but not everyone knows that the company that produces it is called Unilever.

³ A notion of trademarks as a symbol of the goodwill of a company was provided by the U.S. Supreme Court: “The protection of trademarks is the law’s recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a trademark exploits this human propensity by making every human effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same – to convey through the mark, in the mind of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value.” *Mishawaka Rubber & Woolen Mfg. Co. versus S.S. Kresge Co.*, 316 U.S. 203, 86 L.Ed. 1381, 62 S.Ct. 1022 (1942).

Therefore, the doctrine has already reached the consensus that a mark indicates the origin of a product or service, even if, as in certain cases, this origin is anonymous.

It means that the recognition of the source identifying function played by marks does not suggest that a consumer necessarily identifies who produces or offers the product or service in question.

What it suggests is that when a consumer sees a product identified by a particular mark, he or she assumes that the product has the same source or that it is somehow related to all the other products that also bear that sign.

This is exactly why, when faced with new versions of the OMO washing powder (OMO DOUBLE ACTION or OMO *BLEACHING*, for example), consumers assume that these new versions are manufactured by the same company that produces the original version, even though they might continue unaware of the manufacturer's name.

Gama Cerqueira also discusses this issue:

Many products and items become known only for the mark that they bear, while the name of their manufacturer or seller remains unknown. [...] A trademark differentiates a product, identifying and distinguishing it from other similar ones not by its origin, but by its name [Finally, he concludes:] (a mark) is the assurance of the legitimacy and of the origin of a product (1982, pp. 756-757).

It is therefore obvious that a mark also indicates the origin of the products and services identified by it.

4.4 Quality

The principles that underpin the function of origin led to the development of the third function of trademarks, namely, that of indicating that the products or services identified by a mark have the same quality standard.

The example of washing powder illustrates this fact. A housewife who buys a new version of OMO may not expect it to have the same characteristics of the original washing powder - because, among other reasons, she was precisely looking for a special feature when she bought the new version - but she certainly expects the new version to have the same good performance as that of the original product.

When faced with products bearing identical or similar marks, consumers therefore not only assume that their origin is the same, but also that they have the same standard of quality.

The quality-identifying function of marks becomes even clearer when it is considered from the perspective of franchise systems. When a consumer goes to a McDonald's in New York City, he or she expects to find the same sandwiches, the same menu, the same care and the same decoration of a McDonald's located in Rio de Janeiro, Sao Paulo or anywhere else in the world.

Consumers don't think that the BIC MAC offered in New York comes from the same origin of a BIG MAC served in Rio de Janeiro. They also don't care if the stores are controlled by a holding or by independent franchises.

They will only pay attention to the fact that the stores bear the McDonald's mark, for which reason they expect - and deserve - to find the same quality in all of them, regardless of where they are located. It is in this context that the quality-indicating function of marks is played.

4.5 Advertising

The last function of marks is that of being important advertising tools, as they create an intrinsic relationship in the mind of consumers with the product or service that they identify and eventually become major catalysts for sales⁴.

4.6 Justifications for trademark protection

As a form of intellectual property, trademarks are recognized and supported in virtually all jurisdictions in the world. In the Brazilian legal system, this protection is provided for in article 5 (XXIX) of the Federal Constitution:

Article 5 [...]

XXIX – the law shall ensure the authors of industrial inventions of a temporary privilege for their use, as well as protection of industrial creations, property of trademarks, names of companies and other distinctive signs, viewing the social interest and the technological and economic development of the country (BRAZIL, 1988 - official translation).

Moreover, the right to own marks is governed by article 129 of Law no. 9,279/96 (Industrial Property Law):

Article 129 – The property of a mark is acquired by means of registration, when validly granted pursuant to the provisions of this Law, and its exclusive use throughout the national territory is assured to the titleholder, with due regard, as to collective and certification marks, to the provision in articles 147 and 148 (BRAZIL, 1996).

But what are the justifications for this protection? Basically, there are two justifications. The first one, which is of a private nature, is that of protecting holders of trademarks and their business activities. And the second one, which is of a public nature, is that of protecting consumers. Let us now analyze trademark protection from these two perspectives.

⁴ About this function, J. Thomas McCarthy, an American expert on the subject, highlights: "As the geographic scope of markets expanded and systems of distribution became increasingly complex, trademarks came to function as an important instrument of advertising... If the trademark owner succeeds in creating a favorable image for its trademark in the marketplace, the mark itself can become a significant factor in stimulating sales. This ability of a mark to generate good will through advertising has also gained recognition under the law of trademarks" (1996, p. 12, 26).

4.6.1 Protection of holders of marks

As seen above, a mark is a tool through which an entrepreneur distinguishes and differentiates his product or service before the market. It is therefore a symbol that identifies the goodwill of a business and often becomes its most valuable asset.

But what would the efforts and investments of an entrepreneur good for if he could not protect the symbol that identifies his business? What would be the incentive to build the reputation and prestige of a name if anybody could use it?

Therefore, it is only natural that the state protects property rights over marks. After all, these are precisely the rights that guarantee their holders the exclusive right to use a trademark and, consequently, the right to prevent third parties from unduly taking advantage of the goodwill attached to the mark.

On this issue, Gama Cerqueira says:

But the efforts, intelligence and work of industrialists and businessmen to improve their products and consolidate their professional credits would be entirely frustrated if they were not supported and protected by the state, leaving them exposed to unfair competition from less scrupulous people against their interests, taking advantage of the reputation of the best known marks and of the trust of consumers to unduly enjoy the fruits of someone else's work (1982, pp. 755-756).

From the perspective of entrepreneurs, therefore, the trademark system is like a real shield that protects not only their distinctive signs, but also their entire business.

4.6.2 Consumer protection

In addition to the protection it ensures to entrepreneurs, the trademark protection system also plays a clearly important social role. This is so because, by individualizing and distinguishing products and services from similar ones, trademarks ultimately protect an extremely significant collective interest, i.e. that of situating consumers before the market.

Were it not for the protection of marks and use of signs (and if the latter were used freely and indiscriminately), how could consumers know that a product that they are buying today is the same that they bought the week before? How could they identify the source of a product and have grounded expectations about their performance?

Marks are, therefore, an element of safety for consumers. They know that product X has certain characteristics and that they can trust in the product based on previous experiences with its brand. Without marks, it would be difficult, if not impossible, to foresee how such issues would develop.

Moreover, the Consumer Protection Code itself recognizes the importance of trademarks by setting forth in its article 4 (VI) that one of the principles of the national consumer relations policy is that of "effectively deterring and repressing all abuses in the consumer market, including unfair competition and misuse of industrial inventions and creations, trademarks, trade names and distinctive signs that may harm consumers" (BRAZIL, Law no. 8,078/1990).

National scholars are also unanimous in recognizing the public interest of the trademark system. Gama Cerqueira highlights:

For consumers and the general public, trademarks also play an important role by allowing a product to be identified and by certifying the manufacture or the choice and selection of items placed on the market and preventing rogue traders from cheating consumers by selling them other products they claim to be the same (1982, p. 755).

Consumer protection is therefore an aspect that should also be considered. So much so that, although in several trademark infringement lawsuits the dispute is between private parties, it is the position of consumers, their perceptions and psychological state that are considered by the judging body.

4.7 Other related issues

The explosion of the Internet internationally rekindled a new and recent discussion about the rules and principles of trademark law as a particularly hot issue. According to Greene (2003), there is consensus that no other area of law has been under so much pressure in relation to Internet-related topics and rights as that of trademark protection.

Also according to this author, the expansion of intellectual property rights in the United States generated three positions: that of the U.S. Congress; that of scholars; and that of the Courts. While Congress has assumed the position of expanding property rights for holders of patents and trademarks, the vast majority of scholars began to argue that such expansion affects the public nature of the protection of consumers and society.

The U.S. Courts, in turn, have taken a more conservative position on this expansion of patent property rights, in particular trademark rights, not accepting it immediately.

In short, judges should take into account the relationship between the holders of trademark rights, public domain and the market for new ideas.

4.8 Types of marks according to their presentation

According to the Industrial Property Law, to be registrable, the distinctive sign must be visually perceivable (article 122).

Categorizing visually perceivable signs, the INPI, through the Guidelines for Trademark Analysis (Resolution no. 260/2010), divides them into four groups according to how they are presented.

Word mark

This is a written, textual expression made up of a sequence of letters and/or numbers, without being associated with a stylized spelling or drawing, such as, for example - according to INPI's Guidelines for Trademark Analysis: VARIG, CORONA, Atlântica, XIX (nineteen in Roman numerals).

The main advantage of registering a word mark is that the mark is not linked to any styling or drawing. Thus, the holder can use the mark in whatever way he wants and can even change its styling over time without running the risk of forfeiture for not using the mark in the styling that was registered with the INPI - since word marks are not linked to any styling.

Figurative Mark

This is a sign made up of an illustration, without any association with a sequence of letters and/or numbers. Example:



Figure 6: Illustration of a figurative mark.

Source: CNI

It is worth stressing that isolated letters or numerals, when stylized, are considered a figurative mark, since the textual part itself is not protectable (article 124, II, IPL).

Mixed mark

This is a sign that combines word elements with figurative elements, i.e. a text combined with a drawing or a text with stylized letters. Example:



Figure 7: Illustration of a mixed mark.

Source: CNI

Unlike word marks, mixed marks link the textual part to the illustration or styling that is also being protected by registration.

While, on the one hand, registering this type of mark offers the advantage of protecting its two visual aspects (text and illustration) with a single registration, on the other the holder does not have the freedom to make changes to the original distinctive character of the mark. If this is done, he must apply for a new trademark registration, since the registration of the original mark will be subject to forfeiture for lack of use (article 143, II, IPL).

Three-dimensional mark

As the name suggests, this is a figurative or mixed mark presented in three dimensions. Example:



Figure 8: Illustration of a three-dimensional mark

Source: CNI

In order to register a three-dimensional mark, the applicant must submit to the INPI, in the act of filing the respective application, as many illustrations as necessary to allow full understanding - and disclosure for third parties to know about it - of the sign to be protected from all angles.

Moreover, the three-dimensional shape should not be one of common use or involve any technical effect, as in such cases the registration is forbidden according to article 124 (XXI) of the IPL.

4.9 Types of marks according to their nature

Article 123 of the Industrial Property Law provides for three classifications of marks according to their nature, besides defining what each category stands for:

Article 123. For the purposes of this Law, the following definitions apply:

product or service mark: one which is used to distinguish a product or service from another that is identical, similar, or alike, but of different origin;

certification mark: one that is used to attest to the conformity of a product or

service with certain technical standards or specifications, particularly regarding its quality, nature, material used and methodology employed; and

collective mark: one that is used to identify products or services provided by members of a certain entity (BRAZIL, 1996).

As provided for in the law, product or service marks are those that distinguish individual sources of products or services, e.g. service marks (in this case, delivery services) and product marks (in this case, umbrellas):



Figure 9: Illustration of a product mark.

Source: CNI



Figure 10: Illustration of a service mark

Source: CNI

The function of collective marks is similar to that of “product or service marks,” as they also lend themselves to distinguishing a product or service in the market. The difference is that collective marks do not refer to a single source, but rather to a group of service providers or producers of the same product. Example:



Figure 11: Illustration of a collective mark.

Source: CNI

Finally, certification marks have a different function than those of the first two categories. A certification mark is used to indicate that a product or service meets certain technical standards. Its main objective is ensuring consumers that the product in question meets the quality specifications set by the certifying organization.

Example:

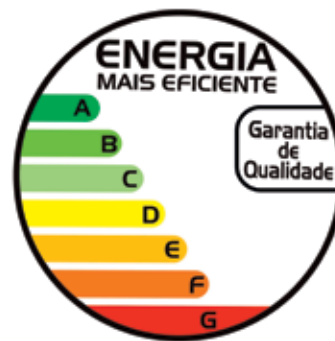


Figure 12: Illustration of a certification mark

Source: CNI

In order to obtain a certification mark, the applicant must submit to the INPI, along with the application for registration, a manual containing all the technical specifications that must be met by third parties to use such certification mark.

4.10 Types of marks according to their degree of distinctiveness

The Industrial Property Law doesn't provide for a classification of trademarks according to their degree of distinctiveness. The classification it provides for was defined based on doctrinal and jurisprudential principles and, as will be seen below, it is extremely relevant for assessing possible disputes over trademarks.

This is so because, depending on how the sign is made up, it may distinguish any product or service; it may distinguish only certain products or services; and it may not distinguish any products or services.

This has far-reaching consequences for the scope of protection afforded to trademarks and thus has a direct bearing on lawsuits dealing with the matter.

From the perspective of distinctiveness, marks can be divided into: (i) fantasy marks; (ii) arbitrary marks; (iii) suggestive or evocative marks; and (iv) generic, necessary, common, vulgar, or simply descriptive signs. Let us analyze each of these categories.

4.10.1 Fantasy marks

Fantasy marks are signs created for the sole purpose of being used as trademarks. They consist in coined or invented expressions that do not exist in the vocabulary of any language.

Therefore, creating a fantasy mark involves a process by which an entrepreneur creates a new combination of letters or symbols that results in a unique sign, one that is totally unknown and is not present in any dictionary.

Kodak is a classic example of a fantasy mark. Note that this expression is not found in dictionaries, is not part of the vocabulary of any language and has no meaning, and it is solely used as a sign that distinguishes and identifies the products of a known manufacturer of cameras and films.

There are countless examples of fantasy marks, among which the following ones are worth mentioning by way of illustration: Nokia, Sony, Nikon, Nike, Adidas, Exxon, Polaroid, among others.

From the legal point of view, fantasy marks deserve a greater scope of protection, because they are the ones with the highest degree of distinctiveness and thus have the greatest power to attract consumers. As a result, when they are reproduced or imitated, the possibility that consumers will be induced to error, confusion or erroneous association is the highest, and law enforcers must repress such violation.⁵

4.10.2 Arbitrary marks

Arbitrary marks are words and phrases that already exist in the vocabulary of a particular language but which are arbitrarily chosen to identify and distinguish products or services with which they have no link.

⁵ "The more distinctive the trademark is, the greater its influence in stimulating sales, its hold on the memory of the purchaser and the likelihood of associating similar designations on other goods with the same source. If the trademark is a coined word such as KODAK, it is more possible that all goods on which a similar designation is used will be regarded as emanating from the same source than when the trademark is one in common use on a variety of goods such as 'Gold Seal' or 'Excelsior.' Arrow Distilleries, Inc. versus Globe Brewing Co., 117 F.2d 347 (4th Cir. 1941).

They are, therefore, existing expressions which, given the inexistence of any link between them and the activities of an entrepreneur, do not suggest, and much less describe, any ingredient, quality or characteristic of the product or service in question.

Apple, the brand of the American computer giant, and Camel, a famous brand of cigarettes, are examples of arbitrary marks. As can be seen, these are words that exist in the vocabulary of the English language, but which were arbitrarily chosen to distinguish goods with which they have no link.

Other examples of arbitrary marks include Pão de Açúcar (supermarket chain), Garoto (chocolate manufacturer), Estrela (toys), Terra (internet access provider), Veja (magazine), Torcida (snacks), Forum (clothes), SUN (hardware and software), Time (magazine) BLACK & WHITE (whisky), among others.

From the legal standpoint, these marks also enjoy a lot of protection, because they have no relationship with the products and services that they identify.

4.10.3 Suggestive or evocative marks

Suggestive marks, which are also referred to as evocative marks, are expressions that suggest a certain feature of a product or service that they distinguish.

Suggestive marks are the ones entrepreneurs and marketing professionals prefer the most, as from the commercial point of view they are the easiest ones to “sell.” After all, it is much simpler and cheaper to disseminate a sign that, due to its own meaning, suggests a feature or quality of a product - therefore helping to sell it - than to launch and promote a sign that has no meaning, that says nothing about the product or service it refers to.

Examples of suggestive marks include Redecard (credit cards), NET (cable TV and internet access services), Clear (*shampoo*), Qualy (margarine), 7-Eleven (convenience stores that remain open from 7 am to 11 pm), Extra (supermarket chain), among others.

In legal terms, suggestive marks are perfectly registrable and likely to be appropriated, but they can only enjoy a limited scope of protection. After all, by adopting signs that evoke a feature of a product or service, an entrepreneur can do nothing against competitors that do the same. As a result, he must bear the burden of coexisting with relatively similar marks.

Cerqueira says the following about the issue:

If the owner adopts marks adopt of this kind because he believes it is useful and advantageous to indicate the essential quality of a product or its composition, he must bear the burden corresponding to this advantage, i.e. the relative similarity of other marks to his (1952, p. 819).

Let us take a look, in this regard, at the following precedents:

There are no impediments to the peaceful coexistence of evocative or weak marks that are similar to a certain extent, as the latter, unlike marks created from unprecedented words, lack originality, because they result from the combination of common terms in the vocabulary [...] (Federal Regional Court of the 2nd Region, 2nd Panel, BRAZIL, 2007).

When marks are composed of commonly used expressions to highlight and/or evoke a certain feature of a product, they cannot be exclusively appropriated, as the owners of such marks, referred to as “weak” marks, must bear the burden of their coexistence with other similar marks (BRAZIL, 2006).

The position of the INPI is the same. It has stated its position in relation to the degree of protection afforded to suggestive expressions on many occasions, and it’s worthwhile quoting part of two of its decisions:

The registered sign “FRESKI” falls under the category of evocative or suggestive marks. As we know, evocative marks are not afforded the same protection as those of a remarkable or original fantasy nature. The degree of protection is determined by the degree of novelty in the presentation itself. In this case, the denomination “FRESKI” is new, without a specific meaning described in dictionaries. “FRESKI” evokes or suggests everything that characterizes the quality of being FRESH or REFRESHING without, however, identifying, describing or generalizing the products identified by the sign.⁶

On the merits, [...] our opinion is that the decision should be upheld. All the marks involved in the case (HYDRATANCE X HID. TRAT AND HIDRATAN) are considered as suggestive or evocative marks for the claimed activity, which forces them to coexist in the market.⁷

As a rule, therefore, a suggestive or evocative mark can only enjoy a limited scope of protection and must bear the burden of coexisting with similar trademarks.

Such a rule, however, can be flexibilized in some situations, as there are marks that, albeit suggestive, become widely known as a result of their ostensive and continued use, becoming true magnets in their respective market segments.

Sadia (food products), Natura (cosmetics), Lacta (chocolate), Playboy (men’s magazine) and Citibank (banks) are examples of such marks, among others.

In this case, the judging body must take such circumstance into account when assessing the possibility of confusion or erroneous association of the mark with other identical or similar signs.

4.11 Generic, necessary, common, ordinary or simply descriptive signs

Generic, necessary, common, vulgar or simply descriptive signs cannot be registered as trademarks because they lack distinctiveness. Therefore, these are signs that cannot distinguish and individualize a certain product or service in relation to a similar one in the market.

⁶ Decision issued in connection with administrative nullity proceedings initiated by the company Arisco Industrial Ltda. against Registration no. 813904218 for the mark “Freski” under class 35 (35.10, 35.20), covering “drinks, syrups and juice concentrates; substances for preparing beverages in general,” in the name of Kraft Suchard do Brazil S/A (INPI, 1999a).

⁷ Decision issued in connection with administrative nullity proceedings initiated by Schering-Plough Healthcare Products Inc. against Registration no. 813958717 for the mark “Hydratance” under class 03 (3:20), “perfumery, cosmetic and toilet articles, cosmetics and toiletries in general” in the name of L’Oreal S/A (INPI, 1998b).

This means that they are signs that cannot be held by a single private owner. Otherwise, other entrepreneurs would be prevented from using such expressions, which would ultimately lead to serious competitive imbalances.

It is not unusual to come across representatives of the doctrine using the term “generic mark,” but such use is wrong, as it can be equated to other equally absurd oxymorons, such as “square circle.” An expression can be either generic or a mark, but never both.

For example, the expression “AUTOMOBILE” is a generic expression that is used to refer to automobiles. Therefore, no vehicle manufacturer can acquire exclusive rights on that expression.

On the other hand, an expression can be generic in a certain market segment and inherently distinctive in another field of industry and commerce. Example: the word “DIESEL” is perfectly registerable as a trademark when it is used to distinguish apparel and articles of clothing in general. However, it is a generic and not registrable sign when used in connection with fuel supply services.

Descriptive expressions, in turn, are those that describe only some function, feature, nature, public or purpose of a product or service they refer to.

According to Gama Cerqueira, descriptive expressions are those that “contain a definition or description of the product they refer to or include, as their main element, indications of its essential qualities or properties, of its nature, etc.” (1982, pp. 817).

Descriptive signs are not, at least in principle, registrable as trademarks either. After all, because many products and services have similar characteristics or qualities, the descriptive expression does not in itself help consumers to distinguish and differentiate them from the wide range of other existing similar products and services.

Like suggestive marks, descriptive expressions are also very much desired and used by marketing professionals and entrepreneurs. However, unlike suggestive marks - which require a mental exercise for a consumer to reach a conclusion regarding the nature of the product or service in question -, descriptive expressions already convey such information readily.

Therefore, unless the sign is sufficiently distinctive or acquires distinctiveness as a result of use, its owner is not granted exclusive rights to use it and, consequently, the right to prevent competitors from using identical or similar signs.

On the phenomenon of acquired distinctiveness, see the comments on article 124 (VI) of Law no. 9.279/96 in item 8 above.

4.12 Registrability requirements (article 122)

The general principles applied to the registrability of a mark are set out in article 122 of the Industrial Property Law, namely:

Article 122 – Any distinctive visually perceivable signs that are not included in legal prohibitions shall be eligible for registration as a mark (BRAZIL 1996).

As can be seen, there are three requirements for registering a sign as a

trademark with the INPI: distinctiveness, visual perceptibility, and not being included in express legal prohibitions.

Distinctiveness refers to the fact that a sign fulfills its primary function of distinguishing a product or service from those of competitors. It is therefore a *de facto* situation that can even be changed over time.

Actually, there are signs that are born generic, but through repeated use end up being recognized by the general public as the mark of a product or service, fulfilling the function of distinctiveness. This phenomenon, known as secondary meaning, will be discussed in detail later.

There are also signs that have no meaning when they are born (fantasy or invented terms), but which by negligence or inadequate use by their owners are seen by consumers as the name of the category of a product or service and do not individualize its source. Loss of distinctiveness is known in the doctrine as “mark degeneration” and will be discussed in greater detail later.

In the US, only the intrinsic requirement of distinctiveness is considered and the United States Patent and Trademark Office (USPTO) processes marks of all types, including sound and smell marks.

In Brazil, however, because ownership is acquired by registration (article 129 of the IPL), such requests are not feasible, given the formal limit imposed by article 122. It is noteworthy, however, that the rules against unfair competition prohibit fraudulent means to divert the customers of another person to his or another party’s advantage using sound or smell devices (article 195 (III) of the IPL).

Along the lines of this paragraph, the secondary meaning doctrine is not recognized by the INPI due to the lack of legal backing for such recognition. Thus, the administrative principle of legality prevents the INPI from adopting that doctrine.

4.13 Signs not registrable as marks (article 124)

Article 124 of the Industrial Property Law provides for signs that are not registrable as trademarks for absolute reasons (intrinsic characteristics of the sign) or for related reasons (technically registrable signs in their intrinsic characteristics but which conflict with prior rights of third parties).

It should be remembered that article 124 does not constitute the only parameter for the registrability of marks imposed by the legislator.

Besides not falling under the prohibitions of article 124, a sign must also meet the general requirements set out in article 122 of the same law (distinctiveness and visual perceptibility).

The subparagraphs of article 124 set out express and specific prohibitions. Concrete and actual examples will be provided below for each item.

Article 124 – The following are not registrable as marks:

I. official, public, national, foreign or international escutcheons, coats of arms, medals, flags, emblems, badges and monuments, as well as the respective designations, figures, or imitations;

INPI's Guidelines for Trademark Analysis (Resolution no. 260/2010) provide the examples of flags and public monuments.

Concrete cases:

- Application for registration no. 825823625 for the mixed mark U.S. ARMY and its drawing, under Class 25, rejected by the INPI based on the provisions of article 124 (I) of the IPL (INPI, 2007a);
- Application for registration no. 827885334 for the mixed mark LA VIE EN ROSE BUFFET and its drawing of the Eiffel Tower, under class 43, rejected by the INPI based on the provisions of article 124 (I) of the IPL (INPI, 2007b).

II - letters, numerals and dates, standing alone, except when endowed with sufficiently distinctive form.

The article prohibits the appropriation of letters and numerals (1-9) standing alone. In other words, combinations of letters and/or numerals are registrable.

In addition, the article permits the registration of letters and numerals standing alone when endowed with sufficiently distinctive form, i.e. it grants protection to stylized letters and numerals.

It should also be highlighted that prohibition of registration is imposed on graphical representations of a letter or numeral, not on their nomenclature in full.

Examples:

- Registration n°. 824004582 for the word mark "05" under Class 25 (INPI, 2006);
- Registration n°. 816762244 for the word mark "TRÊS" under class 03.20 (INPI, 1995).

III - expressions, figures, drawings or any other signs that are contrary to morals and standards of respectability or that offend the honor or image of persons or attempt freedom of conscience, belief, religious cult or ideas and feelings worthy of respect and veneration.

The provision imposes a prohibition with a high degree of subjectivity. The interpretation of its application in concrete cases may change over time and can vary for different social groups or for nationals of different countries.

Examples:

- Application for registration no. 817418890 for the mark "PENTELHINHOS," under class 25.20, rejected by the INPI based on article 65, item 3, of Law no. 5,772/71 (device equivalent to the one provided for in article 124 (III) of the current law), (INPI, 1994);
- Application for registration no. 902103172, for the mark "DASPUTAS," under class 03, rejected by the INPI based on article 124 (III) of the IPL (INPI, 2012).

- Application for registration no. 828659672, for the mark “BAD MOTHER FUCKER”, rejected by the INPI based on article 124 (III) of the IPL (INPI, 2009).

IV - designations or initials of public entities or agencies, when registration is not required by the public entity or agency itself.

Example:

- Application for registration no. 901402125, for the mark “MERCOSUR”, under class 35, rejected by the INPI based on article 124 (IV) of the IPL (INPI, 2011).

V - reproductions or imitations of a characteristic or differentiating element of a title of an establishment or a name of a company belonging to third parties, likely to cause confusion or association with such distinctive signs.

In the case of a conflict between trademarks and trade names, the principles of anteriority (prior right), distinctiveness (the characteristic element should be protectable) and possibility of confusion apply.

To enjoy rights on a trade name, the holder of the prior right does not need to have his company incorporated in Brazil, as company names are protected internationally under article 8 of the Paris Union Convention (CUP):

Article 8 – A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark (PARIS, 1883).

Nevertheless, a foreign holder is also subject to an analysis of intrinsic distinctiveness and possible confusion between the characteristic element of a trade name and a trademark.

Recently, a controversy arose from a decision of the Supreme Court of Justice, with the vote of reporting justice Andrichi, according to which to request application of the provisions of article 124 (V), the owner of the prior trade name should confirm the registration of his name in all the federated entities and not in just one or some states (REsp 1,204.488/RS, judged on February 22, 2011).

The decision of the Supreme Court of Justice was based on the understanding that the Civil Code of 2002 would have limited the protection of trade names to the federative entity where it was incorporated, except in cases where the holder requests an extension of registration to all the other states. However, the application of such an argument to conflicts between trade names and trademarks is controversial.

The reason is simple: a trademark registration provides protection and the right to use the sign throughout the national territory (article 129 of the IPL). What this means is that if a senior trade name cannot attack an application for trademark registration for the simple fact that its acts of incorporation are registered in a single federative unit, in the near future such senior trade name will coexist side by side with the mark of a third party, which can clearly cause confusion.

Such a situation also involves a violation of the principle of equality, as foreign holders would enjoy protection domestically without the need to register their name (article 8 of the Paris Convention), while domestic holders would be

required to comply with such formality in all units of the Federation. Alternatively, if article 8 of the CUP is declared ineffective after the CC/02, the Brazilian nation would not be meeting the minimum intellectual property standards agreed upon within the WTO any longer and could face international sanctions.

Therefore, the recent decision of the Supreme Court of Justice in REsp 1,204.488/RS should be examined with great caution.

In other words, a proper analysis should be carried out on a case by case basis for applying article 124 (V) of the IPL to block an application for trademark registration when there is a prior right of a third party on a trade name, taking into account the requirements of distinctiveness and possibility of confusion.

VI - signs of generic, necessary, common, ordinary or simply descriptive character, when related to the product or service to be distinguished, or those commonly employed to designate a characteristic of the product or service regarding its nature, nationality, weight, value, quality and time of production or rendering of the service, except when endowed with a sufficiently distinctive form (BRAZIL, 1996);

As pointed out above, the law prohibits the appropriation of signs of a generic, necessary, common, ordinary or simply descriptive nature to designate a characteristic of a product or service.

But what are the foundations of this rule? The first one is that, in the absence of distinctiveness, these signs simply cannot distinguish a certain product or service in the market, i.e. they cannot function as indicators of source.

On the other hand, the appropriation of these signs as marks would also undermine sound free competition standards. After all, from the moment that such expressions were appropriated by a single private individual, his competitors would be prevented from using them in their activities, causing serious imbalances.

INPI's Guidelines for Trademark Analysis (INPI, 2010, pp. 22-6) defines each of the symbols set out in the provision, besides providing some interesting examples. Let's take a look at them:

- a) Generic sign: this is a nominative term or expression or its graphic representation that designates the category, kind or class of a certain product or service without individualizing it, otherwise it would violate the right of competitors.

Examples:

"APPAREL" (not registrable to mark clothing);

"FOOD" (not registrable to mark food products or services);

"VEHICLE" (not registrable to mark motorcycles, cars or bikes).

- b) Necessary sign: this is a nominative term or expression or an indispensable figurative element that describes or represents a product or service or its inputs.

Examples:

“OLIVE OIL” (not registrable to mark olive oils);

“FAST FOOD” (not registrable to mark food-related services).

- c) Common sign: this is a nominative term or expression or a figurative element that, despite not corresponding to the representation through which the product or service was originally identified, established itself through common use for this purpose, thus becoming part of the business language.

Examples:

“CAR” (not registrable to mark a vehicle);

“PINA COLADA” (not registrable to mark drinks).

- d) Ordinary signs: these are slang terms or popular or family names that also identify a product or service.

Examples:

“BRANQUINHA” (whitey, a Brazilian expression for the popular drink cachaça) (not registrable to mark sugarcane brandy);

“RANGO” (Brazilian slang for snack or meal) (not registrable to mark food or food-related services).

- e) Descriptive sign: this is a nominative term or expression that does not lend itself to distinguish

a product or service but is intended to indicate its destination or application or to describe it in its constitution.

Examples:

“MARCAHORA” (hour marker) (not registrable to mark clocks);

“LAVAROUA” (clothes washing) (not registrable to clothes washing machines).

- f) Sign commonly employed to designate a characteristic of a product or service: this is a nominative term or expression that refers to a characteristic of a product or service in relation to its nature, nationality, weight, value, quality and time of production of a product or provision of a service.

Examples:

“ARTESANAL” (handmade) (to mark ice creams);

“INDUSTRIALIZADO” (industrialized) (not registrable to mark food products);

“QUILO” (kilo) (not registrable to mark cereals);

“HP” (not registrable to mark engines);

“CINCO ESTRELAS” (five-star) (not registrable to mark hotels);

“SABOROSO” (tasty) (not registrable to mark breads);

“INODORA” (odorless) (not registrable to mark mineral water);

“DESDE” (since) (not registrable to mark any product or service);

“SAFRA” (harvest) (not registrable to mark beverages).

In this regard, let us see how the INPI has already applied this rule in specific actual cases:

- Application for registration no. 819083003 for the mark “CIA DAS MALHAS” (nominative mark) under class 25, covering “apparel and clothing accessories,” rejected by the INPI based on article 124 (VI) of the IPL (INPI, 2000);
- Application for registration no. 818568569 for the mark “BORDA RECHEADA” (stuffed edge) (nominative mark) under class 38, covering “food services,” rejected by the INPI based on article 124 (VI) of the IPL (INPI, 1998a);
- Application for registration no. 818228415 for the mark “MODULAR” (nominative mark) under class 20 (20:10, 20:25), covering “furniture and furniture items in general, mattresses, pillows and cushions in general,” rejected by the INPI based on article 124 (VI) of the IPL (INPI, 2001);
- Application for registration no. 821665090 for the mark “EARLY WARNING EFFECT” (nominative mark) under class 01 (01.90), covering “chemical products, specifically compounds to trigger smoke alarms sold as a wall covering component,” rejected by the INPI based on article 124 (VI) of the IPL (INPI, 2003);
- Application for registration no. 822101262 for the mark “WASHWISE” (nominative mark) under class 03 (03.10), covering “cleaning utensils made of plastic and rubber that are used with granular detergents for washing and pre-treating clothes, replacing bar soap or any other pretreatment device/stage,” rejected by the INPI based on article 124 (VI) of the IPL (INPI, 2004);

Application for registration no. 820360848 for the mark “MOISTURIZING FORMULA” (nominative mark) under class 03 (03.20), covering “products for body and beauty treatment, fragrances, soaps, essential oils,” rejected by the INPI based on article 124 (VI) of the IPL (INPI, 1999b).

Brazilian courts have also applied the rule several times, such as in the following cases:

INDUSTRIAL PROPERTY. APPEAL. REGISTRATION. LIMITATION OF USE. ARTICLE 124, SUBPARAGRAPH VI, LAW no. 9,279/96. 1. Marks registered with the INPI without exclusive use right make it possible for companies in the same line of business to use them, provided that this is done in the common sense and in conjunction with other identifying elements. 2. Article 124 (VI) of the IPL prohibits the registration as a mark of “signs of generic, necessary, common, ordinary or simply descriptive character, when related to the product or service to be distinguished, or those commonly employed to designate a characteristic of the product or service regarding its nature, nationality, weight, value, quality and time of production or rendering of the service, except when endowed with a sufficiently distinctive form.”

3. The expression “PERSONAL PARK” is one of a necessary, common or ordinary character and is inherently related to the service to be distinguished, which falls under the NCL (8) 39 class, namely, management and rental of parking areas and car parking services. 4. The expression “PERSONAL PARK” can only be registered as a mixed mark, because it is associated with other identifying elements that confer sufficient distinctiveness to it to justify its registration, which must nevertheless include an observation of non-exclusiveness of use for the nominative element. Considering the usual character of the expression in question, when related to the market segment of the company that created it, its registrability cannot be admitted in the merely nominative form, given the absence of elements that lend the necessary distinctiveness to the sign. 5. Appeal granted (BRAZIL, 2009c - emphasis added).

INDUSTRIAL PROPERTY - GRANT OF REGISTRATION OF MIXED MARK - RESTRICTION ON EXCLUSIVE USE OF THE NOMINATIVE ELEMENTS - THE EXPRESSION REFERS TO THE CHARACTERISTICS OF THE SERVICE INDICATED IN ARTICLE 124 (VI) OF THE IPL.

- I. The mixed mark “SPEED SYSTEM” indicates “English teaching service,” and its registration is granted with restriction on exclusive use of its nominative elements.
- II. The expression “SPEED SYSTEM” that makes up the mixed mark is one of common use, as its meaning refers to a characteristic of the indicated service, since it conveys to the public the idea that it is a quick method/system for teaching English.
- III. The provisions of article 124 (VI) of the IPL apply in this case and prevent the use by a single competitor of a sign franchised to all (AC 368933 Proc. no. 2003.51.01.510624-9/RJ - 2nd Special Panel of the Federal Regional Court of the 2nd Region; Reporting Federal Judge Messod Azulay Neto).
- IV. Industrial Property. Mark that has a sonic identity with a generic product found in the consumer market. Prohibition provided for in article 124 (VI) of Law 9,279/96. Registration. Impossibility. I - Because there is sonic identity between the mark “MISSÔSHIRU,” whose registration is being requested to be upheld, and the well-known Japanese soup “MISO-SHIRU” and both expressions are only differentiated by the double “S” in the former, and although they fall under different classes, the provisions of article 124 (VI) of Law 9,279/96 do not allow this mark to be registered with the INPI, as it can clearly lead to confusion in the consumer market and, consequently, possible unfair competition. II - Appeal denied (BRAZIL, 2003 - emphasis added).

Finally, a few remarks should be made about the secondary meaning doctrine and its applicability in the Brazilian legal system.

The secondary meaning doctrine has its origin in American law and is based on the perception that, over time, certain descriptive signs may acquire distinctiveness and begin to be perceived as actual brands of a product or service.

Therefore, the essential element of the doctrine is the association that can be

made, in the consumer's mind, between a sign and a single source of a product or service. If the expression in question, which was merely descriptive, begins to be associated with a product or service of a single company, it means that it acquired a second meaning.

The definition of this doctrine, therefore, necessarily involves a term that was not distinctive originally but, as a result of its exclusive and continued use by a single company, came to be directly associated with the products or services of that company. This acquired distinctiveness is referred to as secondary meaning.

Although the Industrial Property Law does not provide for the phenomenon of acquired distinctiveness expressly, which shows that this discussion is even more doctrinal than one related to legal applicability in the Brazilian system, article 6 quinquies (C), item 1, of the Paris Union Convention (regulated by Decree 1,263/1994) provides that:

Article 6 quinquies

C. 1) In determining whether a mark is eligible for protection, all the factual circumstances must be taken into consideration, particularly the length of time the mark has been in use (PARIS, 1883).

This means that all the factual circumstances must be taken into consideration for determining whether a mark is eligible for protection, which in our understanding includes analyzing whether the mark acquired distinctiveness by virtue of use.

This understanding is partly shared by the doctrine:

As opposed to what many believe, the concept is not unique to American law, which coined the term secondary meaning. Although the specific law does not provide for secondary meaning as an actual provision, it has legal status due to article 6 quinquies (C-1) of the Paris Union Convention, which is part of the Brazilian legal system, meaning that Brazilian administrative and judicial bodies have the power and duty to take it into account when considering whether a mark is eligible for protection or not (DANNEMAN et. al, 2000, p. 229).

Even though the INPI does not apply the secondary meaning doctrine, it has already recognized the registrability of signs such as Banco do Brasil, Jornal do Brasil, Jornal do Commercio, American Airlines, Bank of America⁸, among others.

⁸ The mark Banco do Brasil (nominative mark) was granted registration no. 816669350 under class 36 (36.10, 36.20, 36.70), covering "banking and credit, financing and investment, savings, loan and mortgage services; ancillary or related financial services."

The mark Jornal do Brasil (nominative mark) was granted registration no. 002317630 under class 38 (38.10), covering "communication, publicity and advertising services."

The mark Jornal do Commercio (nominative mark) was granted registration no. 824827074 under class 16, covering "periodicals."

The mark American Airlines (nominative mark) was granted registration no. 816205159 under class 38 (38.20, 38.60), covering "services related to cargo transportation, storage and packaging of merchandise in general and food services."

The mark Bank of America (nominative mark) was granted registration no. 819828327 under class 36 (36.10), covering "banking, credit, financing and investment services."

All of these signs were descriptive signs originally, but with time they took on the status of marks and became signs that identify the services provided by their respective holders.

Brazilian courts have in turn already recognized the possibility of a sign acquiring distinctiveness as a result of use in some cases. The leading case in the country was judged in 1987 and involved the name of the shoe manufacturer São Paulo Alpargatas S/A. This company became aware of the establishment of a competitor called Cervera Alpargatas Ltda. in the same industry and filed a lawsuit before the State Court of Justice of São Paulo to make it stop using the expression ALPARGATAS (canvas sandals) both as a mark and as an element of its trade name.

The a quo judgment was in favor of the plaintiff and the defendant filed an appeal. The main argument of the appellant was that ALPARGATAS is nothing but the plural of ALPARGATA, an expression found in dictionaries that means canvas sandal, and therefore no one should be prevented from using it among sandals and other types of footwear. The State Court of Justice São Paulo rejected the reasons provided by the appellant based on the following arguments:

The key point of the dispute is a question of fact, namely, knowing whether the preponderant term “ALPARGATAS” included in the corporate name of the Plaintiff, São Paulo Alpargatas S/A, is a generic word or not that, because it designates a certain kind of industrial product or merchandise, may represent an industry mark and, consequently, deserves legal protection in relation to the name of the Defendant, Cervera Alpargatas Ltda.

And the answer is clearly yes. No one questions that the term “ALPARGATA” is a noun that, in its original meaning, denotes a type of shoe or footwear with some unique features that are not under discussion here. It’s not necessary to look the word up in a dictionary to confirm this fact. But the question of fact that is challenging the legal grounds of this process is another one, namely, whether the Plaintiff, by disseminating the use of the nominative expression of a unique type of footwear, didn’t end up lending a figurative and unique semiotic content to it in the arena of market competition that identifies not only the product itself, but the company that produces it and all its industrial and commercial activities.

This was what happened as a public, notorious fact. Due to a semantic phenomenon that is not uncommon and has been scrutinized in studies in the areas of Semiology and Historical Grammar, the word “ALPARGATAS” lost its current meaning and began to translate, in trade relations and even in routine communications, a specific footwear item manufactured by the Plaintiff and, by ideological contamination, its own identity in the business world and, especially, in the arena of market competition. So much so that the term, whose preponderance in the name is intuitive and obvious, has acquired the ability to lead to an immediate association of ideas with that characteristic industrial product and with the objective individuality of the Plaintiff and its economic group, which today, regardless of whether the manufacturing of the product was interrupted or ended, are identified by that single word in the relationship with the consumer public. The Plaintiff is individuated only as “ALPARGATAS,” presenting itself to the market as such and being recognized by it as such.

This clear fact, which can be explained in the light of multiple historical, commercial and linguistic factors, is what made it possible for the Plaintiff to secure its registration as a notorious trademark [...] And the protection that was granted is fair, as the word "ALPARGATAS" ceased to mean a footwear item of a specific kind and began to symbolize and refer to a specific product and its manufacturer as a result of the ongoing activities and public reputation of the Plaintiff.

[...]Therefore, if the sentence recognized that the Claimant won deserved fame in more than 70 years of industrial and commercial activities, the intensity of which explains the semantic phenomenon of the manufacturer and the product having assumed and absorbed the ideological notation of their own kind under the mark "ALPARGATAS" that makes up the company's name, seeing no obvious risk of confusion from the use, by the Defendant, which is active in the same industry, of the same name is to deny this clear and transparent fact (BRAZIL, 1987, emphasis added).

Another ruling was handed down in a lawsuit between the company Valls & Cia Ltda. and the INPI around the registrability of the expression GASTHAUS (in German, lodging, place where meals are served) to identify restaurant services.

The case was referred to the Federal Regional Court of the 2nd Region, which in 1996 admitted the possibility of registration and ruled in favor of it based on the distinctiveness acquired by the sign:

[...] Continuous use of the mark that is the object of the application in question since November 1973 makes it eligible for registration according to the provisions of article 6 quinquies of the Paris Union Convention, which is in force in Brazil pursuant to Decrees 19,056/29 and 72,572/75. As stated in the initial petition, there are generic, necessary or descriptive words that, as a result of their use, end up becoming actual marks, meeting all the requirements for this purpose by distinguishing certain products or services from similar ones of different origins. According to U.S. specialists, these words acquire secondary meaning, namely, that of distinguishing goods or services, replacing and exceeding the significance of their previous use (page 07). Or, as stated in page 106 of the appeal response, "due to its old and continued use and widespread reputation in the restaurant industry, the word 'GASTHAUS' has acquired a secondary meaning in Brazil that is not linked to its original meaning, which, as seen before, refers to lodging [...]" (BRAZIL, 1996, emphasis added).

VII – signs or expressions employed only as a means of advertising.

The provision prohibits registration of expressions employed only as a means of advertising. If a sign has a dual role (expression employed as a means of advertising and mark), its registration with the INPI is legally allowed.

Finally, it should be recalled that the prohibition of registration as a mark does not mean that expressions employed as a means of advertising cannot be legally protected. Because of their artistic and creative character, slogans are protected by the Copyright Law (Law 9,610/1998). Also, their undue use by third parties is forbidden under rules against unfair competition (article 195 (IV) of the IPL).

VIII – colors and their names, unless arranged or combined in a peculiar and distinctive manner.

This rule is similar to the one that forbids the registration of letters and numerals (article 124 (II)), with a difference: in the case of colors, their written names cannot be registered either (unless arranged or combined in a peculiar and distinctive manner).

There are two exceptions to this legal prohibition: the combination of colors and the arrangement of one or more colors in a peculiar and distinctive manner.

IX – geographical indications, imitations thereof likely to cause confusion, or signs that may falsely induce a geographical indication.

Example:

Application for registration no. 826877532 for the mark “Vale dos Vinhedos” under class 03, rejected based on article 124 (IX) of the IPL (RPI no. 1907 of July 24, 2007).

It should be recalled that geographical names that do not constitute geographical indications and that do not induce to a false indication of source can be registered as a trademark (article 181).

X – sign that induce to a false indication regarding the origin, source, nature, quality or usefulness of the product or service to which the mark is applied.

Example:

Application for registration no. 822895153 for the mark “Difranca Shoes & Boots” under class 25, rejected based on article 124 (X) of the IPL (RPI n. 1,851 of June 27, 2006).

XI – reproductions or imitations of an official seal normally used to guarantee a standard of any kind or nature.

Example:

Application for registration no. 823637727, for the mark “ISO 14001 Respeito a Natureza ISO 9002 Garantia de Qualidade” under class 30, rejected based on article 124 (XI) of the IPL (RPI no. 1,899 of May 29, 2007).

XII – reproductions or imitations of a sign that has been registered as a collective or certification mark by a third party, with due regard to the provisions of Article 154;

XIII – names, awards, or symbol of a sporting, artistic, cultural, social, political, economic or technical event that is official or officially sanctioned, as well as an imitation likely to create confusion, unless authorized by the competent authority or entity that is promoting the event.

In relation to this provision, it should be highlighted that the law does not require the event to have been held in Brazil. It just has to be an official or officially recognized event.

Examples:

- Application for registration no. 815091990 for the mark “RG Roland Garros” under class 28.10, rejected based on article 65 (15) of Law no. 5,772/1971 (provision equivalent to that of article 124 (XIII) in the current law), according to the decision published in the RPI no. 1,110 of March 10, 1992.
- Application for registration no. 819612790 for the mark “Nascar” under national class 41 (41.20 and 41.40), rejected based on article 124 (XIII) of the IPL (RPI no. 1,594, of July 24, 1991).
- Application for registration no. 822408317 for the mark “Paris Dakar off Road” under class 12, rejected based on article 124 (XIII) of the IPL (RPI no. 1,796, of June 7, 2005).

XIV – reproductions or imitations of titles, policies, coins, and paper currency of the Union, the States, the Federal District, the Territories, the Municipalities, or of a country.

Examples:

Application for registration no. 827104197 for the figurative mark “€” under class 25, rejected based on article 124 (XIV) of the IPL (RPI no. 1,966 of September 9, 2008).

- Application for registration no. 819520560, for the mixed mark “Washington One Dollar” under class 34.10, rejected based on article 124 (XIV) of the IPL (RPI no. 1,467, of February 17, 1999).

XV – personal names or signatures thereof, family names and patronymics, or the image of third parties, except with the consent of the titleholder, his heirs or successors;

Examples:

- Application for registration no. 819641626 for the mark “Sena Pneus” under class 07.60, rejected based on article 124 (XV) of the IPL (RPI no. 1,594, of July 24, 2001).
- Application for registration no. 818584785 for the mark “Einstein” under class 09.55, rejected based on Article 124 (XV) of the IPL (RPI no. 1,417, of February 17, 1998).
- Application for registration no. 821882473 for the mark “Rodrigo Pessoa” under class 21.20, rejected based on article 124 (XV) of the IPL (RPI no. 2,141, of January 17, 2012).

XVI – well-known pseudonyms or nicknames, individual or collective artistic names, except with the consent of the titleholder, his heirs or successors.

Examples:

- Application for registration no. 822975394 for the mark “Sand-Junior” under class 05, rejected based on article 124 (XVI) of the IPL (RPI no. 1927, of December 11, 2007).

- Application for registration no. 825466741, for the mark “Beatles” under class 09, rejected based on article 124 (XVI) of the IPL (RPI no. 1996, of 04/07/2009).
- Application for registration no. 822368358 for the mark “LADY DI” under class 09, rejected based on article 124 (XVI) of the IPL (RPI no. 1,792, of May 10, 2005).

XVII – literary, artistic or scientific work, as well as the titles protected by copyright and likely to cause confusion or association, except with the consent of the author or titleholder;

Examples:

- Application for Registration no. 824803477, for the mixed mark “Supriman” under class 02, rejected based on article 124 (XVII) of the IPL (RPI no. 1,984, of January 13, 2009).
- Application for registration no. 815275285, for the mixed brand “Garota de Ipanema” under class 03.20, rejected based on article 124 (XVII) of the IPL (RPI no. 1,760, of September 28, 2004).
- Application for registration no. 815102720, for the mark “Tieta” under class 03.20, based on article 124 (XVII) of the IPL (RPI no. 1,772, of December 21, 2004).

XVIII - technical terms used in industry, science and art, that are related to the product or service to be distinguished.

Examples:

- Application for registration no. 819265462, for the mark “Cryogen” under class 05.70, rejected based on article 124 (XVIII) of the IPL (RPI no. 1,451, of October 27, 1998).
- Application for registration no. 820909459, for the mark “Profilática” under class 09.15, rejected based on article 124 (XVIII) of the IPL (RPI no. 1.512, of December 28, 1999).

XIX – reproductions or imitations, in whole or in part, even with an addition, of a mark registered by another party, to distinguish or certify an identical, similar, or alike product or service, likely to cause confusion or association with the other party's mark.

This is certainly the item that militants in this area use the most, as it deals with the application of exclusive rights on a mark previously registered by others.

To understand its scope and requirements better, it should be analyzed in parts:

“REPRODUCTIONS OR IMITATIONS”

To invoke prior rights on a mark, a third party must first demonstrate that the junior mark is a reproduction or imitation of its earlier distinctive sign.

“Reproduction” can be total or partial (“in whole or in part”) and can include the addition of other elements. What is important to characterize a “reproduction” is the fact that a distinctive element of the earlier mark was copied (prefix, suffix, stem or whole words) and that the marks are similar in their set.

An “imitation” can be graphic, phonetic, visual and/or ideological in relation to the earlier mark of the third party. In its Guidelines for Trademark Analysis (INIP, 2010), the INPI provides several examples of what would constitute an imitation that are worth pointing out:

| | |
|---------------------------------|-------------------------|
| CAVALINHO AZUL X CAVALINHO BLUE | (ideological imitation) |
| MEU MANDACARU X MANDAKKARU | (graphic imitation) |
| RAPHA'S X RAFAST | (phonetic imitation) |

“MARK REGISTERED BY ANOTHER PARTY”

Prior rights should be based on a prior registration regularly granted by the INPI as provided for in articles 122 and 129 of the IPL.

If the registration of the previous holder was not granted yet, the INPI must suspend the examination of the newer case until a final decision on the senior application for registration is issued. If the senior registration application is accepted and granted, the junior case will be dismissed based on this confirmed anteriority. If the senior registration application is not granted, the junior application can continue to be analyzed - provided that there are no other impediments.

“IDENTICAL, SIMILAR, OR ALIKE PRODUCT OR SERVICE”

This expression is the legal basis of the so-called principle of specialty, which restricts the scope of trademark protection for the activities covered by the description of products or services included in the registration, which also covers alike products or services.

In other words, the right to exclusive use of a mark as a result of its registration according to article 129 of the IPL does not have an erga omnes effect, as it is restricted to the claimed activity and alike ones.

Cerqueira teaches the following about this subject:

Nothing prevents a mark from being identical or similar to one already being used to distinguish different products or employed in another field of commerce or industry. This is the case in which the principle of specialty of a mark is applied the most, easing the novelty rule. The mark must be new, different from existing ones, but in the case of diverse products or of a different industry, it doesn't matter if it is identical or similar to one being used already (1982, p. 779).

An exception applies to marks of high reputation, which due to their exceptional power to attract consumers can be protected under all the 45 classes of products and services (article 125 of the IPL).

There are also those who support extra-activity protection when a new mark harms the reputation or material integrity of a senior sign, as provided for in article 130 (II) of the IPL, which will be discussed later.

“LIKELY TO CAUSE CONFUSION OR ASSOCIATION”

Improving the principle of specialty, the legislator also established the requirement of “likelihood of confusion or association.” Thus, for two marks to be con-

flicting, the fact that the products or services are identical or similar is not enough: possible coexistence of the marks must be likely to cause confusion or association in the mind of consumers.

The final part of the item is of paramount importance and materializes the concern of the legislator to avoid excesses or injustice in the application of the legal prohibition. As a matter of fact, the provision requires the examiner to analyze, in this case, the possibility of confusion or association between the marks, as depending on the factual circumstances two identical or similar marks that identify products or services of the same type can coexist peacefully, without inducing consumers to error. Comments made by Cerqueira shed light on this matter once again:

The likelihood of confusion must be assessed based on the overall impression left by marks when examined successively, without analyzing their differences, taking into account not only the degree of attention of consumers and the circumstances under which the product is usually bought, but also the nature and environment in which it is habitually consumed (1982, p. 919).

Confirming this doctrinal understanding, the Supreme Court of Justice rejected, on several occasions, claims of trademark infringement in situations that were not likely to lead to confusion or association in practice:

a) *Hermes versus Hermès* case:

As well put in the contested decision, concomitant use of the marks HERMES and HERMÈS in products of the same class does not cause confusion among consumers, as the products in question are intended to different publics and the reputation of the brand HERMÈS must be recognized, as the defendant companies are well-known worldwide (BRAZIL, 2009d)

b) *SKETCH versus SKECHERS* case:

While the appellant, LIMA ROUPAS E ACESSÓRIOS LTDA., holder of the "SKETCH" mark, sells clothing products and accessories, including footwear, the defendant, "SKECHERS USA INC II," is specifically engaged in the marketing of clothing and accessories for everyday use, for sports, and for professional use. One can therefore see that although consumers can find points of common interest in one or another of them, there is no reason not to recognize the possibility of peaceful coexistence between them (BRAZIL, 2010b).

c) *Shark vs. Paul Shark* case:

Coexistence of two marks in the market is possible even if the more recent one contains a partial reproduction of the previous one and both are intended for use in the same branch of activity (in this case, class 25.10 of normative act 0051/81/INPI, related to industry and trade of "apparel and clothing accessories of common use"), if there is no possibility of error, doubt or confusion as referred to in article 67, no. 17 of Law 5,772/71 (BRAZIL, 1994)

d) *Moça Fiesta versus Fiesta* case:

Harmonious coexistence between the marks is possible, even if the more recent one contains a reproduction of the previous one, if the third requirement set out in

the law is absent, namely, likelihood of error, doubt or confusion (BRAZIL, 2007b).

In short, for the existence of a conflict between two brands to be confirmed, all factual circumstances are relevant and should be examined.

XX - duality of marks of a single holder for the same product or service, except when, in the case of marks of the same nature, they are sufficiently distinctive.

The legal provision prohibits the granting of two different registrations for the same mark covering the same product or service in the name of the same holder.

In practice, the rule is intended to lend efficacy to forfeiture, the purpose of which is cancelling registrations of marks that are not being used five (5) years after they were granted - or the use of which was interrupted for five (5) years or more, according to article 143 of the IPL. This allows for new signs to enter the market, thus favoring the constitutional principles of promoting the country's social interest and economic development that guide industrial property protection (article 5 (XXIX), Federal Constitution).

If the holder were allowed to be granted successive registrations for the same mark covering the same product or service, in theory forfeiture would never be applied, even if the mark is not being used, as the holder would be granted a new registration every five (5) years.

It should be clarified that the item XX of article 124 does not prohibit the registration of identical marks for various products in the same class. It does not prohibit the coexistence of two registrations for the same brand in a different format either (nominative versus mixed brand). There will be no duality if the nature of the trademarks is different (service mark versus certification mark).

XXI - the necessary, common, or ordinary form of the product or packing, or also that one which cannot be dissociated from a technical effect.

This provision deals with three-dimensional marks and sets out prohibitions of two distinct natures. The first one prohibits the registration of a necessary, common or ordinary shape of a product or packaging, while the second one prohibits the registration of a configuration that cannot be dissociated from a technical effect.

Again, the Guidelines for Trademark Analysis (INPI, 2010) provide some interesting examples:

a) Necessary shape of a product or of its packaging: this is the shape that is inherent to the very nature of the object, without which it is impossible to produce it.

| Trademark application | Products/services | Registrability |
|-----------------------|-----------------------------|--|
| | For soccer ball. | Not registrable. Spherical shape is required. |
| | For American football ball. | Not registrable. Elliptical shape is required. |
| | For tire. | Not registrable. Circular shape is required. |

b) Common or usual shape of the product or of its packaging: this refers to a shape that, albeit not inherent to the product or its packaging, at the time of filing was already commonly used by several manufacturers in their respective market segments.

| Trademark application | Products/services | Registrability |
|-----------------------|--------------------|---|
| | For gas cylinders. | Not registrable. The cylindrical shape of cylinders for holding gas is common. |
| | For bottles. | Not registrable. The cylindrical shape of bottles for holding beverages is common. |
| | For milk cartons. | Not registrable. The parallelepiped shape of cartons of dairy products and other food products is common. |

c) Shape that cannot be dissociated from a technical effect: this is a shape intrinsically related to a technical function that is essential to the functioning of the object or to support its performance.

| Trademark application | Products/services | Registrability |
|-----------------------|------------------------|---|
| | For toys. | Not registrable. Pins are essential for a toy to perform as intended. |
| | For non-slip shoes. | Not registrable. Ridges on the soles provide better grip on the ground, helping the product to perform as intended. |
| | For cleaning products. | Not registrable. A spray tip is essential to the functioning of the product, while the dimples on the bottleneck help the product to perform as intended by providing a better hand grip. |

Consider, in this regard, some shapes that were considered distinctive by the INPI and were granted registration by that institute:

| | |
|--|---|
| | Registration no. 821367749 |
| | Holder: The Coca-Cola Company |
| | Date of filing: 01/25/1999 |
| | Date of grant of registration: 5/21/2002 |
| | Status: registered |
| | Class: 32 |
| | Products: beers, mineral and aerated waters and other non-alcoholic beverages, fruit drinks and fruit juices, syrups and other preparations for making beverages. |
| | Class: 30 |
| | Products: chocolate, confectionery, cocoa powder, ice cream. |
| | Registration no. 820160288 |
| | Holder: Bic Brasil S/A |
| | Date of filing: 8/13/1997 |
| | Date of grant of registration: 12/11/2001 |
| | Status: registered |
| | Class: 16 |
| | Products: pens, drawing pens, fountain pens, refillable pens, ballpoint pens, felt-tipped pens, pencils, charcoal pencils, crayons, blackboard pencils, eraser pencils, mechanical pencils, graphite, writing instruments, ballpoints for ballpoint pens, marking pens, glues, sharpeners, pencil leads, correcting fluids, correcting tapes, pens, drawing sets, ink cartridges, packaging for pens, text markers, parts and components of these products. |
| | Registration no. 824586875 |
| | Holder: Chanel Sarl |
| | Date of filing: 4/26/2002 |
| | Date of grant of registration: 6/10/2008 |
| | Status: registered |
| | Class: 03 |
| | Products: perfumes |

| | |
|--|---|
| | Registration no. 828824428 |
| | Holder: Volkswagen Aktiengesellschaft |
| | Date of filing: 11/01/2006 |
| | Date of grant of registration: 07/31/2012 |
| | Status: registered |
| | Class: 12 |
| | Products: land motor vehicles and their parts, engines for land vehicles, tires for vehicle wheels, rims for vehicle wheels, complete wheels for vehicles and their parts, motor vehicles for children, motorized scooters (vehicles for children) and motorized cars for children (vehicles for children). |

In the opposite direction, here are some precedents in which the INPI decided that the signs could not be registered and rejected their respective registration applications based on the provision in question:

| | |
|--|--|
| | Application for registration no. 829085645 |
| | Holder: Natura Cosméticos S/A |
| | Date of filing: 05/11/2007 |
| | Status: filed. Rejected based on article 124 (XXI) of the Industrial Property Law. |
| | Class: 03 |
| | Products: soaps. |
| | Application for registration no. 829523057 |
| | Holder: Abbott Laboratories |
| | Date of filing: 12/26/2007 |
| | Status: filed. Rejected based on article 124 (XXI) of the Industrial Property Law. |
| | Class: 05 |
| | Products: Pharmaceutical preparations for replacement of electrolytes. |
| | Application for registration no. 819927392 |
| | Holder: Koninklijke Philips Electronics N.V. |
| | Date of filing: 5/27/1997 |
| | Status: filed. Rejected based on article 124 (XXI) of the Industrial Property Law. |
| | Class: 09 |
| | Products: fluorescent lamps. |

| | |
|--|--|
| | Application for registration no. 822706563 |
| | Holder: Loren Sid Ltda. |
| | Date of filing: 4/13/2000 |
| | Status: filed. Rejected based on article 124 (XXI) of the Industrial Property Law. |
| | Class: 11 |
| | Products: ceiling fan. |
| | Application for registration no. 828160236 |
| | Holder: Helios da Amazônia Indústria e Comércio de Materiais de Escritório Ltda. |
| | Date of filing: 2/13/2006 |
| | Status: filed. Rejected based on article 124 (XXI) of the Industrial Property Law. |
| | Class: 16 |
| | Products: staplers. |

The final part of the provision - which prohibits the registration of a shape of a product that cannot be dissociated from a technical effect - has a clear objective: preventing the granting of perpetual privileges on functional elements, which in addition to not complying with the guiding principles of the intellectual property protection system can be highly anticompetitive.

While the trademark law protects distinctive signs, the patent law rewards inventors for developing solutions for technical problems. The former deals with origin identifying signs and can be extended indefinitely. The latter creates exclusive exploitation tools for a limited period of time.

Thus, if the shape of a product is functional or is essentially determined by technical considerations, it cannot be protected under the trademark law. Otherwise, a perpetual privilege would be granted on an element that should be protected by an invention or utility model patent during its usual term.

As a result, the holder of the privilege could claim exclusive rights on a certain functional element indefinitely and unfairly prevent competitors from exploiting it legitimately even after its patent term expires. This would lead to major competitive problems, and item XXI of article 124 is precisely intended to curb this abuse and its anticompetitive effects.

Brazilian case law already has some important precedents related to this issue. Perhaps the most significant of them is the Phillips versus Spectrum Brands case, the discussion of which involved the configuration of cutting heads of electric shavers.

Phillips had a utility model patent for the configuration of the three-dimensional cutting head of its shaver that expired in 1988. Almost a decade later, in 1997, the company filed an application for a three-dimensional mark for the afore-said configuration with the INPI, which was granted in 2001 and subsequently challenged in court by Spectrum Brands:

(patent)

(3D mark)

The 35th Federal Court of Rio de Janeiro granted an injunction suspending the effects of the registration based on the functionality of the configuration, which was confirmed by the Federal Regional Court of the 2nd Region. In judging the appeal, the court was emphatic in its ruling that a previously patented object could not be protected as a three-dimensional mark, as it could create a perpetual monopoly. In the words of the reporting judge himself:

The balance between an inventive contribution incorporated by society and a privilege awarded to an inventor is always determined by time and no combined protective technique supported by any illusory legal hybridity between trademark and utility model protection can result in the perpetuation of its novelty.

[...]

The technological innovation added to the “corpus mechanicus” of the PHILISHAVE electric razor, which consisted in a privilege granted for a legally limited term, cannot be transposed into a perpetual benefit under the protection of a tri-dimensional trademark registration. [...] Once the term of protection expires, the design becomes res communi omnium, and this occurs even if it means the emptying of the mark’s protection, which will become, under this single act, a mere legal title (Federal Regional Court of the 2nd Region, Appeal no. 2005.02.01.011707-6, Reporting Judge André Fontes, 06/27/2006).

As can be seen, the expired patent played a decisive role in confirming the technical effect of the object’s configuration. It therefore provided a strong indication that the configuration was functional and that it could not be registered as a trademark under article 124 (XXI) of the Brazilian Industrial Property Law.

For all of these reasons, it can be concluded that in any dispute of this kind it must be checked whether the configuration of the product is functional and/or has a technical effect. If yes, it cannot be protected under the trademark law, as such protection would be anticompetitive.

On the other hand, if only one or some of the configuration elements are functional, the holder can claim protection on the shape as a whole if he can confirm that it has distinctive non-functional elements and that the overall impression it imparts actually identifies and distinguishes the product from those of other competitors.

XXII - an object that is protected by a third-party industrial design registration.

The rule provided for in item XXII is clear and prohibits the registration as a mark of an object that is protected by an industrial design registration of a third party.

This provision was significantly changed in relation to the old Industrial Property Code (Law no. 5,772/1971), which provided in its article 65 (18) that “a mark consisting of an element protectable as an industrial model or design” was not registrable.

As can be seen, the previous law provided for an absolute rule that prohibited the registration as a trademark of a sign that could be protected as an industrial

design, regardless of whether the design belonged to the applicant for the mark or to third parties.

By including the term “third party” at the end of item XXII of article 124 of the current law, the legislator put an end to the absolute prohibition and made it clear that only marks that incorporate an industrial design of another party are not registrable. As a logical corollary, it can be concluded that if an industrial design registration belongs to the same company applying for the trademark registration, the rule in question does not apply.

Therefore, once all registrability requirements are met, nothing prevents the same configuration of a product from being registered as an industrial design and as a three-dimensional mark at the same time.

The IPNI has been supporting this understanding and although this issue can give rise to some discussion, including of a constitutional nature,⁹ we believe that this is the most correct interpretation of the current legislation.

XXIII - signs that imitate or reproduce, wholly or in part, a mark of which the applicant could not be unaware because of his activity, and whose titleholder is headquartered or domiciled in national territory or in a country with which Brazil has an agreement or that assures reciprocity of treatment, if the mark is intended to distinguish an identical, similar or alike product or service likely to cause confusion or association with that other party's mark.

This provision represents an innovation of the current Industrial Property Law and its purpose is to prevent misappropriation of marks of third parties.

It is therefore a major tool for repressing fraud in the registration of distinctive signs, as made perfectly clear by the best doctrine:

Item XXIII of Law no. 9,279/96 represents a significant advance, as it included metalegal aspects in the legal trademark registration system. It's not that the trademark protection system ceased to be attributive by virtue of item XXIII. It continues to be so, as can be confirmed by a simple systematic analysis of the legislation as a whole. Item XXIII is like a regulator valve whose cause finalis is that of repressing fraud against the law. [...] The provision is based on the logical principle that businessmen in a certain industry could not be reasonably unaware of the existence of certain marks. [...] The fact that triggers the prohibitive norm is malicious conduct on the part of the applicant for registration, as he is a person who knows his industry and is aware of what is happening in the market” (IDS, 2005, p. 230-231, emphasis added).

As one can see, the provision is like a regulatory tool that is triggered whenever a market agent files an application for a trademark that is known to belong to a third party.

⁹ The dispute is particularly around the terms of protection provided for in legal provisions. While industrial design registrations are temporary, trademark registrations can be renewed as many times as their holders want. Thus, if an entrepreneur opts for the industrial design regime, the object would, in principle, fall into public domain after the expiration of the respective term, which in practice does not occur if the holder of the sign obtains a registration for a three-dimensional mark and extends it indefinitely.

In other words, it does not require the existence of a prior application or registration to be triggered, but only evidence that the applicant could not be unaware of the existence of the mark in question.

Let us take a look at some precedents in which this provision was applied:

INDUSTRIAL PROPERTY. HOMEONATUS AND HOMEONATURAL TRADEMARKS. CONFLICT. ARTICLE 124 (XXIII) OF THE IPL. LIKELIHOOD OF MISTAKEN ASSOCIATION.

1. *Article 124 (XXIII) of the IPL prohibits the use and registration of “signs that imitate or reproduce, wholly or in part, a mark of which the applicant could not be unaware because of his activity, and whose titleholder is headquartered or domiciled in national territory or in a country with which Brazil has an agreement or that assures reciprocity of treatment, if the mark is intended to distinguish an identical, similar or alike product or service likely to cause confusion or association with that other party’s mark.” The provision is based on the principle that entrepreneurs active in a certain sector could not reasonably be unaware of the existence of certain marks, a situation that fits the case in question.*
2. *In this case, the graphical and aural similarity between the nominative elements of the conflicting signs is clear, as both of them have the stems “HOMEO” and “NATU” in their mark composition and only differ in their final part, as the company against which the appeal was filed added the syllable “RAL” to form the word “HOMEONATURAL,” while the plaintiff, now appellant, simply replaced the aforementioned syllable with the letter “S,” forming the expression “HOMEONATUS.” In addition, it should be noted that they are intended to mark products belonging to the same market segment, namely, that of homeopathic medicines, which could lead to error or confusion among consumers in relation to the origin of the products (BRAZIL, 2010e).*

INDUSTRIAL PROPERTY. TITLE OF ESTABLISHMENT. “ALUMÍNIO ARARA” AND “ALUMÍNIO ARARAS” TRADEMARKS. [...] *It cannot be concluded that there is sufficient distinctiveness in the mark of the now appealing party, as it reproduces the previous mark of the defendant company almost in full (only the letter “S” at the end of the term “ARARA” was excluded), as a result of which the provisions of article 124 (XXIII) of the IPL apply to it. It should also be noted that both companies operate in the same state of the Federation (São Paulo) and, more importantly, their head offices are located in the same city (Araras). Moreover, both operate in the same market segment, namely, manufacturing and marketing of household aluminum utensils, as indicated in their articles of incorporation (BRAZIL, 2011b).*

INDUSTRIAL PROPERTY. NULLIFICATION OF REGISTRATION. DOCUMENTS IN A FOREIGN LANGUAGE. TRANSLATION. CONFLICT. TRADE NAME.

[...]

The litigating companies operate in very similar market segments, i.e. the plaintiff company manufactures and markets metal alloy products, while the defendant company, now the appealing party, provides services related to the

repair, maintenance and installation of industrial machinery and equipment and agricultural implements, which could certainly cause doubt or confusion among consumers as to the origin of products or services. The similarity between the two companies becomes even clearer when one considers that they were commercial partners in the past, when the plaintiff supplied raw materials for the defendant to manufacture bimetallic cylinders, a fact demonstrated by documents submitted by the plaintiff itself in connection with the case.

4. Although the annulled registration was granted under the aegis of the former Industrial Property Code, which did not have a provision similar to the one of article 124 (XXIII) of the IPL, which prohibits the registration of “signs that imitate or reproduce, wholly or in part, a mark of which the applicant could not be unaware because of his activity,” this precept was already safeguarded by the legal system based on principles of good faith, which were clearly disregarded from an objective point of view, i.e. in relation to the duty of probity among the contractors, as set out in article 422 of the Civil Code, to free competition and to consumer protection (BRAZIL, 2007c).

Item XXIII of article 124 is therefore an important tool for protecting distinctive signs. After all, it can be applied even in situations where the misused mark is not well known, for which purpose it suffices to demonstrate that the applicant could not be unaware of the mark because of his activity.

4.14 Rights conferred by registration

Although the ownership of trademarks has some peculiarities in relation to traditional property,¹⁰ it is also based on the concept of exclusivity and its respective corollaries. The holder of the intangible asset has therefore the prerogative to use, enjoy and dispose of the sign, as well as of preventing third parties from appropriating it. Let us take a look at each of these elements.

4.14.1 Right of exclusion

The right of exclusion is at the heart of the trademark registration system. Without it, the trademark protection system would lose its main foundation and wouldn't even be able to exist. Therefore, when examining issues related to trademarks, one should bear in mind that their registration is an exclusionary instrument that is legitimately enforceable against third parties, as any other form of property.

Therefore, after a trademark is registered, its holder has the prerogative to compel third parties to stop using identical or similar signs in their activities.

4.14.2 Property right

The right of exclusion discussed above derives from the property right governed by article 129 of the Industrial Property Law:

¹⁰ Ease of appropriation and possibility of being used in several places at the same time, for example.

Article 129 - The property of a mark is acquired by means of registration, when validly granted pursuant to the provisions of this Law, and its exclusive use throughout the national territory is assured to the titleholder, with due regard, as to collective and certification marks, to the provision in Articles 147 and 148.

As can be seen, when a trademark registration is obtained, its holder acquires the exclusive right to use the sign throughout the national territory.

This scope of protection throughout the national territory is important, as it provides appropriate legal safety for the holder to invest in his mark and expand his operations to other states of the Federation without coming across companies that are already using identical or similar marks.

Therefore, acquiring the exclusive right to use a sign throughout the national territory is a major reason that leads a company to register a mark with the INPI, as it is then protected throughout the country, regardless of whether it is known in certain regions or not.

The titleholder of a registration may enter into a license contract for use of the mark by third parties and exercise effective control over the specifications, nature and quality of the respective products or services (article 139 of the IPL). Incidentally, the licensing prerogative is an important facet of the right conferred by a trademark, as it allows its holder to effectively maximize the economic potential of the sign.

Finally, the holder may dispose of the mark as he wishes, transferring the respective registration or application for registration to a third party for a fee or free of charge. Such transfer, however, must include all the registrations or applications in the name of the transferor of the same or similar marks related to an identical, similar or alike product or service.

This precaution of the legislator was meant to prevent two separate entities from having exclusive rights on identical or similar trademarks in the same or related market segments, which is reasonable, as this could induce consumers to error and confusion in relation to the origin of the respective products and services.

As can be derived from article 129 of the Industrial Property Law, a claim of right of preference can only be made in the administrative phase preceding the granting of the registration, when an opposition can be filed against an application for registration (article 158). Therefore, the right of preference cannot be recognized in the course of administrative nullity proceedings (article 168) and judicial nullity proceedings (article 173).

4.14.3 Right to damages

The registration of a trademark also confers the holder the right to damages for undue use of his sign by third parties. This covers consequential damages and lost profits, as clearly provided for in articles 209 and 210 of the Industrial Property Law.

An interesting question related to damages is that of the need to confirm damages suffered or not. To be entitled to damages, should the holder necessarily

confirm that an infringement of his trademark caused him damages? According to the most authoritative doctrine and jurisprudence, the answer is no.

This is explained by the fact that, in the area of intangible rights, damages are payable from the moment that an offender invades the legal space of the title holder. Therefore, once an infringement of a trademark is confirmed, the judiciary cannot exempt the offender from the obligation to pay damages for the infraction.

In relation to the need to confirm damages, let us take a look at what Cerqueira, Brazil's foremost expert in the subject, says:

Proof of damages in damage proceedings deserves special mention. Such proof, which is often difficult to come up with in cases of violation of industrial property rights, is particularly difficult in connection with infringements of trademark registrations, and judges should not be too harsh in demanding it. The simple violation of this right requires payment of damages in accordance with article 159 of the Civil Code and it is therefore not necessary in our view that the plaintiff presents proof of damages in the proceedings. Once the infringement is verified, the lawsuit must be upheld and the defendant must be sentenced to pay compensation for consequential damages and lost profits (Civil Code, article 1059) ascertained during the proceedings (1982, p. 1,130-1,131).

This is so because, among other reasons, there is no infringement that does not generate damages to the holder, as can be derived from the following lesson on the subject:

Insisting on the sources provided for in the Industrial Property Law for the purpose in question, the wording of article 210 sets out comprehensive criteria for establishing damages for lost profits, making it clear that, in any event, the manufacture and marketing of counterfeit products causes damages. That provision implicitly shows that there are no cases in which counterfeiting does not create damages. Based on an analysis of the above-mentioned provisions, one can see that the legislator focused only and exclusively on setting criteria for establishing damages and not on requirements for determining whether damages would be due or not. The mens legis should be emphasized (GOYANES, 1982, p. 62).

The Superior Court of Justice adopts the same position and has often ruled that the mere misuse of a trademark causes damages to its holder, thus imposing an obligation to pay damages on the offender:

CIVIL. INDUSTRIAL PROPERTY. TRADEMARK. MISUSE. OMISSION. INEXISTENCE. COMPENSATION. AMOUNT. GRANT OF LICENSE. ARREARS INTEREST. INITIAL TERM. PRECEDENT 54/STJ. DAMAGES. CONFIRMATION. NOT REQUIRED. MINIMUM LOSS OF SUIT. INCIDENCE OF PRECEDENT 326/STJ.

[...]

4. The use of a trademark without a license from its holder is presumed to be harmful to the titleholder.

[...]

The following excerpt from the vote of the Reporting Judge deserves to be highlighted:

It cannot be claimed that article 159 of the Civil Code has been disregarded, given that the damages to be paid were determined based on Law 9,279/96, which does not require material evidence of damage, but only of the infringement. Thus, the holder of the trademark registration with the INPI has an exclusive right to use it and its use by another party, without a license, is presumed to be harmful to the titleholder (BRAZIL, 2008).

COMMERCIAL AND CIVIL. TRADEMARK LAW. MISUSE OF CHARACTERIZED TRADEMARK. ABSTENTION. COMPENSATION.

A trademark infringement occurs when an imitation of a mark reflects on the cognition of consumers, wrongfully inducing them to perceive an identity in two products manufactured by different companies. Misuse of another's trademark is always presumed to be harmful to its legal holder.

Appeal partly heard and, in the heard part, granted (BRAZIL, 2003b).

TRADEMARK. DAMAGES. PROOF SINCE IT HAS BEEN RECOGNIZED AS A FACT THAT THE DEFENDANT MANUFACTURED AND MARKETING A PRODUCT CALLED "SABÃO DA COSTA," WHICH IS A TRADEMARK OF THE PLAINTIFF, WHICH ALSO MANUFACTURES AND SELLS THE SAME PRODUCT, IT SHOULD THEREFORE BE ADMITTED THAT DAMAGES HAVE BEEN CAUSED, AS THIS UNFAIR COMPETITION LED TO A REDUCTION IN THE MARKET. RESTORATION OF THE SENTENCE IN THE PART WHERE IT HAD GRANTED DAMAGES OF 5% OF THE SALE VALUE OF THE PRODUCT IN THE FIVE YEARS PRECEDING THE FILING OF THE SUIT, THE VALUE OF WHICH SHALL BE CALCULATED IN THE STAGE OF LIQUIDATION OF THE AWARD. APPEAL HEARD AND GRANTED (BRAZIL, 1997a).

This has also been the understanding of other courts:

INDUSTRIAL PROPERTY RIGHT. MISUSE OF A REGISTERED TRADEMARK. DAMAGES. PRESUMPTION. PRIOR WAIVER OF PROOF OF DAMAGES. *Simple misuse of a registered trademark, which constitutes an infringement of industrial property rights, justifies the payment of damages by itself, the amount of which shall be calculated in the stage of liquidation of the award. The mere fact that a trademark is being misused causes damages, as it jeopardizes the credibility of the trademark on the market. Appeals granted (BRAZIL, 1997b).*

[...] Given the graphic and aural similarity, albeit partial, between the denomination of the nominative mark QBOA and QBAO and between their fonts and colors, as well as the similarity of the product, which is inevitable and can be confusing for consumers, with obvious impacts on the field of unfair competition, the defendant must abstain from using the QBAO mark and indemnify the competitor for damages. Appeal granted. [...] (BRAZIL, 2001).

[...] Selling an alcoholic beverage with the name RUM BACACHARI in the same category of the well-known and internationally renowned trademark RUM BACARDI, using a bottle that is virtually identical, with a cap, colors, logo and mainly labels that are nearly identical, with only minor differences in emblems

and effigies, reveals the purpose of misleading or confusing consumers to profit from it, thus characterizing a practice that is constitutionally prohibited (article 5 (XXIX) of the Federal Constitution), namely, that of unfair competition, which must be curbed immediately with payment of damages to the harmed party (BRAZIL, 2000).

For all these reasons, the best interpretation of the law is the one according to which recognition of the infringement is sufficient for granting the respective claim for damages.

Otherwise, simply sentencing the infringer to stop using the mark can be a real prize for him, which is undoubtedly inconsistent with the law in force and with well-established ideals of justice.

4.15 Acquisition of rights on a mark

The attributive system

The Brazilian legislator chose to adopt an attributive system for protecting trademarks in Brazil, as opposed to the declaratory system.

In practice, this means that property rights on a mark are acquired by registering it with the INPI and not by the mere use of the sign on the market, according to the caput of article 129 of the Industrial Property Law:

Article 129 - The property of a mark is acquired by means of registration, when validly granted pursuant to the provisions of this Law, and its exclusive use throughout the national territory is assured to the titleholder, with due regard, as to collective and certification marks, to the provisions in Articles 147 and 148.

Thus, in Brazil, the right to own a mark is conferred through an administrative act of the state, represented by a federal agency (the INPI), after an administrative procedure (trademark registration procedure) is carried out.

In compliance with the principle of legality, the act of granting a registration is not discretionary of the INPI. If the requirements set out in the Industrial Property Law are met, the INPI has the obligation to grant registration of a trademark to an applicant. Similarly, the INPI must reject registration applications that are not in accordance with the law, under penalty of having its administrative act declared invalid, with ex tunc effects (article 165 of the IPL).

As a corollary of the attributive system, in the process of examining applications for trademark registration the examiner must apply the principle known as first to file, i.e. the right will be granted to the first one to file for the trademark registration with the INPI.

In the declaratory system adopted in Anglo-Saxon countries, a property right on a mark is recognized based on its use in the market.

In this case, the property right is recognized based on a de facto situation, i.e. the ownership of the sign depends solely on an affirmative action of the interested party. The state will only interfere if the need arises to settle disputes between two users of identical or similar marks (analyzing, among other things, the geographic

scope of operation of each holder) or if the holder wants to have a declaratory title of his right.

As for the attributive system adopted in Brazil, it should be stressed that while the property right is only conferred through a registration granted by the INPI (caput of article 129), the holder is entitled to enjoy a few rights from the pre-registration phase.

As a matter of fact, article 139 of the IPL provides that an applicant can license his mark to third parties - and if the registration is not confirmed a posteriori, the licensee can claim damages for the investment he made in the mark whose registration was rejected.

Furthermore, article 130 (III) of the IPL provides for the right of an applicant for trademark registration to protect the material integrity and reputation of his mark, as will be discussed in greater detail below.

In addition, the rights of good-faith users are recognized under article 129, paragraph 1, of the IPL, as commented below.

Rights derived from pre-use of a trademark

Article 129, paragraph 1, of the IPL provides as follows:

Article 129. (omissis)

Paragraph 1 - Every person who, in good faith on the priority or filing date, has been using an identical or similar mark in this country for at least 6 (six) months to distinguish or certify an identical, similar or alike product or service shall have the right of preference for the registration.

Paragraph 2 - The right of preference may only be assigned together with the business of the company, or part thereof, that has a direct relation with the use of the mark, by transfer or leasing.

The rule constitutes an exception to the first-to-file principle. If an interested party uses its mark in good faith more than six months before a third party filed an application with the INPI for registering an identical or similar sign, the user in good faith has a right of preference for registering it - and the first-to-file principle would not apply in this exceptional case.

This exception has been recognized and applied by the judiciary:

Synopsis of decision: ADMINISTRATIVE. BUSINESS AND REGISTRATION LAW. INDUSTRIAL PROPERTY. TRADEMARK. BUSINESS NAME. CONFLICT. RIGHT OF PREFERENCE. PRIORITY ON PRIOR USE OF THE MARK. ARTICLE 129, PARAGRAPH 1, OF LAW 9,279/96.

1. Registration of industrial property is intended to protect inventions, models and marks, with the aim of ensuring free competition and business competition.
2. In the present case, the defendant proved that at least 6 months before the expression "Tonatua" was adopted as the plaintiff's trade name he was already using the expression as a mark under which it produced and

marketed underwear since early 2003. Thus, the Industrial Property Law imposed a duty/right to get a trademark registration, or to keep a mark already registered, due to its pre-use and good faith (article 129, paragraph 1, of Law n. 9,279/96).

3. Appeal not granted (BRAZIL, 2012c).

Synopsis of decision: APPEAL. INDUSTRIAL PROPERTY. APPLICATION FOR DECLARATION OF INVALIDITY OF A TRADEMARK BASED ON CONFLICT WITH A TRADE NAME AND RIGHT OF PREFERENCE. APPEAL NOT GRANTED.

I. Prior use of the trade name of the appellee (duly registered), the invoices found on pages 59-95 of the proceedings (in which the expression CEDICOR is highlighted) and the notification sent to the INPI in 2001 (reporting pre-use of the word) are more than sufficient to justify the right of preference invoked and provided for in paragraph 1 of article 129 of the IPL.

II. Appeal and Necessary Remittance denied (BRAZIL, 2010f)

Synopsis of decision: INDUSTRIAL PROPERTY RIGHT. RIGHT OF PREFERENCE TO REGISTRATION DERIVING FROM PRIOR USE. ARTICLE 129, PARAGRAPH 1, OF LAW 9,279/96.

I. After it was demonstrated in the proceedings that the second appellee (Sabor de Fruta Sucos Ltda.) was, before the granting of the registration nullifying PIZZA PARK, which is owned by the appellant (Pizzaria Pires Ltda.), already using in good faith the same expression to identify the service it provides, its right of preference for registration should be recognized, according to the provisions of article 129, paragraph 1, of Law 9,279/96, which is an exception to the attributive system adopted under Brazil's trademark law.

II. Given the principle of defeat, the defeated party must pay all the court fees related to the case.

III. Appeal and Necessary Remittance denied (BRAZIL, 2007d).

An issue that gives rise to intense debate is one related to when such "right of preference" should be exercised.

Can the previous user invoke this right of preference for nullifying the registration of a third party or is the rule provided for in article 129, paragraph 1, only applicable when invoked before the registration of the third party was granted?

The Federal Regional Court of the 2nd Region took the following position on the subject:

Synopsis of decision: MOTION FOR CLARIFICATION INDUSTRIAL PROPERTY MOTION FOR REHEARING TRADEMARK RIGHT OF PREFERENCE REDISCUSSION.

- *Motion for clarification denied on the grounds of nullity, omission, contradiction and obscurity.*
- *The law guarantees the right of preference for the registration and not the right to registration.*

The right of preference can only be exercised before the granting of a registration, which means that it is a right to be exercised within the framework of the administrative proceedings before the INPI and only in connection with them, and no other application for registration can be recognized as an opposition to a previous registration application.

- *Inexistence of the alleged errors in the ruling.*
- *Motion for clarification rejected (BRAZIL, 2012d).*

It is worth stressing that the above-mentioned decision is not *res judicata* yet, and the matter is likely to be settled by the Superior Court of Justice.

4.16 Exceptional protections

The exclusive right to use a mark acquired as a result of the registration of a distinguishing sign with the INPI (article 129) is not an absolute right.

Trademark protection is limited by two legal principles: the principle of specialty (or specificity) and the principle of territoriality, both of which will be discussed below.

4.16.1 The principle of specialty

The principle of specialty of marks is provided for in article 124 (XIX) of the Industrial Property Law¹¹, and it determines that exclusive use of a distinctive sign is only enforceable against identical, similar or alike products likely to cause confusion or association.

In this regard, Cerqueira says the following:

The law sought to anticipate all possibilities, from more particular to more general ones, in a gradual manner; first, it considers identical products; second, it considers similar products; third, it takes into account the type of business or industry in question, without considering the identity or similarity of the products or items, but rather the identity and affinity of the lines of business that the trademarks refer to. In the first two cases, the law is intended to prevent confusion between products directly caused by the identity or similarity of the marks; in the third case, it is also intended to protect the right of the owner of the mark to extend its use to other products or items belonging to the same or alike type of business or industry that exploits them (1982, p. 906).

The concept of confusion is relatively simple and it consists in inducing consumers to error by not being able to tell the difference between one product and another one or to confuse their source because of the similarity or likeness of the goods.

¹¹ Article 124. The following are not registrable as marks:
[...]

XIX – reproductions or imitations, in whole or in part, even with an addition, of a mark registered by another party, to distinguish or certify an identical, similar, or alike product or service, likely to cause confusion or association with the other party's mark;

The phenomenon of association occurs when consumers see a well-known mark being used in a different product or service and they are led to believe, due to a unique feature of that mark (for example, its fame or originality), that the manufacturer or service provider is the same.

When this happens, all the credibility and goodwill acquired by the original product are automatically transferred to the new product. If not controlled or authorized by the owner of the original product, such a circumstance can affect its reputation (credibility) and allow unauthorized third parties to enjoy unjust enrichment.

This is the context in which exceptions to the principle of specialty can be applied: special protection for highly renowned trademarks and the trademark dilution theory. The former is expressly provided for in the law, while the latter is based on doctrine and jurisprudence.

4.16.2 Exception: Highly Renowned Trademark.

Article 125 of the Industrial Property Law is self-explanatory:

Article 125 - A mark that is registered in Brazil and considered to be famous shall be assured special protection in all branches of activity.

Thus, highly renowned trademarks registered in the national territory are not only protected in relation to identical, similar or related products (article 124, XIX), but also in all fields of activity, i.e. in relation to any product or service, regardless of affinity.

Two requirements set out in this legal provision justify this special protection: the registration of the trademark in Brazil and the fact that it is “highly renowned.”

For the INPI (Resolution no. 121/05), “highly renowned” means “an extraordinary attractive force (...) capable of attracting clientele by its mere presence”:

Article 2 - For the purposes of this Resolution, a highly renowned trademark is one that benefits from an indisputable distinctiveness, from wide recognition and prestige, as a result of its establishment and qualification in the market and of the quality and trust it inspires, linked to, in essence, the positive image of the products or services in relation to which it is used, exerting an accentuated magnetism, an extraordinary attractive force over the public in general, without distinction, elevating itself over diverse markets and transcending the function which it originally performed, projecting itself in a manner capable of attracting clientele by its mere presence.

In its article 4, the same INPI Resolution provides a non-exhaustive list of evidence that can be submitted by a party wishing to claim such special protection¹².

¹² Article 4 - Applicants for the special protection provided for in article 125 of the IPL must submit to the INPI, incidentally, upon filing an opposition or an administrative request for nullification of a trademark, appropriate evidence to confirm the high renown of a trademark in Brazil and, to supplement evidence voluntarily collected by him, the following information:

1. date on which the trademark began to be used in Brazil;
2. actual or potential users of the products or services to which the mark applies;
3. percentage of actual or potential users of the products or services to which the mark applies essentially for its tradition and qualification in the market, based on an opinion poll or market survey or on any other appropriate means;
4. percentage of users in other market segments who, immediately and spontaneously, associate the

The special way in which special protection can be claimed is also defined by Resolution no. 121/05 of the INPI. Currently, special protection can only be requested incidentally, through an opposition or administrative nullity proceedings (article 3).

The special protection of a trademark remains recorded in the INPI database for five years, during which period the holder is waived from submitting new evidence of high renown to exercise an exclusive in any class (article 10).

In relation to highly renowned trademarks, it is worthwhile transcribing a decision of the 3rd Panel of the Superior Court of Justice:

COMMERCIAL AND CIVIL PROCEDURE LAW. TRADEMARK. HIGH RENOWN. DECLARATION. PROCEDURE. CONTROL BY THE JUDICIARY BRANCH. LIMITS.

1. *While providing for the effects arising from its respective registration, article 125 of the IPL did not establish the necessary limits for characterizing the high renown of a trademark, thus subjecting the legal provision to the regulation of the INPI.*
2. *The system imposed by the INPI through Resolution no. 121/05 only allows for an interested party to have the high renown of a trademark recognized incidentally.*
3. *The owner of a trademark has a legitimate interest in obtaining, directly, a general and abstract statement that his trademark is highly renowned. This is a right of the titleholder that is inherent in the constitutional right to full protection of the trademark.*
4. *The gap in Resolution no. 121/05 that provides for the declaration of high renown only by incidental means constitutes omission on the part of the INPI to regulate article 125 of the IPL, a situation that justifies the intervention of the Judiciary.*
5. *Although there is inertia of Public Administration, the Judiciary cannot fill this gap and decide on the merits of the administrative proceeding, but only determine that the proceeding should be completed within a reasonable period of time. Thus, until the INPI can issue a direct declaration in this regard, the only illegality will be the inertia of Public Administration,*

mark with the products or services to which it applies, on an opinion poll or market survey or on any other appropriate means;

5. percentage of users in other market segments who, immediately and spontaneously, identify the mark mainly for its tradition and qualification in the market, based on an opinion poll or market survey or on any other appropriate means;

6. means used for marketing the trademark in Brazil;

7. geographic scope of the actual marketing of the trademark in Brazil and perhaps abroad; time that the trademark has been actually used in the domestic market and perhaps in the international market;

8. means of disseminating the trademark in Brazil and perhaps abroad;

9. time that the trademark has been actually disseminated in Brazil and perhaps abroad; amount invested by the holder in publicizing/advertising the trademark in the Brazilian media in the last three (3) years;

10. sales volume or revenues of the product or service in the last three (3) years;

11. economic value of the trademark in relation to the company's assets.

justifying the interference of the Judiciary in relation to the merits of the act of omission.

6. On the other hand, because the acts of the INPI relating to the registration of the high renown of a trademark derive from the exercise of a technical and linked discretion, they are subject to control by the Judiciary without implying any violation of the principle of separation of powers.

7. Special appeal denied. (BRAZIL - 2013).

In the above-mentioned judgment, the 3rd Panel of the Superior Court of Justice recognized the unfeasibility of the Judiciary recognizing a highly renowned trademark due to the lack of an administrative declaration from the INPI. The observance of the separation of powers prevents the Judiciary from overriding the decision of the INPI¹³.

4.16.3 Exception: the Dilution Theory

Part of the specialized doctrine emphasizes that the special protection afforded to highly renowned trademarks constitutes a unique and powerful tool for fighting

¹³ Another controversy of the matter is the possibility of recognition of the high renown status of the trademark by the Judiciary without prior assessment by the INPI. The Superior Court of Justice ruled as follows: "Internal Interlocutory Appeal in SPECIAL APPEAL no. 1,116,854 RJ (2009/0007326-3). REPORTING JUDGE: JUSTICE MASSAMI UYEDA. APPELLANT: COMPANHIA MULLER DE BEBIDAS. APPELLEE: NATIONAL INDUSTRIAL PROPERTY INSTITUTE - INPI. INTERNAL INTERLOCUTORY APPEAL - PRECEDENT 283/STJ - RECONSIDERATION OF CHALLENGED DECISION - SPECIAL APPEAL - HIGHLY RENOWNED TRADEMARK - DECLARATION OF THE JUDICIARY - IMPOSSIBILITY - COMPETENCE OF THE INPI - APPEAL REJECTED.

DECISION

The appeal should be rejected. The concept of notorious trademark is not to be confused with that of a highly renowned trademark. The former is an exception to the principle of territoriality and enjoys special protection regardless of being registered in Brazil in its respective field of activity. The latter is an exception to the principle of specificity and enjoys special protection in all fields of activity, provided that it was previously registered in Brazil and declared as such by the National Industrial Property Institute - INPI. In this regard, the following precedents should be considered: REsp 716.179/RS, Reporting Judge João Otávio de Noronha, Fourth Panel, DJe 12/14/2009, and REsp 951.583/MG, Reporting Judge Nancy Andrighi, Third Panel, DJe 11/17/2009, summarized as follows: "Industrial property. Special Appeal. Punitive action. Prohibition of use of a highly renowned trademark. Exception to the principle of specialty. Impossibility of association between products and services. Irrelevance. Declaration of the INPI recognizing the trademark as one of 'high renown.' Indispensability.

The right of ownership of the trademark is limited, among other others, by the principle of specialty/specificity, which is implicitly provided for in article 124 (XIX) of Law 9,279/96.

The principle of specialty does not apply to highly renowned trademarks, special protection being guaranteed in all fields of activity pursuant to article 125 of Law 9,279/96.

Discussing the impossibility of confusion on the part of consumers when buying products or services is irrelevant for the purpose of protecting highly renowned trademarks.

For the protection provided for in article 125 of Law 9,279/96 to be granted, a procedure with the INPI is required for recognizing the trademark as one of 'high renown.'

Special appeal rejected."

Thus, it is up the National Industrial Property Institute (INPI) to declare a trademark as one of high renown. Therefore, after reconsideration of the challenged decision, the special appeal was rejected. Brasília (Federal District), November 18, 2010."

This decision above deserves special attention for mentioning previous rulings of the superior court, which clarified that "discussing the impossibility of confusion on the part of consumers when buying products or services is irrelevant for the purpose of protecting highly renowned trademarks" (BRAZIL, 2010g).

usurpation of a trademark for unlike products or services, but the protection of highly renowned trademarks does not support various relationships.

This is the case of trademarks that, either because they won a certain degree of fame (but are not “highly renowned”) or because they are very distinctive (e.g. marks made up of invented words), lead consumers to make an immediate association with the primary product or service, even if they are used in an unlike product or service.

In such cases, where it is not possible to claim the special protection provided for in article 125 of the IPL (the trademark is famous, but not of “high renown”), there is no violation of article 124, item XIX (no affinity between the products or services) either, and the usurpation can be fought based on the Dilution Doctrine.

The rationale of the Dilution Theory is supported by the need to prevent the deterioration of a legal good (in this case, a trademark). In the United States, which is one of the cradles of the Dilution Theory, there are express provisions designed to protect trademarks from this phenomenon in the trademark law. In Brazil, this protection is granted based on interpretations of article 130 (III) of the IPL, namely:

Article 130 - The titleholder of a mark or the applicant is further assured the right to:
[...]

III – safeguard its material integrity or reputation.

In a comparative study of U.S. and Brazilian law, Cabral argues as follows:

Trademark dilution is an insult to the integrity of a distinctive sign, whether moral or material, by an agent that is not necessarily competing with the owner of the sign. The effect of trademark dilution is that of decreasing the selling power of a distinctive sign by harming its uniqueness or its reputation.

[...]

As can be seen, the two faces of the integrity (in the broad sense) of trademarks, the moral and the material one, are duly supported by national law. Item III of article 130 is intended to prevent what is referred to as maculation while protecting the material integrity (in the strict sense) of distinctive signs, i.e. fighting the obfuscation and use of an adulterated trademark (2002, p. 25).

Correa (2009, p. 14) corroborates this understanding and observes that

In the Brazilian legal system, protection against dilution is embedded in the provisions designed to protect highly renowned trademarks. The question is whether the same protection is available for trademarks that have not reached such level of renown. In my opinion, such protection is available, considering what article 130 (III) of the IPL provides for. However, even in the absence of such provision, and the Industrial Property Code that was in force before the current special law was passed did not contain a similar rule - this protection could be invoked under the general provisions of common law.

The doctrine is not unanimous on this issue. Barbosa (2008) argues that Cabral, based on U.S. state jurisprudence, supports the idea that such protection should

be available even if the symbol in question is not known by the public and/or the market outside the area where it is protected (when there is no *extravasamento do símbolo*, the term used in Brazilian law). The concept was included in the U.S. federal trademark law in 1995 and it established the high renown of a trademark as the key requirement for it to be protected. He also believes that protection from dilution as an effect beyond the bounds of specialty and affinity is available, under Brazilian law, within the limits imposed by article 125 of the IPL/96 with the considerations made above. He concludes by arguing that the reasons to refuse such imported construct, in addition to that of being a simple public policy of the U.S. federal law, are the same already indicated for the unconditional protection of highly renowned trademarks.

Notwithstanding the existence of dissenting opinions in the specialized literature, Brazilian courts have in some cases confirmed the application of article 130 (III) of the IPL to protect the owners of a trademark or applicants for its registration against dilution of their good.

The leading case is one in which federal appeals judge Liliame Roriz (of the Federal Regional Court of the 2nd region) was the reporting judge:

Synopsis of decision: INDUSTRIAL PROPERTY. CONFLICTING TRADEMARKS. THEORY OF DISTANCE. DILUTION THEORY. DOUBLEMINT. DOUBLE SOFT.

- 1. In examining possible conflicts, doctrine and jurisprudence have traditionally used the theory of distance, which based on principles of equity and equality support the coexistence of marks when the actual factual situation allows for similar or alike signs to coexist harmoniously.*
- 2. Although very effective in most cases, such a criterion does not cover very special cases where the infringement of rights can gain many nuances that require a more detailed analysis from another perspective, i.e. that of the dilution theory.*
- 3. The main idea behind the dilution theory is that of protecting the holder against the progressive weakening of the distinctiveness of his mark, particularly in the case of highly recognized or creative marks, where the renown and creativity of the sign are used as the paradigm for the decision to apply the theory of distance or the dilution theory.*
- 4. While the effects of a direct trademark infringement can be more easily identified and cause immediate damages, the result of a trademark's dilution has disastrous effects, as while the former misleads existing consumers, the latter weakens the selling power of a distinctive sign, sometimes irreversibly.*
- 5. Appeals rejected (WM Wrigley Jr. Company versus INPI and Lua Nova Ind. e Com.; BRAZIL, 2006b).*

The vote of the reporting judge also deserves special consideration:

It should be noticed that article 130 (III) of the IPL translates the protection available under Brazilian law for holders of trademarks against dilution (BRAZIL, 2006b).

[...]

However, the case deserves to be subjected to the scrutiny of the dilution theory, given the high renown of the plaintiff's trademark and the possibility of progressive damage to its distinctive power as a business tool to persuade and win consumers.

Based on such assumptions, it can be seen that the sign DELL DO BRASIL translates the mistaken idea that it is owned by a subsidiary of the U.S. company, even though it operates in a different market segment, as the addition of the words DO BRASIL (of Brazil) is commonly used to highlight this quality [...] (Dell Inc. versus INPI and Dell do Brasil Comunicação Ltda., BRAZIL, 2001c).

Another precedent is the appellate decision of the 4th Private Law Chamber of the Court of Justice of São Paulo (TJSP), which applies the dilution theory based on article 52 of the Civil Code:

It should be noted that this protection does not cover only unfair competition between two companies in a virtual environment, but also loss of prestige as a result of dilution.

According to the lesson of the best doctrine, the decision of reporting judge Enio Zuliani mentions that 'dilution is the loss of capacity of a renowned mark to identify and distinguish products and services, regardless of the existence or not of risk of likelihood of confusion, error or deception. Antidilution laws (against dilution) focus on protecting the owner of a trademark, but by doing this they end up protecting consumers. The requirements are the following ones: the trademark should be notorious and its unlawful use should be one of a commercial nature that causes dilution of its distinctive quality. Dilution may occur in the case of tarnishment, which takes place when a famous trademark is linked to poorer quality products or is represented in a pernicious way, and also blurring, which occurs in situations where a trademark loses selling power and value as a result of unauthorized use (Luiz Ricardo Lorenzetti, Electronic Commerce, RT 2004, p. 231).

This is exactly the case here. Dilution of the renowned trademark Fasano occurs as a result of the discredit of its use for accessing pornographic sites and also as a result of the blurring caused by the mark's loss of economic value (Restaurante Fasano Ltda. versus K1 Estacionamento de Domínios Ltda.; BRAZIL, 2010h).

In short, although the issue has not been adequately clarified in the doctrine, courts have confirmed, in some cases, the application of the dilution theory in Brazil based on legal principles for protecting legal interests and, in particular, based on article 130 (III) the IPL.

The INPI came across the trademark dilution theory in connection with an administrative request for invalidation of the trademark *Nuggets de Merluza Frescatto*. The McDonald's Corporation requested the invalidation of that trademark registered by the company Frigorífico Calombé Indústria e Comércio Ltda. The defense contended that the terms nuggets and nugget were of common use. As such, they would not be registrable for exclusive use as a trademark, according to the provisions of article 124 (VI) of Law no. 9,279/1996.

The examination carried out by the INPI was based on two main assumptions. First, in 1985 and 1990, marks containing the term nuggets were registered. In the

understanding of the INPI, these registrations prevented the mark Nuggets de Merluza Frescatto from being registered.

According to the second ground of the administrative decision, meaning was only added to the term *nugget* after the trademarks were registered in 1985 and 1990. All the legal requirements were complied with when the INPI registered the marks in 1985 and 1990. Therefore, the INPI has the obligation to protect the trademarks.

In addition to these arguments, it was observed that the use of the term nugget was the result of a creative vision of associating the product's format (breaded fried fish) with that of gold nuggets (*nuggets*). This creative association requires special protection under the industrial property law.

Decision no. 16/2009 of chief prosecutor Sodr  Mauro Maia took into account the arguments of the dilution theory, but did not find them applicable to the case, as follows:

The fact that the term has become part of the English lexicon with the meaning borrowed by the holder of the annulled registration should not mean that the trademark "Nuggee" ceased to deserve the special protection initially conferred to it by the INPI, at a time, I repeat, when there was no designation that characterized an immediate relationship with the product that it distinguishes, meaning that there is no reason, on this account, to use the trademark dilution theory to authorize any other party to use it as a trademark.

The INPI granted the request for invalidity of the trademark nuggets of Merluza Frescato based on the argument that it violated article 124 (XIX) of Law 9,279/1996, considering the existence of previous registrations containing the word nuggets.

In sum, the dilution theory requires a restrictive reading, taking into account the protection conferred in the past under the trademark law. That is, the dilution theory is not intended, in the understanding of the INPI, to eliminate the protection conferred in the past under the trademark law when there was no addition of new meanings to the word in question.

According to the INPI, the dilution theory has no legal backing and was derived from a foreign doctrine created from rules that are not provided for in the domestic legal system. Therefore, in a conflict between this theory and the provisions of article 124 (XIX) of Law 9,279/1996, the latter should prevail.

Trademarks and the principle of territoriality

The principle of territoriality, as addressed above, is rooted in article 129 of the Industrial Property Law and it provides that trademarks are entitled to protection throughout the national territory¹⁴.

Therefore, in order to secure protection elsewhere, the applicant must apply for individual and independent registrations of his mark in as many countries as

¹⁴ "Article 129 - The property of a mark is acquired by means of registration, when validly granted pursuant to the provisions of this Law, and its exclusive use throughout the national territory is assured to the titleholder, with due regard, as to collective and certification marks, to the provision in Articles 147 and 148."

necessary to cover the geographical area in which he operates now or will operate in the future.

Thus, companies that already export or intend to export their products or services should seek protection for their distinctive signs by registering it in other countries.

In the case of the European Community, an agreement signed between its member countries makes it possible for interested parties to have a single registration that is applicable in all those countries - the so-called community trademark.

The existence of international treaties designed to facilitate procedures and potentially reduce the costs of procedures for registering trademarks in several countries simultaneously should also be highlighted. The main international agreement to this effect is the one called Madrid Protocol, which has 86 member countries currently¹⁵ - Brazil has yet not ratified this treaty.

As a corollary of the principle of territoriality, a trademark that is not registered in a country of interest is not protected from usurpation in that territory, except in the case of notorious trademarks, which are entitled to extraterritorial protection under the Paris Union Convention.

4.16.4 Exception: notorious trademark

The Paris Union Convention is a treaty designed to ensure a minimum standard of industrial property protection in all its member countries.

The Convention was signed in 1883 and has 174 member countries currently¹⁶. Brazil is a founding member and the last ratification of amendment to the Convention was ratified in our legal system through Decree no. 1,263/1994.

Article 6 bis of the Paris Union Convention ensures international protection to famous trademarks, dispensing with the formality of registration:

Article 6 bis

- 1. The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.*

¹⁵WIPO - World Intellectual Property Organization, <http://www.wipo.int/madrid/en/members/>, accessed on 09/10/2012.

¹⁶ 17 WIPO - World Intellectual Property Organization, <http://www.wipo.int/treaties/en/ip/paris/>, accessed on 09/10/2012.

2. A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

3. No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith (PARIS, 1883).

Such special protection is reinforced by article 126 of the Intellectual Property Law:

Article 126 - The well-known mark within its branch of activity pursuant to Article 6bis (I) of the Paris Convention for Protection of Industrial Property enjoys special protection, regardless of whether it has already been filed or registered in Brazil (BRAZIL, 1996).

Special protection for notorious trademarks should not be confused with special protection for highly renowned trademarks, and in this regard it is worth transcribing once again the differentiation endorsed by the Superior Court of Justice (STJ):

AgRg in SPECIAL APPEAL no. 1,116,854 RJ (2009/0007326-3)

REPORTING JUDGE: JUSTICE MASSAMI UYEDA

APPELLANT: COMPANHIA MULLER DE BEBIDAS

APPELLEE: NATIONAL INSTITUTE FOR INDUSTRIAL PROPERTY - INPI

INTERNAL INTERLOCUTORY APPEAL - PRECEDENT 283/STJ - RECONSIDERATION OF CHALLENGED DECISION - SPECIAL APPEAL - HIGHLY RENOWNED TRADEMARK - DECLARATION OF THE JUDICIARY - IMPOSSIBILITY - COMPETENCE OF THE INPI - APPEAL REJECTED.

DECISION

The appeal should be rejected. The concept of notorious trademark is not to be confused with that of a highly renowned trademark. The former is an exception to the principle of territoriality and enjoys special protection regardless of being registered in Brazil in its respective field of activity. The latter is an exception to the principle of specificity and enjoys special protection in all fields of activity, provided that it was previously registered in Brazil and declared as such by the National Industrial Property Institute - INPI. In this regard, the following precedents should be considered: REsp 716,179/RS, Reporting Judge João Otávio de Noronha, Fourth Panel, DJe 12/14/2009, and REsp 951.583/MG, Reporting Judge Nancy Andrighi, Third Panel, DJe 11/17/2009 [...].

Brasília (Federal District), November 18, 2010 (BRAZIL, 2010i)

Thus, notorious trademarks are internationally protected in their industry, i.e. they are enforceable against reproductions or imitations for identical, similar or alike goods or services, according to the principle of specialty.

It should be emphasized that for a trademark to be recognized as “notorious,” it doesn’t have to be in use in the country, as it is only necessary to confirm that the national population is aware of its existence.

For this purpose:

Thus, considering that the companies involved in the dispute operate in the same market segment, although the plaintiff company has no subsidiaries in Brazil, coexistence of the trademarks is not possible because of the notoriety of the plaintiff's trademark AU BON PAIN in the international market, even though it is not considered a highly renowned trademark, but one deserving differentiated protection in relation to common marks in order to avoid parasitic exploitation, which is an irregular exercise of the right that can harm the reputation of the famous trademark and allow unjust enrichment of the defendant company (BRAZIL, 2007c, emphasis added).

As can be seen in the provision included in the quoted conventional text (article 6 bis of the CUP), the notoriety of the trademark or the fact that it is widely known can be checked both in the country of registration and in the country of use. Thus, even considering that the trademark of the Plaintiff-Appellee hasn't been used in Brazil, this fact doesn't rule out, in itself, the alleged notoriety of the trademark for its holder to be granted exclusive right of registration and/or use in member countries of the Union (BRAZIL, 2006c, emphasis added).

Change in interpretation, as it was seen that to ascertain the notoriety of the trademark it wasn't necessary for it to be registered or used in Brazil, but awareness of it in the Brazilian market should be checked, its fame abroad being irrelevant (BRAZIL, 2009f, emphasis added).

Such distinction takes on special importance in modern society, where communication technologies eliminated borders and made it possible for information to be instantly disseminated worldwide.

Moreover, awareness of the trademark in its market segment, and not among the general public, should be proven:

Awareness of the trademark should be checked among consumers of the product indicated by this trademark. In other words, it is a sectoral notoriety, one observed in the trademark's branch of activity (BRAZIL, 2006c).

Finally, it is worth stressing that in cases of proven bad faith, a nullity action against an inadvertently granted registration may be filed at any time, removing the limitation period pursuant to article 6 bis (3) of the Paris Union Convention (confirming such understanding: AC no. 2008.51.01.804490-3, Federal Regional Court of the 2nd Region-1TEsp, Reporting Judge Abel Gomes, e-DJF2R 09.09.2010).

It should also be observed that an objection to an application for registration of a notorious trademark based on the provisions of article 126 of the IPL requires the following: a) confirmation that the national public knows the trademark; and b) filing of a registration application pursuant to article 158, paragraph 2, of the IPL.

4.17 Entries of onus

The INPI is responsible for making entries of and publishing any onus on a registration or application for registration of a trademark, and also for the assignment

of rights or for changing the ownership of trademarks.

This is what article 136 of the IPL provides for:

Article 136 - The INPI shall make the following entries:

I – of the assignment, containing the full identification of the assignee;

II – of any limitation or onus that applies to the application or registration; and

III – of changes in the name, headquarters or address of the applicant or titleholder (BRAZIL, 1996).

In the case of trademarks, which are considered as movable property (article 5 of the IPL), encumbrances may apply to registrations or applications for registration of trademarks, such as pledge or usufruct.

As for pledge, it is a relatively common practice to offer industrial property (in particular registrations or applications for registration of trademarks) as collateral against a loan from a financial institution.

In case of execution of the collateral, in most cases the creditor is not legally allowed to transfer the ownership of the trademark to himself, as article 128 of the IPL requires the business purpose of the transferee to be compatible with the product or service covered by the registration or application for registration in question. In such circumstances, the lender (possibly a financial institution) must transfer the good directly to third parties, without taking part in the ownership chain.

The IPL also provides as follows:

Article 137 - Entries shall become effective with regard to third parties beginning on the date of their publication (BRAZIL, 1996).

The article confirms the principle of publicity, which is applicable to acts of public entities (including of the INPI).

4.18 Loss of rights on a trademark

Article 142 of the IPL (BRAZIL, 1996) provides that a trademark registration is extinguished: (i) on expiration of the term; (ii) on renunciation of the titleholder; or (iii) on forfeiture.

Because expiration and renunciation are concepts that do not involve legal difficulties, we will focus on the third mode of termination of registration, namely, forfeiture.

4.19 Forfeiture

Forfeiture of the registration of a trademark is provided for in article 143 of the IPL¹⁷ and it is intended to ensure that trademarks actually play the role for which

¹⁷ “Article 143 – A registration shall be forfeited upon request by a person having a legitimate interest if, after 5 (five) years have elapsed since granting, on the date of the request: I – the use of the mark has not been initiated in Brazil; or II – the use of the mark has been interrupted for more than 5 (five) consecutive years, or if, in the same period of time, the mark has been used with a modification that entails alteration of its original distinctive character as appears on the registration certificate” (BRAZIL, 1996).

they were created, namely, that of identifying products and services.

If a trademark fails to play this role, it loses its *raison d'être* and its registration clearly becomes an anticompetitive tool that, as such, cannot be accepted by the legal system.

This is what justifies the holder's obligation to use his sign in commercial activities after a certain period, as appropriately explained by Cerqueira.

*If the holder of a trademark does not use it and, as a result, it ceases to play the role for which it was created and that justifies its legal protection, the *raison d'être* of the exceptional privileges guaranteed by its registration is lost, and it should therefore disappear [...]. This is required, on one hand, based on the imperative of freedom of trade and industry, which is affected by a useless registration; and, on the other hand, it is required because no legal guarantee is necessary for a nonexistent role. This is, in summary, the foundation of the requirement that a trademark be actually used, as provided for in the laws of many countries, under penalty of termination of the legal protection ensured by its registration or forfeiture of the registration (1982, p. 1501-1502).*

This requirement cannot be met by just any kind of use. The trademark must be actually used in such a way as to demonstrate the genuine intention of its holder to use the sign to identify his product or service and to carry out actual business activities using the sign.

As a doctrinal position, this is defined as follows:

In the field of trademark law, "use" means projecting a sign to the world, so that the trademark, which was simply a potential business tool before, can begin to play the role for which it was created [...] "Actual" refers to the quality of that which has effects in the world of things. Actual refers to current, real. It translates the will of the holder of a trademark to use it as intended, as a result of its ontic category. And this must be materialized in acts that lead the sign to the stage where it should play its role: the stage of trade, in its widest and historical sense [...] (CORREA, 1995, p. 22).

In addition, actual use must be serious and should not denote the intention of the holder of a trademark to use it in a superficial way for the sole purpose of circumventing the letter of the law and ensure rights to the sign.

Based on these considerations, one can derive the reasons why the doctrine and jurisprudence established parameters for assessing evidence to determine whether a trademark is being actually used in commerce, so as to rebut (or not) the forfeiture of its registration.

These parameters are the following ones: i) the nature and price of the product or service that is the object of identification; ii) the size of the company that is the holder of the registration; and iii) the periodicity of use of the trademark. It is worthwhile briefly examining each of these criteria:

4.19.1 Nature and price of a product or service identified by a sign

In checking the use of a trademark for forfeiture purposes, attention must be paid initially to the nature and price of the product identified by the trademark. In this regard, let us take a look at what Luiz Leonardos says about this:

Checking the nature of the product is of paramount importance to find out how intensely it is being marketed to confirm that the trademark was actually used in the previous five-year period. In this process, the parameter of quantity of aircraft carriers sold in the five-year period cannot be the same as the parameter of quantity of matchboxes sold in the same period (2001, p. 3).

Therefore, if the trademark being analyzed for forfeiture purposes is meant to identify an everyday, low value added product, it is obvious that the number of units sold during the period of investigation must be greater than that required of a product of very high value.

4.19.2 Size of the company that holds the registration

In analyzing the use of a trademark, one must also consider the size of the company holding the registration. After all, it is unreasonable to expect a small, local business to sell the same amount of products marketed as a large company operating throughout the national territory.

4.19.3 Periodicity of use of a trademark

Finally, a relevant aspect to be considered is the existence of a regular and continuous trade flow using the sign. After all, as indicated by Benedito de Faria, use for the purpose of avoiding declaration of forfeiture consists in:

Using, affixing the trademark to products in a uniform and constant manner and not occasionally and irregularly in one product or another according to the will or whim of the producer or even of the buyer himself (1982, p. 1,508).

Luiz Leonardos makes a similar observation:

The volume of sale of a product is as important, or more, as the continuity of sale of a product identified by a trademark. Thus, proof that a product or service bearing a trademark was regularly brought to market and sold continuously is effective evidence of use of that trademark, even if the sales of the product were low (2001, p. 9).

Therefore, irregular or periodical use of a trademark should be seen with reservation, so as not to reward reprehensible behaviors intended to secure rights on a trademark that is not being actually used by its holder.

Another important rule in relation to the forfeiture of a trademark is provided for in paragraph 1 of article 143 of the Industrial Property Law:

Article 143 – [...]

Paragraph 1 – Forfeiture will not occur if the titleholder justifies the failure to use the mark for legitimate reasons.

As can be seen, the law provides that the registration should not be canceled if its holder justifies his failure to use the mark for legitimate reasons. The legislator acted correctly, as in certain situations or market segments, the use of a trademark does not depend on its holder only.

“Legitimate reasons” or “reasons of force majeure” (the term used in the old Industrial Property Code) can assume many forms, but they occur especially when, despite the efforts made by the holder of the trademark to bring the product to market, he is prevented from doing so for bureaucratic-administrative reasons.

A good example of this situation can be found in the pharmaceutical area, where, as is known, companies must obtain permission from the National Health Surveillance Agency (ANVISA) before bringing their medicines to market.

In certain situations, therefore, a company may have a registered trademark but not the authorization from ANVISA to market a medicine. Such a situation is seen as a legitimate reason to reject forfeiture claims against the registration of a trademark, as evinced by the following precedents of the INPI:

This is a request for forfeiture of registration filed on 06/20/1983 through petition 019.579 by the company Laboratório Zambelletti Ltda. According to the law, the holder was duly notified of such request, as published in RPI 667 of 08/02/1983. The holder contested the request timely, mentioning as sufficient reason for not using the trademark the fact that it was impossible to bring the product protected by registration to market for reasons beyond his control, thus invoking force majeure. As can be seen in the documents contained in pages 61-68, on 12/06/1976 the holder requested from DIMED the required license for manufacturing and marketing the product protected by the trademark ‘Anacin.’ Because of the various requirements imposed by DIMED, as indicated in the documents contained in pages 69-125, and taking into account all the efforts made by the holder to register its medicine with the competent health authorities, I REJECT the above-mentioned forfeiture claim based on force majeure reasons (INPI, 1983; Registration no. 007108265 for the trade mark “Anacin” in class 05 in the name of the company American Home Products Corporation).

On the merits, after examining the reasons supporting the Appeal and the decision contested through it, it is our understanding that the decision at first instance should not be overturned, as it was confirmed that it was impossible to begin to manufacture and market the product in question for reasons of force majeure, as provided for in Law no. 6,360/76. (INPI, 2002; Registration no. 816930759 for the trademark “CIFLOXINA” in class 05 (5.10), covering “antibiotics and chemotherapy drugs,” in the name of the company Laboratório Químico Farmacêutico Bergamo Ltda.)

Our courts have also had the opportunity to examine the matter, as indicated by the following decision of the Federal Regional Court of the 2nd Region:

Synopsis of judgment: INDUSTRIAL PROPERTY LAW. ALLEGED FORFEITURE FOR LACK OF USE. INVALIDATION OF ADMINISTRATIVE ACT. NOMINATIVE MARK MINESSE.

I – Based on legitimate reasons (article 143, paragraph 1, of Law 9,279/96),

namely, lack of authorization from the regulatory agency to market the medicine in question, which was requested during the five-year statutory period, forfeiture of the registration of the MINESSE trademark for lack of use is not justified and, therefore, the administrative act that did not recognize it is invalid.

II – Sentence of lack of grounds for the request upheld.

III – Appeal denied (Federal Regional Court of the 2nd Region, Civil Appeal no. 2008.51.01.800274-0, Federal Appeals Judge André Fontes, 01/10/2011).

Therefore, the judging body should pay attention not only to the fact that the trademark was used in the legal five-year period or not, but also to any legitimate reasons that prevented the sign from being used.

4.20 Degeneration

Although the main role of trademarks is that of distinguishing goods or services from competing ones, allowing a consumer to identify it as such and to know that a product or service has a specific source, a trademark can lose this primary capacity of identifying the source of goods or services. This is a phenomenon referred to as degeneration: the transformation of a particular sign (that identifies a type of product or service) into a generic sign (that identifies a category) as a result of being perceived as such by the public.

According to Barbosa:

This phenomenon occurs when, after a trademark is registered, it loses its distinctiveness, falling into common domain (2008, p. 104).

This phenomenon occurs more frequently in connection with terms designed to identify pioneering and innovative products or services, given that, for lack of reference or antecedents, the public is simply not aware of the generic name of the product or service.

An interesting educational campaign sponsored by the Xerox Corporation¹⁸ provides some examples of terms that were initially designed to be used as marks but suffered degeneration with time, such as NYLON (fabric), YOYO (toy) and KER-OSENE (fuel).

In the absence of specific legal provisions, the Federal Supreme Court (STF) concluded that there is no possibility of confusion in the referential use of a degenerated sign and a trademark when it is confirmed that the public does not identify the mark as such.

In practice, it rendered the registration ineffective between the parties in the proceedings:

¹⁸ Material of the educational campaign promoted by the company Xerox Corporation (apud GINSBURG, Jane C., Trademark and Unfair Competition Law: cases and materials, 2. ed. Lexis Publishing, 1996, p. 349).

SYNOPSIS OF JUDGMENT: Trade name. Formica Corporation, Cyanamid do Brasil S.A. Império das Fórmicas. Non-occurrence of similarity that can lead to confusion. Vulgarized use of expression.

The use of a generic and common-use word as a trade name by a purely commercial company without detriment to a product's industrial trademark, and with the possibility of confusion between names and realities having been discarded, does not imply violation.

Extraordinary Appeal not heard (BRAZIL, 1986).

The 6th Civil Chamber of the Court of Justice of Rio de Janeiro issued a similar ruling in connection with a case to stop the use of the trademark DDI by denying the effectiveness of the registration of the sign obtained by the plaintiff with the INPI:

Synopsis of judgment: Business Law. Industrial property. Registration of the DDI trademark with the INPI by Embratel. Exclusive use. Nonsuit: Generic character. Legal impediment to the registration of this mark. Article 124 (VI) of Law no. 9,279/96.

The acronym DDI is a descriptive name of the service identified by it, which is of common use. Consumers cannot identify the company in connection with the acronym DDI. The service is provided by the telephone industry as a whole and the acronym can be used by any operator, including internationally.

Dismissal of appeal (BRAZIL, 2005b).

The opinion of regional prosecutor Gustavo Tepedino deals with the factual situation of the case and its repercussions in the field of property rights:

In short, Embratel had a monopoly on telephone services in Brazil when it registered the trademark DDI. At the time, it was the only company providing international direct dialing services. Willingly or unwillingly, it allowed the expression DDI to become generic, i.e. to cease from being associated with its holder to be associated with the type of phone call service it refers to.

In this process, the premise of trademark ownership was lost: the distinctive vocation of the object of property. And lack of distinctiveness leads to the extinction of a registered trademark and, consequently, of the right of ownership (Opinion of Regional Prosecutor Gustavo Tepedino, quoted in the vote of Reporting Judge Nagib Slaibi Filho, 6th CC/TJRJ, AC 2004.001.2863).

Previous precedents should be examined and applied to other cases very cautiously.

Thorough documentation must be provided to confirm the actual and prolonged degeneration of a sign, as little evidence of common use has already prevented holders from curbing unauthorized use and even the loss of distinctiveness of their signs.

For example, even though it is an indication, the addition of a trademark to a dictionary is not sufficient, in itself, to justify a loss of rights. Because the case is related to the extinction of a right granted in the past, it is prudent to require a wide range of evidence to confirm what actually represents common sense. An opinion poll/market survey, for example, could also be used as evidence in the

process of examining the possible loss of distinctiveness of a sign. In relation to this kind of evidence, it is necessary to pay attention not only to the number of respondents who recognize the term as generic, but mainly to the percentage of the public that actually associates the sign with a specific source.

Finally, the posture of the holder of the trademark in relation to the phenomenon must also be checked. The efforts made by the holder of the sign to disseminate it in its role as a trademark, to prevent third parties from using it unduly, or even to promote educational campaigns are relevant and should be taken into account.

The INPI does not recognize the above-described theory of degeneration, as it is not mentioned in any legal provision. This is a flexibilization of the fundamentals of the trademark law, which creates legal uncertainty. In other words, adopting this thesis means reducing the level of legal protection available to a trademark, as it exposes it to allegations of lack of distinctiveness at any time.

According to the INPI, no rule is provided for in Brazilian law to support the extinction of a trademark as a result of its generalization. This thesis is based on foreign doctrine that was built from rules that are not provided for in domestic law.

In support of the INPI's understanding on the matter, it is worth noting that article 142 of Law no. 9,279/1996 provides an exhaustive list of situations that can lead to the extinction of a trademark registration.

4.21 Parallel importation

Parallel importation occurs when a product with a trademark, patent or industrial design of another party is introduced in a country outside the official distribution system. They are genuine products, but they are incorporated into the market of that territory without authorization of the titleholder. The question that arises is whether such parallel trade is illegal and can be fought based on industrial property rights or not.

In this context, we have what is called the principle of exhaustion of rights, according to which the prerogative of the holder to prevent the circulation of a product with his trademark or patent is exhausted when it is sold for the first time. From then on, the understanding is that the holder was appropriately remunerated and therefore cannot restrict the circulation of that specific item or prohibit its resale.

Rights can be exhausted domestically or internationally. Domestically, the exclusive right is exhausted only in the country where the product was brought to market by the titleholder or with his consent. Internationally, the exclusive right is exhausted when the holder or his licensee brings the product to market, regardless of the country in which this is done.

The TRIPS Agreement, the main international treaty on intellectual property, which was signed in 1994, sets out in its article 6 that "4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights," meaning that each member country was authorized to adopt its own rules. It was precisely in this context that, two years later, Brazil enacted the current Industrial Property Law and legislated on the matter.

Regarding trademarks, the Intellectual Property Law ensures titleholders the exclusive right to use them throughout the national territory, but in its article 132 (III) it provides that a titleholder cannot “prevent the free circulation of the product placed on the domestic market by himself or by another party with his consent.”

Regarding patents, the same law provides that patent holders have the right to prevent imports of patented products, but it stresses that this right does not apply to a “product placed on the domestic market by himself or by another party with his consent.”

Industrial designs are governed by the same patent regime, as the law clearly states in its article 109, sole paragraph, that “the provisions of Article 42 and Items I, II and IV of Article 43 apply to an industrial design registration, where applicable.”

Therefore, both in the field of trademarks and in that of patents and industrial designs, the Brazilian legislator made explicit reference to the domestic market when addressing the issue of exhaustion of rights. In practical terms, this means that titleholders cannot prevent the free circulation of a product brought to the domestic market of a country by themselves or with their consent, but they can fight the sale and resale of products brought to that domestic market without their consent.

This seems to have been the option of the legislator, particularly because Draft Law no. 824/1991, which later resulted in the Industrial Property Law, proposed different rules.

Regarding trademarks, that draft law made no specific reference to the “domestic” market in the provision and stated only that “the holder of a trademark cannot prevent the free circulation of the product placed on the market by himself or by another party with his consent.”

With regard to patents, the draft law provided that the exclusive right of the titleholder did not apply to a “product placed on the domestic or foreign market by himself or by another party with his consent.”

As can be seen, the draft law proposed a solution that was different from the one included in the approved text of the law, as it provided that the placement of a product in any market (domestic or foreign market) generated the exhaustion of rights. Therefore, the reference made in articles 132 (III) and 43 (IV) to the domestic market alone was not by accident, as it represented a clear legislative choice that seems to be fully in line with the policy of strengthening industrial property rights in Brazil in the post-TRIPS years.

If the legislator made such a decision, he certainly didn’t make it innocuously, as he actually contemplated prerogatives to stimulate innovation and creativity in the business world and to strengthen even more the position of the holders of those rights.

It is also important to remember that conveying quality and reputation is one of the main roles of trademarks. Parallel trade often has a bearing on this issue, as no one can guarantee that parallel imported products will be appropriately transported and stored or that they will comply with consumer protection laws and different regulatory obligations imposed by local authorities. This can directly impact

on the capacity of titleholders to protect the reputation and material integrity of their signs, which are expressly protected by the Industrial Property Law.

From an antitrust perspective, parallel imports lead to inefficient allocation of economic resources by making free riding possible. After all, parallel importers simply “catch a ride” on the publicity and all the pre- and post-sales structure managed by the titleholder. As a result, the titleholder and his licensee may decide to invest less and less in these types of services, thus harming consumers and the entire production chain. Not to mention that the antitrust law was not designed to promote intra-mark competition, as usually there are many substitutes in the market to which the product is brought.

Therefore, although parallel imports might push prices down in the short term, they don’t seem to be in line with the broader issues addressed by a strong policy of protecting industrial property rights and with all the long-term benefits that it can provide.

The Superior Court of Justice considered this matter twice (REsp 609.047/SP-2009 and Resp 1.207.952/AM-2011). Although its decisions may lead casual readers to different interpretations, both precedents require the consent of the titleholder for parallel imports to be considered legal.

For all the reasons above, one can come to the clear conclusion that the current regime in Brazil is that of domestic exhaustion, based on which curbing parallel imports is one of the prerogatives that holders of industrial property rights have under our legal system.

In this regard, let us take a look at some Brazilian precedents that considered parallel imports an unlawful practice:

CIVIL APPEAL. INJUNCTION ACTION. COMMERCIAL EXPLOITATION OF A PRODUCT WITHOUT AUTHORIZATION OR LICENCE FROM THE HOLDER OF ITS TRADEMARK. IMPOSSIBILITY. APPEAL DENIED. A third party can only exploit a product commercially in the country with the authorization or license from the holder of its trademark. This is provided for in articles 129, 130 and 131 of Federal Law no. 9,279/1996 (which regulates industrial property).

(Court of Appeals of the State of Paraná, Civil Appeal no. 571.668-7, Reporting Judge Xito Pereira, 12/07/2009)

APPEAL. Interlocutory Appeal against a decision to grant interlocutory relief. Requirements for interlocutory relief met. The holder of the trademark can prevent the free circulation of products placed on the domestic market without his consent. Provided for in article 132 (III) of Law no. 9,279 of 05/14/1996. Appeal denied (BRAZIL, 2009g).

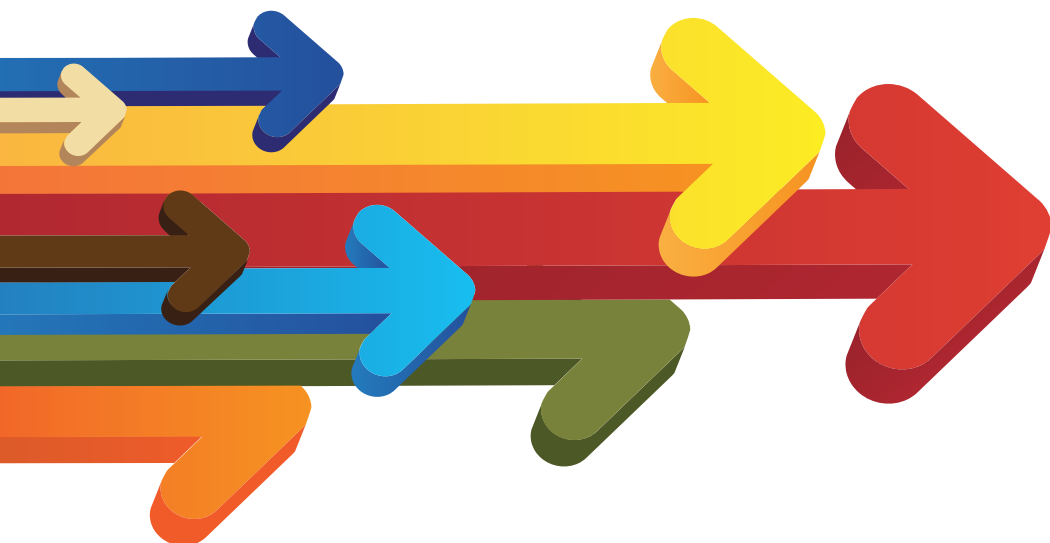
Industrial Property. Constitutional Protection (article 5 (XXIX) of the Brazilian Constitution of 1988). Trademark Law. Provided for in article 129 of Law 9,279/1996. The holder of the trademark is entitled to its exclusive use, including imports, subject to the principle of territoriality. Subjective relevance of the dispute for the second appellant, pursuant to article 42 of the Code of Civil Procedure, as at the time of filing of the action the trademark transfer contract had not yet been

registered with the INPI (article 136, I c/c 226 of the special law). Because the action was filed by the holder, proof of exclusivity that could be required from the distributor is waived. Parallel imports are only legal in the case of any of the exceptions provided for in paragraphs 3 and 4 of article 68 of the IPL or if they are authorized by the holder. Unconsented use of the trademark may justify the payment of damages in the civil sphere, in accordance with articles 207, 208, 209 and 210 of the special law, the value of which is calculated in the liquidation of the award. Appeals granted (BRAZIL, 2009h, emphasis added).

Industrial property. Trademarks. Condemnatory action with damages and injunctive relief for search and seizure. Claim granted. Title and exclusive representation registered with the INPI. Import and export of Cuban cigars without the consent of the plaintiff. Violation of rights protected under the Industrial Property Law. As provided for in articles 129 to 132 of Law no. 9,279/96. Illegal practice in the simple form of unauthorized import and sale of products, regardless of their authenticity. Prohibition of sale upheld. Appeal denied (BRAZIL, 2008b).

It is also possible to find decisions in the opposite direction, as confirmed by the following precedent:

UNFAIR COMPETITION. Non-occurrence. Brazilians who import Cuban cigars in a regular and legal manner. Inexistence of counterfeit. Hypothesis that the fact of not giving in to a monopoly of exclusive distribution in the Brazilian territory does not presuppose smuggling or piracy. Official Synopsis of the Decision: Unfair competition. Cuban Cigars. For manufacturers facing a concentrated distribution system to act against Brazilian traders who resell the products, counterfeiting must be proved, which is not the case for one who imports foreign goods in a regular and legal manner, as the fact of not giving in to a monopoly of exclusive distribution in the Brazilian territory does not presuppose smuggling or piracy. Inapplicability of article 132 (III) of Law 9,279/96 - Court precedents in the Wyborowa vodka and Bolla wine case. Not granted (BRAZIL, 2006e).



GEOGRAPHICAL INDICATIONS

In the introductory part of this handbook, we quoted a deposition of professor José de Oliveira Ascensão emphasizing the concept, modalities and importance of geographical indications.

Borda agrees with him and adds:

In their broadest sense (indications of source and appellations of origin), geographical indications represent the producers of a given locality, region or country that are icons of quality and excellence, adding considerable value to products and services, [arguing that] so much so that many consumers do not hesitate to buy cheese, wine, meat, tea, coffee, and many other products for a much higher price than that of products that have not gained renown for coming from a specific source... [concluding by clarifying that] the specificity of an origin presupposes strict controls throughout the production process, including the use of selected raw materials, careful storage and other measures to produce a product with certain characteristics that makes it stand out from other ones (2006, p. 7-8).

Dupim (2012), from the Directorate of Contracts, Geographical Indications and Registrations (Dicig) of the INPI, goes beyond the two aforementioned statements and draws attention to the benefits provided by the geographical indication system, which include: i) it ensures the acquisition and expansion of credibility of the products in the eyes of consumers; ii) it strengthens the regional culture and territorial reorganization; iii) it creates new revenues indirectly linked to the product by promoting tourism and other regional products; and iv) it provides a seal of origin linked to the location.

It is a system that is not very much used and was even ignored by many before the advent of the TRIPS Agreement and the enactment of the IPL.

Some precedents have correctly shed light on issues related to this system, such as a decision of the Fifth Civil Chamber of the Court of Justice of the State of São Paulo registered in the records of Civil Appeal no. 117.351.1/3, which ensured protection to the BORDEAUX designation of origin for wines. However, lack of knowledge of it led to some judicial decisions (such as the ones handed down by the Federal Supreme Court in connection with Special Appeal no. 78,835) denying protection to the famous and well-known geographical indication CHAMPAGNE, which was nevertheless recently recognized by the INPI in December 2012. Another such decision is one of the 5th Civil Chamber of the Court of Justice of the State of Rio Grande do Sul in connection with Civil Appeal no. 591,060,694, which refused the appellation of origin BEAUJOLAIS for wines produced in regions of the same name.

As mentioned above, it was only after the advent of the two cited legal instruments that the subject began to be studied in greater detail in Brazil, including by our courts, making it possible for appropriate protection to be ensured to geographical indications.

In this regard, the following decisions are worth mentioning:

the unanimous decision of the 4th Civil Chamber of the Court of Justice of the State of Rio Grande do Sul, registered in the records of civil appeal nº. 591040688,

acknowledging the condition of geographical indication to the expression "SCHWARZE KATZE," which is a region of Germany that is famous for producing white wine;

the decision of the 3rd Specialized Panel of the Federal Regional Court of the 2nd Region, included in the records of civil appeal no. 0019709-86.1999.4.02.5101, recognizing the name "MODENA" as a geographical indication for the segment of vehicles and

the decision of the 1st Specialized Panel of the Federal Regional Court of the 2nd Region, in the records of appeal in civil 2001.02.01.019708-4, confirming the decision of the INPI that annulled the registration of the mark "BAIANINHO" of the company from Santa Catarina to distinguish tobacco, based on the understanding that it was a false indication of source.

Again, in Brazilian positive law, the protection of geographical indications is disciplined in the TRIPS Agreement (articles 22-24) and in the IPL (articles 176-182).

It should be mentioned that the IPL guarantees this protection more effectively, as it considers not registerable as trademarks "signs that induce to a false indication regarding the origin, source, nature, quality or usefulness of the product or service to which the mark is applied" (see the above-mentioned decision of the Federal Regional Court of the 2nd Region, dismissing the invalidity of the registration of the BAIANINHO trademark), and typifies crimes against geographical indications in its articles 192-194.

Considering that Brazil is a country with a huge variety of these indications, ensuring safe protection to them, as the one guaranteed under the legal instruments under discussion, came at a good time.

Recently, applying the sole paragraph of article 182 of the IPL, the INPI granted many registrations for geographical indications in both of its modalities, some examples of which are the following ones:

Indications of source: *Vale dos Vinhedos, Café (coffee) do Cerrado Mineiro, Carne (meat) do Pampa Gaúcho da Campanha Meridional, Couro Acabado (finished leather) do Vale dos Sinos, Cachaça (sugarcane rum) de Paraty, Manga e Uva (mangoes and grapes) do Vale do Submédio São Francisco, Vinhos e Espumantes (wines and sparkling wines) de Pinto Bandeira, Capim Dourado (golden grass) do Jalapão, Panelas de Barro (clay pots) de Goiabeiras, Café (coffee) da Serra da Mantiqueira de Minas Gerais, Doces (sweets) de Pelotas, Queijo (cheese) da Serra da Canastra;*

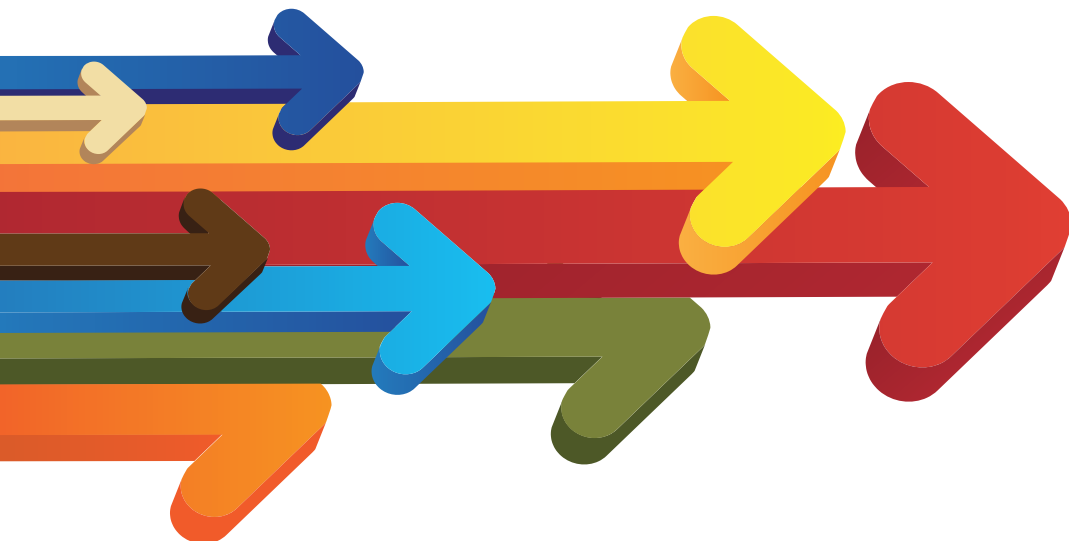
Appellations of origin: *Arroz (rice) do Litoral Norte Gaúcho and Camarão (shrimps) da Costa Negra (INPI/SEBRAE, 2011).*

Obviously, there are other famous foreign geographical indications that are also protected in Brazil, such as Bordeaux (wines), Bourgogne (also wines), Parma (ham), Ementhal (cheese), Champagne (sparkling wines) etc., as shown in the figure below:

Figure 13: Illustration of a geographical indication seal for Vale dos Vinhedos.



Source: CNI



UNFAIR COMPETITION

6

The doctrine is virtually unanimous in recognizing how difficult it is to define unfair competition. Many jurists have mentioned these difficulties¹⁹, but they did not prevent them from facing the difficult challenge of defining it.

According to Bittar, there is unfair competition “in every action of a competitor that takes undue advantage of a creation or of any element of other people’s goodwill to capture their clientele without any effort on their part” (2005, p. 37).

Delmanto (1975, pp.11-2) explains the issue more broadly, observing that:

in virtually all human activities there is what is referred to as competition [...]. Because it involves a struggle - and a struggle to win - it’s not surprising that some rivals resort to low blows to win unfairly [...]. So, allowing this rivalry to go unchecked would be allowing less honest contenders to win. To ensure normal competition and avoid unfairness, some rules need to be applied to competition: the rules of the game. [...] For competition to survive, competitors should not be allowed the resort to illegal or unfair means; in other words, for this freedom to exist, certain coercive rules must be imposed on them. [...] A competitor can and should strive to win, but he should not be allowed to use unfair means to win. Therefore, as in sport, competition should be encouraged, but based on rules designed to ward off dishonest contenders.

Rodrigues, in turn, says the following:

Therefore, it can be effortlessly deduced that when competition occurs through reprehensible methods adopted by unscrupulous individuals in bad faith, fraud and hypocrisy with the sole intention of attracting the clientele of other competitors to their dishonest establishment or counterfeit merchandise, it can be characterized as unfair competition (1945, p. 36).

These definitions show that unfair competition is an extremely broad concept and one that is intrinsically linked to the notion of taking unfair advantage of the efforts of others.

After all, is not fair to allow a competitor to take advantage of the goodwill of a businessperson who put a lot of effort and investment into his commercial activity without making the same efforts.

It is a well-known fact that, based on the notion of free enterprise, entrepreneurs use many different tools to achieve their goal, namely, winning clientele and thus gaining market share from competitors.

If these tools are used respecting the rules that govern competition, they can be considered healthy and perfectly legal. In this context, it is not questioned

¹⁹ Rodrigues highlights: “What is unfair competition? What is its nature and *raison d’être* in the field of law? Defining it strictly in the law is - as acknowledged by specialists - extremely difficult. And for interpreting it in its virtually infinite forms, it is necessary to address head-on one of the broadest problems facing sociology today” (1945, p. 29).

J. Thomas McCarthy writes: “Can the tort of unfair competition be defined? The simple and honest answer to this question is no – not in the abstract. It is no easier and no more productive of useful results to define generally the exact limits of unfair competition than it is to define the exact limits of what is a ‘tort’ or a ‘civil wrong’. On the level of such abstractions, no useful purpose is served by struggling for a sweeping definition.” (MCCARTHY, 1996,1:8, pp. 1-16.)

whether a certain practice made it possible for a company to win clientele from others or not, as this is the main purpose of any business practice in a competitive environment. The means used for this purpose is what should be questioned.

If, using a certain tool, an entrepreneur tries and takes advantage of previous efforts and investment made by a competitor to leverage his sales or obtain an advantage of any kind, his practice becomes illegal and against the spirit of the law, constituting, in this case, a true act of unfair competition.

In its article 10 bis (2), the Paris Union Convention (CUP) provides that any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

And because fairness is an essential attribute in business relationships, the CUP ensures nationals of signatory countries effective protection against unfair competition and determines that all acts of such a nature as to create confusion with the establishment, the goods, or the industrial or commercial activities of a competitor are to be particularly prohibited (article 10a bis (3) (i)).

Following this line, of thought, the domestic legislator included the following provision in article 2 (V) of the Industrial Property Law:

Article 2 - The protection of industrial property rights, considering the social interest and the technological and economic development of this country, is afforded by means of:

[...]

V – repression of unfair competition (BRAZIL, 1996).

Then the legislator listed, in the 14 paragraphs of article 195 of the IPL, several practices that can be considered as acts of unfair competition, citing, for example, the publication of false information to the detriment of a competitor; use of another person's advertising phrase or sign to create confusion among products or establishments; undue use of another person's trade name, title of establishment, or insignia; promise of money or some other benefit to an employee of a competitor to secure an advantage; disclosure, exploitation or use of business secrets of a competitor; among other things.

The legislator also recognized the existence of acts of unfair competition not expressly provided for in the law that nonetheless can be repressed under article 209:

Article 209 - There shall be reserved for the aggrieved party the right to recover damages as compensation for losses caused by acts that violate industrial property rights and acts of unfair competition not set forth in this Law, but that tend to prejudice another person's reputation or business, create confusion among commercial or industrial establishments or service providers, or among the products and services placed on the market (BRAZIL, 1996).

Nevertheless, one of the offenses provided for in the law deserves further comment, namely, the conduct referred to in paragraph III of article 195, according to which a crime of unfair competition is committed by who:

III - employs fraudulent means to divert the customers of another person to his or another party's advantage (BRAZIL, 1996).

This is probably the most comprehensive act of unfair competition. After all, given the wording of the provision, it can cover a wide range of conducts.

But what are the “fraudulent means” mentioned there? Celso Delmanto clarifies that “there has never been [...] a definition of fraud that was absolutely accurate. But everybody is aware of its concept - which is very similar to that of guile itself, such as of bankruptcy fraud, tax fraud, election fraud, procedural fraud, etc.” He concludes that “a fraudulent method can thus be explained as any stratagem designed to induce someone into error” (1975, p. 81).

A fraudulent means is therefore any means used by an offender to induce consumers into error or confusion and, consequently, divert clients from a competitor²⁰.

6.1 Trade dress

The term trade dress has been historically used in the United States to refer to how a product was “dressed up to go to market” (U.S. Trade Dress Law: Exploring the Boundaries, p. 2, New York, 1997).

Initially, the term was only applied to the packaging and labels of products, but over time it also began to cover a product’s configuration and the visual impression of commercial establishments.

Today, trade dress refers to the overall appearance of a product or service and it covers labels, packaging, configurations, containers and the visual appearance of a wide range of commercial establishments.

As mentioned in the first chapters of this handbook, the INPI, based on Brazilian law, does not recognize the trade dress.

Protecting trade dress in court

In Brazil, for a company to enjoy exclusive rights on trade dress, it must prove: (i) that it is distinctive; and (ii) that confusion or erroneous association between the visual impression of the goods or services is likely.

Distinctiveness

Distinctiveness is a key element in any dispute of this kind, for without it the trade dress cannot differentiate a product or service from several other similar existing products or services.

²⁰ Hungary has developed a list of some examples of such acts: “Advertising one’s goods or products describing them as better than those of a competitor (mentioning them by name or implicitly and unequivocally); imitating the facade of a neighboring commercial establishment and its in loco advertising processes with the aim of inducing its clients to quid pro quo; using unregistered distinctive signs of a competitor; luring clients into their establishment and away from the establishment of a competitor by hiring individuals to stand next to the competitor’s store and persuade them to go to their store instead, etc.” 1967) (pp. 383)

If the trade dress has a common appearance that is used by several companies, it simply will not be recognized by consumer as an origin-identifying sign. In other words, it will be a useless trade dress. To be protectable, a trade dress must be distinctive and actually distinguish and individualize a product or service from similar ones available on the market.

Likelihood of confusion or association

Once it is confirmed that a trade dress is distinctive, its holder must demonstrate that, as a result of similarity between visual impressions, there is likelihood of confusion between the goods or services in question.

In this regard, it should be first highlighted that the law is not only intended to prevent actual confusion between trade dresses. It is also intended to avoid the likelihood of confusion between them.

Thus, although physical evidence of confusion is appropriate to characterize the offense, a fraudulent act is consummated with the *likelihood* of confusion between the products or commercial establishments in question²¹.

The most common form of confusion is when a consumer buys a product thinking it is another one. This happens, for example, when a consumer goes to a supermarket to buy a particular product and is induced to buy another one by its similar packaging.

It should be noted that the rules against unfair competition and industrial property rules are not limited to this aspect. Actually, by prohibiting misappropriation of clientele by imitating the visual identity of products and services, the legislator contemplated situations that go far beyond the one described above.

Therefore, misappropriation of clientele is not only characterized by a consumer being induced to buy a product or service thinking it is another one, but also by undue association, free-riding, parasitic exploitation, easy gain, unjust enrichment, in short, by everything that can generate competitive imbalances that, as such, should not be allowed under the law.

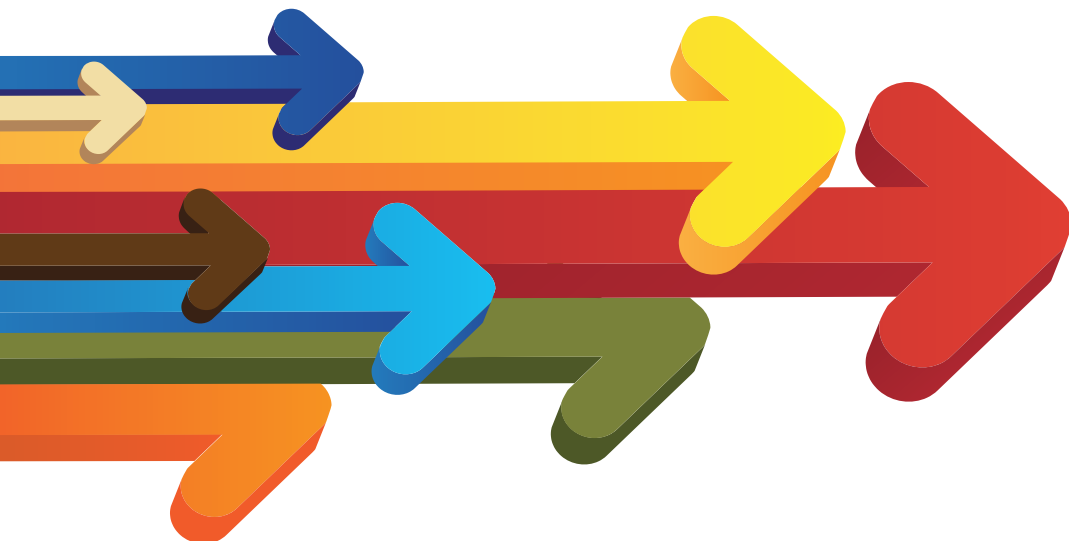
Brazilian jurisprudence has evolved remarkably and today there are many precedents that confirm such an offense not only based on a consumer having been induced to buy a product believing it was another one, but also based on fraudulent association, which can unduly attach to a different product the same value and attributes of a traditional one.

21 This issue was stressed by Delmanto when he said that "imitation is usually intended to give the impression of similarity, that appearance liable to confuse buyers, who usually don't pay attention to small differences; and not to make an exact copy of a competitor's product. No change can therefore be mentioned to argue that if the buyer had paid attention or were meticulous he would have noticed the difference, as this does not happen usually and fraud consists in the likelihood of confusing consumers." 1975) (pp. 87-88):

In this regard, the following decision is an interesting one:

The strategy most commonly used by companies has been one of appropriating the identity of a product already established in the market by copying not only its material characteristics in terms of shape, flavor and content, but mainly its ideological features, derived from the design of its trademark and from its direct and subliminal elements of communication. [...] This fact gives rise to a major cause of unfair competition that deserves legal protection under the industrial property law, which rejects parasitic behaviors in the market and purposeful dilution of a trademark by an act of a third party (BRAZIL, 2007f)

Hence, it can be concluded that the spectrum of confusion in the area of trade dress cannot be examined only based on the possibility of a consumer being induced to buy a product believing it is another one, but also from the perspective of undue association and of different situations that result in misappropriation of clientele.



**7 BUSINESS
AND TRADE SECRETS**

7

Industrial secrets are any and all information relating to a manufacturing activity or to a business that is supposed to be kept confidential and that, as a rule, gives an advantage of some sort to its owner in relation to its competitors.

Design parameters and industrial processes are examples of trade secrets, as well as negotiation processes, undertakings and the provision of services by a certain company, including lists of its clients and suppliers.

Trade secrets should be seen as very important intangible assets that are vital to the development of any company and thus require comprehensive protection under the domestic legal system, even when they are not eligible for registration.

The notion of trade secret was largely developed by U.S. state jurisprudence, which established its most widespread legal definition, namely, a set of information items, whether incorporated into a physical support or not, which give a competitive advantage to those who own and use them for not being accessible to certain competitors.

A similar notion - the so-called secret de fabrique (factory secret) - was developed by the French court system. Since 1810, this protection is provided for in the French Penal Code. A factory secret consists in technological knowledge for industrial use that is to be kept confidential: it doesn't have to be new or the result of an inventive step - which distinguishes it from patentable inventions²².

The U.S. Supreme Court defined it as a property right²³:

This general perception of trade secrets as property is in tune with the notion of property beyond the ownership of real estate items and tangible goods and includes products of labor and invention.

Trade secrets deserve comprehensive protection under the legal system, even though, due to their characteristics, business methods and processes cannot be registered.

The domestic legal system protects these intangible goods under provisions designed to repress unfair competition, with the particular aim of protecting the market and promoting economic development. Regarding what was stated above, it should be mentioned that the TRIPS Agreement, which was internalized in Brazil by Decree n°. 1,355/1994, provides as follows in its article 39:

- 1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.*
- 2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to*

²² On differences between trade secrets and patents, see Miranda (1956, pp. 449-551).

²³ Monsanto versus Ruckelshaus Case – 1984.

honest commercial practices (10) so long as such information:

(10) For the purpose of this provision, "a manner contrary to honest commercial practices" shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.

(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

In addition, article 195, sections III, XI and XII, of Law no. 9,279/1996 defines as a crime the act of one who divulges, exploits, or utilizes, without authorization, confidential knowledge, information or data that could be used in industry, commerce or rendering of services, other than that which is of public knowledge, to which he gained access by means of a contractual or employment relationship, even after the termination of the contract; divulges, exploits or utilizes, without authorization, said knowledge or information when it is obtained by illicit means or when access to it was gained through fraud:

Article 195 - A crime of unfair competition is perpetrated by anyone who:

III - employs fraudulent means to divert the customers of another person to his or another party's advantage;

XI - divulges, exploits, or utilizes, without authorization, confidential knowledge, information or data that could be used in industry, commerce or rendering of services, other than that which is of public knowledge or that would be evident to a technician versed in the subject, to which he gained access by means of a contractual or employment relationship, even after the termination of the contract;

XII - divulges, exploits or utilizes, without authorization, the kind of knowledge or information to which the previous item refers, when obtained by illicit means or when access was gained through fraud;

Penalty—imprisonment, for 3 (three) months to 1 (one) year, or a fine.

Paragraph 1 - The hypotheses to which items XI and XII of this Article refer include the employer, partner or officer of the company who commits the offenses characterized in those provisions.

Delmanto begins to explain the meaning of unfair competition by reporting the origin of the American paradigm of dirty tricks:

Edward S. Rogers, one of the greatest U.S. experts on the subject, once asked a student what he thought unfair competition was and the student answered that

it consisted in dirty tricks - which judges sought to prevent. In response, Rogers said that one could spend weeks reading doctrines and decisions without getting a more satisfactory definition than that one (1995, p. 22).

In one of his several works, Ascensão also summarized the issue stating that “the essence of unfair competition lies in situations in which someone seeks to be successful in the market not by his contributions, but by exploiting the contributions of others” (1997, p. 22-23).

Thus, in general terms, unfair competition should be understood as any attempt to appropriate or obtain an advantage on elements of goodwill acquired by others through their efforts, investments and dedication.

Because fairness is a key element of sound business relations, the legislator could not have adopted any other position in relation to unfair competition but that of establishing very severe measures to repress it. This is what article 2 (V) of the IPL provides for.

The legislator of Law no. 9,279/1996 (IPL) based his decisions on concepts enshrined in the Paris Convention, particularly in its article 10 bis, to criminalize acts of unfair competition, adapting them to today’s reality²⁴.

It should be stressed that, unlike the old Industrial Property Code (Law no. 5,772 of December 21, 1971), which focused only on individuals who violated a secret, item XII of the above-mentioned article 195 provides for the hypothesis of violation derived from fraudulent or unlawful obtention of a secret by third parties, without an obligatory relation, which in the past required a systematic exegesis of a whole set of criminal and civil provisions.

For this reason, the new article 195 of the IPL was correctly edited to punish violations of secrets by a third party who was not related to the infringed company in any way but who concurred to or benefited from the violation, making the law more effective to protect trade secrets.

As for the features of a trade secret, the following requirements are highlighted by Jorge Kors and Maristela Basso²⁵ for information to be protected:

- i. the information must be secret or not known - such as a set or a configuration and combination of components that should not be known or should not be easily accessible to people within circles in which the type of information in question is normally used;

24 Article 10 bis

The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. The following in particular shall be prohibited: all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor (Paris, 1883).

25 KORS, 2007, p. 106. BASSO, 2000, p. 247.

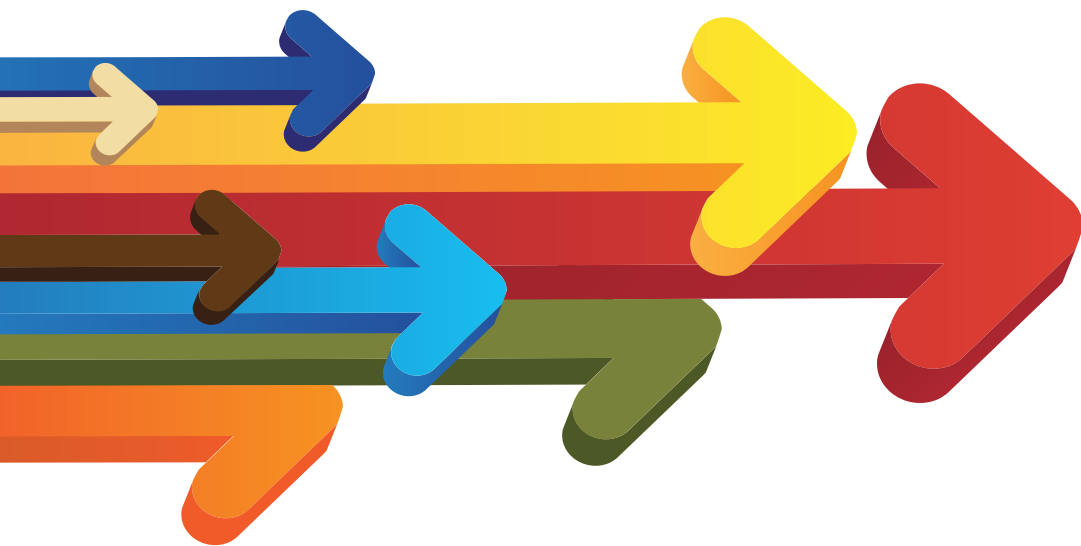
- ii. it must have commercial value, precisely for being confidential;
- iii. it must have been the object of reasonable measures to be kept secret by its owner.

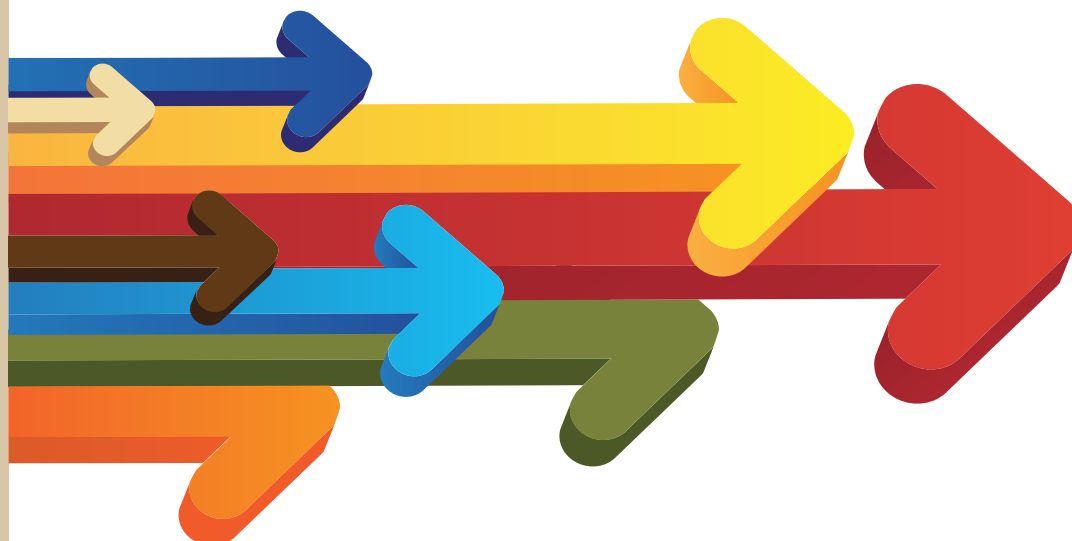
More than 40 years ago, the U.S. court system already considered the efforts of owners of trade secrets to assess the behavior of those who violate them:

E. I. duPont deNemours & Co. v. Christopher, 431 F.2d, 1012 (5th Cir. 1970) (p. 25)

C.A.Tex. 1970

To obtain knowledge of a process without spending the time and money to discover it independently is improper unless the holder voluntarily discloses it or fails to take reasonable precautions to ensure its secrecy.





ANNEXES

ANNEX A**LAW Nº. 9,279 OF MAY 14, 1996**

Regulates rights and obligations regarding industrial property.

THE PRESIDENT OF THE REPUBLIC

Let it be known that the National Congress decrees and I sanction the following Law:

PRELIMINARY PROVISIONS

1. This Law regulates rights and obligations regarding industrial property.
2. The protection of industrial property rights, considering the social interest and the technological and economic development of this country, is afforded by means of:
 - I. the granting of invention and utility model patents;
 - II. the granting of a registration of an industrial design;
 - III. the granting of a registration of a trademark;
 - IV. the repression of false geographical indication; and
 - V. the repression of unfair competition.
3. The provisions of this Law also apply to:
 - I. applications for patents or for registrations originating from abroad and filed in this country by a party that enjoys protection under a treaty or convention in force in Brazil; and
 - II. to nationals of or persons domiciled in a country that assures Brazilians or persons domiciled in Brazil reciprocity of equal or equivalent rights.
4. The provisions of treaties in force in Brazil are equally applicable to natural and legal persons who are nationals of or domiciled in this country.
5. For legal effects, industrial property rights are deemed to be movable property.

TITLE I - PATENTS**CHAPTER I - OWNERSHIP**

6. It shall be assured to the author of an invention or a utility model the right to obtain a patent that guarantees his property, under the conditions established in this Law.

(1) In the absence of proof to the contrary, the applicant is presumed to be legitimately entitled to obtain the patent.

(2) A patent may be applied for in the author's own name, by the heirs or suc-

cessors of the author, by the assign or by whomever the law or the employment or services contract determines to be the owner.

(3) In the case of an invention or utility model created jointly by two or more persons, the patent may be applied for by all or any of them, by means of naming and identifying the others, to safeguard the respective rights.

(4) The inventor shall be named and identified, and may request that his name not be disclosed.

7. If two or more authors have created the same invention or utility model, acting independently of each other, the right to obtain the patent shall be assured to the one who proves the oldest filing date, regardless of the dates of invention or creation.

Sole Paragraph. The withdrawal of an earlier filing before it has produced any effect shall confer priority on the immediately subsequent filing.

CHAPTER II - PATENTABILITY

SECTION I - PATENTABLE INVENTIONS AND UTILITY MODELS

8. An invention is patentable if it satisfies the requirements of novelty, inventive step, and industrial application.

9. An object of practical use, or part thereof, is patentable as utility model if it is susceptible of industrial application, has a new form or arrangement, and involves an inventive act, that results in functioning improvement in its use or manufacture.

10. The following are not considered to be inventions or utility models:

I. discoveries, scientific theories, and mathematical methods;

II. purely abstract conceptions;

III. commercial, accounting, financial, educational, advertising, raffling, and inspection schemes, plans, principles or methods;

IV. literary, architectural, artistic and scientific works, or any aesthetic creation;

V. computer programs per se;

VI. presentation of information;

VII. rules of games;

VIII. surgical techniques and methods, as well as therapeutic or diagnostic methods, for application to human or animal body; and

IX. all or part of natural living beings and biological materials found in nature, even if isolated therefrom, including the genome or germoplasm of any natural living being, and the natural biological processes.

11. An invention and a utility model are considered to be new if they are not part of the state of the art

(1) The state of the art consists of everything that became accessible to the public prior to the filing date of the patent application, by means of a written or oral description, by use or by any other means, in Brazil or abroad, except as provided in Articles 12, 16, and 17.

(2) For the purposes of determining novelty, the entire content of an application filed in Brazil, and not yet published, shall be considered to be state of the art from the date of filing or of claimed priority, provided that it comes to be published, even subsequently.

(3) The provisions of the preceding Paragraph shall apply to an international patent application filed according to a treaty or convention in force in Brazil, provided that there is national processing.

12. The disclosure of an invention or utility model shall not be considered to be state of the art if it occurred during the 12 (twelve) months preceding the date of filing or of priority of the patent application, if made:

I. by the inventor;

II. by the Instituto Nacional da Propriedade Industrial—INPI (National Institute for Industrial Property), by means of official publication of the patent application filed without the consent of the inventor, based on information obtained from him or as a consequence of actions taken by him; or

III. by third parties, based on information obtained directly or indirectly from the inventor or as a consequence of actions taken by him.

Sole Paragraph. The INPI may require from the inventor a statement related to the disclosure, accompanied or not by proofs, under the conditions established in regulations.

13. An invention is endowed with inventive step provided that, to a technician versed in the subject, it is not derived in an evident or obvious way from the state of the art.

14. A utility model is endowed with inventive act provided that, to a technician versed in the subject, it is not derived in a common or ordinary way from the state of the art.

15. An invention and a utility model are considered susceptible of industrial application when they can be used or produced in any kind of industry.

SECTION II - PRIORITY

16. A patent application filed in a country that maintains an agreement with Brazil, or in an international organization, and that produces the effect of a national filing, shall be assured the right of priority, within the time limits established in the agreement, and the filing shall not be invalidated or prejudiced by events occurring within such time limits.

(1) The claim of priority shall be made at the time of filing, and may be supplemented within 60 (sixty) days by other priorities prior to the filing date in Brazil.

(2) The claim of priority shall be proven by a proper document from the country

of origin, containing the number, date, title, specifications and, if applicable, claims and drawings, accompanied by a free translation of the filing certificate or equivalent document, containing identifying information on the application, for which content the applicant is solely responsible.

(3) If not submitted at the time of filing, the proofs must be submitted within up 180 (one hundred and eighty) days of the date of filing.

(4) For international applications filed under a treaty in force in Brazil, the translation referred to in Paragraph 2 must be submitted within a period of 60 (sixty) days of the date of entry into national processing.

(5) If an application filed in Brazil is faithfully reproduced in the document from the country of origin, a statement by the applicant about that shall be sufficient to replace the free translation.

(6) When priority is obtained by assignment, the corresponding document must be submitted within 180 (one hundred and eighty) days of the filing date or, if applicable, within up 60 (sixty) days of the date of entry into national processing, and consular legalization in the country of origin shall not be required.

(7) Failure to provide proof within the time limits provided for in this Article shall result in the loss of priority.

(8) In the case of an application filed along with a claim of priority, the request for early publication must be accompanied of the proof of priority.

17. An application for an invention or utility model patent originally filed in Brazil, without claiming priority and not yet published, shall assure the right of priority for the subsequent application on the same subject matter filed in Brazil by the same applicant or by successors, within a period of 1 (one) year.

(1) The priority shall be admitted only for the subject matter disclosed in the earlier application, and does not extend to any new subject matter that is introduced.

(2) An earlier application that is still pending shall be considered as definitively dismissed.

(3) A patent application originating from the division of an earlier application may not serve as the basis for claiming priority.

SECTION III - NON-PATENTABLE INVENTIONS AND UTILITY MODELS

18. The following are not patentable:

I. anything contrary to morals, standards of respectability and public security, order and health;

II. substances, materials, mixtures, elements or products of any kind, as well as the modification of their physical-chemical properties and the respective processes for obtainment or modification, when resulting from the transformation of the atomic nucleus; and

III. all or part of living beings, except transgenic microorganisms that satisfy the

three requirements of patentability—novelty, inventive step and industrial application—provided for in Article 8 and which are not mere discoveries.

Sole Paragraph. For the purposes of this Law, transgenic microorganisms are organisms, except for all or part of plants or animals, that express, by means of direct human intervention in their genetic composition, a characteristic normally not attainable by the species under natural conditions.

CHAPTER III - PATENT APPLICATIONS

SECTION I - FILING OF APPLICATION

19. A patent application, in accordance with the conditions established by the INPI, shall contain:

- I. the request;
- II. the specifications;
- III. the claims;
- IV. drawings, if applicable;
- V. the abstract; and
- VI. proof of payment of the filing fee.

20. Once the application has been submitted, it shall undergo a formal preliminary examination and, if found to be properly documented, shall be docketed, the date of submission shall be considered as the date of filing.

21. An application that does not formally satisfy the provisions of Article 19, but that contains data relating to the object, to the applicant and to the inventor, may be submitted, against dated receipt, to the INPI, which shall stipulate the requirements to be satisfied, within a period of 30 (thirty) days, under penalty of having the documentation returned or the application dismissed.

Sole Paragraph. Upon satisfaction of the requirements, the filing shall be considered as having occurred on the date of the receipt.

SECTION II - CONDITIONS OF THE APPLICATION

22. An invention patent application must refer to a single invention or group of inventions interrelated in such a way as to comprise a single inventive concept.

23. A utility model patent application must refer to a single principal model, which may include a plurality of distinct additional elements or constructive or configurative variants, provided that the technical-functional and corporeal unity of the object is maintained.

24. The specifications shall clearly and sufficiently describe the object, so as to permit its reproduction by a technician versed in the subject, and shall indicate, when applicable, the best way of doing it.

Sole Paragraph. In the case of biological material that is essential to the practical execution of the object of the application, which cannot be described in

accordance with this Article and which is not accessible to the public, the specifications shall be supplemented by the deposit of the material with an institution authorized by the INPI or indicated in an international agreement.

25. The claims shall be substantiated in the specifications, characterizing the particulars of the application, and clearly and precisely defining the subject matter that is the object of the protection.

26. A patent application may be divided into two or more applications, ex officio or at the request of the applicant, up to the end of the examination, provided that the divided application:

- I. makes specific reference to the original application; and
- II. does not exceed the subject matter disclosed in the original application.

Sole Paragraph. The request for division not in accordance with the provisions of this Article shall be dismissed.

27. The divided applications shall bear the filing date of the original application and have the benefit of priority thereof, if applicable.

28. Each divided application shall be subject to payment of the corresponding fees.

29. A patent application that has been withdrawn or abandoned must be published.

(1) The request for withdrawal shall be submitted within up 16 (sixteen) months of the date of filing or of the oldest priority.

(2) The withdrawal of an earlier filing that has not produced any effect shall confer priority on the immediately subsequent filing.

SECTION III - PROCESSING AND EXAMINATION OF THE APPLICATION

30. A patent application shall be kept secret for 18 (eighteen) months from the date of filing or of the oldest priority, if any, after which it shall be published, except as provided for in Article 75.

(1) The publication of the application may be anticipated at the request of the applicant.

(2) The publication shall contain data identifying the patent application, and a copy of the specifications, claims, abstract and drawings shall remain available to the public at the INPI.

(3) In the case referred to in the Sole Paragraph of Article 24, the biological material shall become available to the public upon the publication referred to in this Article.

31. After publication of the application and up to the end of the examination, interested parties may submit documents and data to assist the examination.

Sole Paragraph. The examination shall not begin before 60 (sixty) days from the publication of the application.

32. In order to better clarify or define a patent application, the applicant may make changes until the time of the request for examination, provided that these

are limited to the subject matter initially disclosed in the application.

33. The examination of a patent application must be requested by the applicant or by some other interested party, within a period of 36 (thirty six) months of the date of filing, under penalty of having the application dismissed.

Sole Paragraph. A patent application may be reinstated, if the applicant so requests, within 60 (sixty) days of the date it was dismissed, upon payment of a specific fee, under penalty of having the application definitively dismissed.

34. After the examination has been requested, the following must be submitted, within a period of 60 (sixty) days, whenever requested, under penalty of having the application dismissed:

I. objections, search for prior art and results of examination for granting of a corresponding application in other countries, when priority is claimed;

II. documents necessary to regularize the processing and examination of the application; and

III. free translation of the proper document referred to in Paragraph 2 of Article 16, if it was replaced by the statement referred to in Paragraph 5 of the same Article.

35. At the time of the technical examination, a report of search and an opinion shall be prepared with respect to:

I. patentability of the application;

II. appropriateness of the application given the nature claimed;

III. reformulation or division of the application; or

IV. technical requirements.

36. When the opinion ascertains the non-patentability of the application or the incompatibility of the application to the nature claimed, or makes some demand, the applicant shall be notified to submit comments within a period of 90 (ninety) days.

(1) If there is no response to the demand, the application shall be definitively dismissed.

(2) If there is response to the demand, even if it has not been satisfied, or its formulation is contested, and whether or not comments on patentability or compatibility have been submitted, the examination shall be continued.

37. Once the examination has been concluded, a decision shall be handed down, either approving or rejecting the patent application.

CHAPTER IV - GRANTING AND TERM OF THE PATENT

SECTION I - GRANTING OF THE PATENT

38. A patent shall be granted after the application is approved, and proof of payment of the corresponding fee has been furnished, by means of issuing the respective patent certificate.

(1) The payment of the fee and its respective proof of payment must be done within a period of 60 (sixty) days of approval.

(2) The fee provided for in this Article may also be paid and proven within 30 (thirty) days of the time limit referred to in the preceding Paragraph, independently of any notification, upon payment of a specific fee, under penalty of having the application definitively dismissed.

(3) A patent shall be deemed to have been granted on the date of publication of the respective act.

39. The patent certificate shall contain its number, title and nature, the name of the inventor, with due regard for the provisions of Paragraph 4 of Article 6, the identification and domicile of the titleholder, the term, the specifications, the claims, and the drawings, as well as the data regarding priority.

SECTION II - TERM OF THE PATENT

40. An invention patent shall remain in force for a period of 20 (twenty) years, and a utility model patent for a period of 15 (fifteen) years from the date of filing.

Sole Paragraph. The term shall not be less than 10 (ten) years for an invention patent and 7 (seven) years for a utility model patent, beginning on the date of granting, unless the INPI has been prevented from examining the merits of the application by a proven pending judicial dispute or for reasons of force majeure.

CHAPTER V - PROTECTION CONFERRED BY THE PATENT

SECTION I - RIGHTS

41. The scope of the protection conferred by the patent shall be determined by the content of the claims, and interpreted on the basis of the specifications and drawings.

42. A patent confers on its titleholder the right to prevent a third party from, without his consent, producing, using, offering for sale, selling or importing for these purposes:

I. a product that is the object of the patent;

II. a process or a product directly obtained by a patented process.

(1) The patent holder is further assured the right to prevent third parties from contributing to the perpetration by others of the acts referred to in this Article.

(2) A process patent right, referred to in Item II, shall be deemed to have occurred when the possessor or owner does not prove, by a specific judicial ruling, that his product was obtained by a manufacturing process different than the one protected by the patent.

43. The provisions of the previous Article do not apply:

I. to acts carried out by unauthorized third parties, privately and without commercial purposes, provided that these acts do not prejudice the economic interests of the patent holder;

II. to acts carried out by unauthorized third parties for experimental purposes, in connection with scientific or technological studies or researches;

III. to the preparation of a medicine in accordance with a medical prescription for individual cases, carried out by a qualified professional, as well as to the medicine so prepared;

IV. to a product manufactured in accordance with a process or product patent that has been introduced onto the domestic market directly by the patent holder or with his consent;

V. to third parties who, in the case of patents related to living material, use the patented product, without economic intent, as an initial source of variation or propagation to obtain other products;

VI. to third parties who, in case of patents related to living material, use, place in circulation, or market a patented product that has been legally introduced into commerce by the patent holder or the holder of a license, provided that the patented product is not used for commercial multiplication or propagation of the living material in question.

VII. acts done by unauthorized third parties related to an invention protected by patent for the sole purpose of producing information, data and results of tests, with the aim of obtaining a registration for marketing a product that is the subject matter of a patent after the expiration of the terms set out in article 40 of the IPL (included by Law no. 10,196 of 2001).

44. The patent holder is assured the right to obtain indemnification for improper exploitation of the object of his patent, including that which occurs between the date of publication of the application and the date of granting of the patent.

(1) If the transgressor obtained, by any means, knowledge of the content of the filed application prior to the publication, the period of improper exploitation, for purposes of indemnification, shall be calculated beginning with the date of the start of the exploitation.

(2) When the object of the patent application refers to biological material, deposited as provided in the Sole Paragraph of Article 24, the right to indemnification shall be recognized only when the biological material has become available to the public.

(3) The right to obtain indemnification for improper exploitation, including that related to the period prior to the granting of the patent, is restricted to the content of its object, as provided for in Article 41.

SECTION II - PRIOR USER

45. A person who in good faith, prior to the filing or priority date of a patent application, was exploiting the object thereof in this country, shall be assured the right to continue the exploitation, without onus, in the same manner and under the same conditions as before.

(1) The right conferred under this Article may only be assigned together with the business or company, or part thereof that is directly related to the exploitation of the object of the patent, by transfer or leasing.

(2) The right referred to in this Article shall not be assured to a person who gained knowledge of the object of the patent through disclosure, in accordance with Article 12, provided that the application has been filed within 1 (one) year of the disclosure.

CHAPTER VI - NULLITY OF A PATENT

SECTION I - GENERAL PROVISIONS

46. A patent granted contrary to the provisions of this Law is null.

47. Nullity may not apply to all the claims, and the condition of partial nullity is the fact that the subsisting claims in themselves constitute patentable subject matter.

48. Nullity of a patent shall produce effects from the filing date of the application.

49. In the case of non-compliance with the provisions of Article 6, the inventor may, alternatively, demand, in judicial proceedings, adjudication of the patent.

SECTION II - ADMINISTRATIVE NULLITY PROCEEDINGS

50. Nullity of a patent shall be administratively declared when:

I. any of the legal requirements were not satisfied;

II. the specifications and claims did not comply with the provisions of Articles 24 and 25, respectively;

III. the object of the patent extends beyond the contents of the application filed originally; or

IV. any of the essential formalities that are indispensable to granting has been omitted during the processing thereof.

51. Nullity proceedings may be instituted either ex officio or at the request of any person having a legitimate interest, within a period of 6 (six) months of the granting of the patent.

Sole Paragraph. Nullity proceedings shall continue even if the patent has been extinguished.

52. The titleholder shall be notified to submit comments within a period of 60 (sixty) days.

53. After the time limit established in the preceding Article has elapsed, whether or not comments were submitted, the INPI shall issue an opinion and notify the titleholder and the applicant to submit their comments within the common period of 60 (sixty) days.

54. After the time limit established in the preceding Article has elapsed, even if no comments have been submitted, the case shall be decided by the President of the INPI, whereupon the administrative jurisdiction shall be ended.

55. The provisions of this Section apply, where applicable, to certificates of addition.

SECTION III - JUDICIAL NULLITY PROCEEDINGS

56. Judicial nullity proceedings may be proposed, at any time during the term of the patent, either by the INPI or by any person having a legitimate interest.

(1) Nullity of a patent may be argued at any time as a matter of defense.

(2) The judge may, as a preventive or incidental measure, order the suspension of the effects of the patent, provided that the proper procedural requirements have been satisfied.

57. Patent judicial nullity proceedings shall be filed within the Federal Court forum, and the INPI, when not the plaintiff, shall participate in them.

(1) The time limit for a response by the defendant who is the patent holder shall be 60 (sixty) days.

(2) Once the decision on the judicial nullity proceedings has become final, the INPI shall publish the entry thereof, so that third parties be informed.

CHAPTER VII - ASSIGNMENT AND ENTRIES

58. A patent application or a patent, the contents of both being indivisible, may be assigned in whole or in part.

59. The INPI shall make the following entries:

- I. assignment, stating full identification of the assignee;
- II. any limitation or onus that applies to the application or the patent; and
- III. changes in the name, headquarter, or address of the applicant or the titleholder.

60. Entries shall become effective with regard to third parties beginning on the date of their publication.

CHAPTER VIII - LICENSES

SECTION I - VOLUNTARY LICENSES

61. The patent holder or the applicant may enter into a licensing contract for exploitation.

Sole Paragraph. The licensee may be invested by the titleholder with full powers to take action to defend the patent.

62. The license contract must be recorded with the INPI so that it becomes effective regarding third parties.

(1) The recording shall become effective with regard to third parties beginning on the date of its publication.

(2) For the purposes of validating proof of use, the license contract shall not need to be recorded with the INPI.

63. An improvement introduced in a licensed patent shall belong to the party that makes the improvement, and the other party is entitled to a preferential right to the licensing thereof.

SECTION II - OFFER OF LICENSE

64. The patent holder may ask the INPI to offer it with a view to its exploitation.

(1) The INPI shall arrange for publication of the offer.

(2) No voluntary license contract of an exclusive nature shall be recorded with the INPI unless the titleholder has desisted from the offer.

(3) A patent that is under voluntary license on an exclusive basis may not be the object of an offer.

(4) The titleholder may, at any time prior to the express acceptance of his terms by the interested party, withdraw the offer, and the provisions of Article 66 shall not apply.

65. In the absence of an agreement between the titleholder and the licensee, the parties may ask the INPI to arbitrate the remuneration.

(1) For the purposes of this Article, the INPI shall observe the provisions of Paragraph 4 of the Article 73.

(2) The remuneration may be revised after 1 (one) year has elapsed since it was established.

66. The patent subject to offer shall have the annual fee reduced to one-half during the period between the offer and the granting, by whatever means, of the first license.

67. The patent holder may request cancellation of a license if the licensee does not begin effective exploitation within 1 (one) year of the date of granting, if exploitation is interrupted for a period of more than 1 (one) year, or if the conditions for exploitation have not been satisfied.

SECTION III - COMPULSORY LICENSE

68. The titleholder shall be subject to having the patent licensed on a compulsory basis if he exercises his rights derived therefrom in an abusive manner, or by means thereof engages in abuse of economic power, proven pursuant to law in an administrative or judicial decision.

(1) The following also occasion a compulsory license:

I. non-exploitation of the object of the patent within the Brazilian territory for failure to manufacture or incomplete manufacture of the product, or also failure to make full use of the patented process, except cases where this is not economically feasible, when importation shall be permitted; or

II. commercialization that does not satisfy the needs of the market.

(2) A license may be requested only by a person having a legitimate interest and having technical and economic capacity to effectively exploit the object of the patent, that shall be destined predominantly for the domestic market, in which case the exception contained in Item I of the previous paragraph shall be extinguished.

(3) In the case that a compulsory license is granted on the grounds of abuse of economic power, the licensee who proposes local manufacture shall be assured a period, limited to the provisions of Article 74, to import the object of the license, provided that it was introduced onto the market directly by the titleholder or with his consent.

(4) In the case of importation to exploit a patent and in the case of importation as provided for in the preceding Paragraph, third parties shall also be allowed to import a product manufactured according to a process or product patent, provided that it has been introduced onto the market by the titleholder or with his consent.

(5) The compulsory license that is the subject of Paragraph 1 shall only be required when 3 (three) years have elapsed since the patent was granted.

69. A compulsory license shall not be granted if, on the date of the application, the titleholder:

- I. justifies the non-use based on legitimate reasons;
- II. proves that serious and effective preparations for exploitation have been made;
- III. justifies the failure to manufacture or to market on grounds of an obstacle of legal nature;

70. The compulsory license shall also be granted when all the following circumstances apply:

- I. there is a situation of dependency of one patent with regard to another;
- II. the object of the dependent patent constitutes a substantial technical progress with regard to the earlier patent; and
- III. the titleholder fails to reach agreement with the patent holder of the dependent patent on the exploitation of the earlier patent.

(1) For the purposes of this Article, a dependent patent is considered to be a patent whose exploitation necessarily depends on the use of the object of an earlier patent.

(2) For purposes of this Article, a process patent may be considered dependent on the respective product patent, and likewise, a product patent may be dependent on a process patent.

(3) The patent holder licensed pursuant to the provisions of this Article shall have the right to a crossed compulsory license on the dependent patent.

71. In cases of national emergency or of public interest, as declared in an act of the Federal Executive Power, and provided the patent holder or his licensee does not fulfill such need, a temporary and non-exclusive compulsory license for exploiting the patent may be granted, ex officio, without prejudice to the rights of the respective titleholder.

Sole Paragraph. The act of granting the license shall establish its term and the possibility of extension.

72. Compulsory licenses shall always be granted on a non-exclusive basis, and sublicensing shall not be permitted.

73. The application for a compulsory license shall be formulated upon indication of the conditions offered to the patent holder.

(1) After an application for a license has been submitted, the titleholder shall be notified to submit comments within a period of 60 (sixty) days, at the end of which, if the titleholder has not submitted comments, the proposal shall be deemed to have been accepted under the conditions offered.

(2) An applicant for a license who alleges abuse of patent rights or abuse of economic power must attach documentation that proves it.

(3) In the case that the compulsory license is applied for on grounds of failure to exploit, the patent holder shall prove the exploitation.

(4) If the application is contested, the INPI may conduct the necessary inquiries, including the establishment of a committee, which may include specialists who are not on the staff of that autarky, to arbitrate the remuneration to be paid to the titleholder.

(5) The agencies and entities of direct or indirect, federal, state, and municipal public administration shall furnish the INPI with information as requested for purposes of assisting in the arbitration of the remuneration.

(6) In the arbitration of the remuneration, the circumstances of each case shall be considered, and it shall consider, necessarily, the economic value of the license granted.

(7) After evidence has been gathered in the case, the INPI shall decide about the granting and the conditions of the compulsory license within a period of 60 (sixty) days.

(8) The appeal of the decision that granted a compulsory license shall not have suspensive effect.

74. Unless in case of legitimate reasons, the licensee must begin the exploitation of the object of the patent within a period of 1 (one) year from the granting of the license, and an interruption for a same period of time shall be allowed.

(1) The titleholder may require the cancellation of the license when the provision of this Article is not observed.

(2) The licensee shall be invested with full powers to take action to defend the patent.

(3) After a compulsory license has been granted, the assignment of such license shall only be allowed together with the assignment, transfer or leasing of the part of the enterprise that exploits it.

CHAPTER IX - PATENT OF INTEREST TO NATIONAL DEFENSE

75. A patent application originating in Brazil and whose object is of national defense interest shall be processed as confidential and shall not be subject to the publications established in this Law.

(1) The INPI shall forward the application immediately to the competent agency

of the Executive Power, which shall make a statement on its confidentiality within a period of 60 (sixty) days. If this period elapses without any statement of the competent agency, the application shall be normally processed.

(2) The filing in another country of a patent whose object has been deemed of national defense interest is prohibited, as is any disclosure thereof, unless express authorization from the competent agency.

(3) The exploitation and the assignment of the application or patent that is of national defense interest are conditioned upon prior authorization from the competent agency, and indemnification is assured whenever the rights of the applicant or titleholder are restricted.

CHAPTER X - CERTIFICATE OF ADDITION OF INVENTION

76. The applicant or the titleholder of an invention patent may require, upon payment of a specific fee, a certificate of addition in order to protect an improvement or development that has been introduced into the object of the invention, even if devoid of inventive step, provided the subject matter is included in the same inventive concept.

(1) When the principal application has already been published, the application for a certificate of addition shall be published immediately.

(2) The examination of an application for a certificate of addition shall comply with the provisions of Articles 30 through 37, except as provided in the preceding Paragraph.

(3) The application for a certificate of addition shall be denied if its object does not exhibit the same inventive concept.

(4) The applicant may, within the period provided for an appeal and by paying the applicable fees, require the conversion of the application for a certificate of addition into a patent application, thereby benefiting from the filing date of the application for a certificate.

77. The certificate of addition is an accessory of the patent, bears the final date of the term thereof, and accompanies it for all legal effects.

Sole Paragraph. In nullity proceedings, the titleholder may require that the subject matter of the certificate of addition be analyzed in order to determine the possibility of its subsistence, without prejudice of the term of the patent.

CHAPTER XI - EXTINGUISHMENT OF A PATENT

78. A patent is extinguished:

I. on expiration of the term;

II. on renunciation by its titleholder, without prejudice to the rights of other parties;

III. on forfeiture;

IV. on failure to pay the annual fee, within the time limits stipulated in Paragraph 2 of

Article 84, and in Article 87; and

V. on non-compliance with the provisions of Article 217.

Sole Paragraph. Once the patent has been extinguished, its object falls into the public domain.

79. The renunciation shall only be accepted if it does not prejudice the rights of third parties.

80. The patent shall be forfeited, ex officio, for at the request by any party having a legitimate interest, if, after 2 (two) years have elapsed since the granting of the first compulsory license, that time period has not been sufficient to prevent or remedy the abuse or disuse, unless there are justifiable reasons.

(1) The patent shall be forfeited when, on the date of the request for forfeiture or ex officio institution of the respective proceedings, exploitation has not yet begun.

(2) In forfeiture proceedings instituted upon request, the INPI may proceed if the applicant waives it.

81. The titleholder shall be notified upon publication to submit comments, within a period of 60 (sixty) days, and the burden of proof as regards exploitation shall lie with him.

82. The decision shall be issued within 60 (sixty) days from the end of the period mentioned in the preceding Article.

83. The decision on forfeiture shall produce effects from the date of the request or of the publication of the ex officio institution of proceedings.

CHAPTER XII - ANNUAL FEE

84. The applicant and the patent holder are subject to payment of annual fee since the beginning of the third year after the filing date.

(1) Anticipated payment of the annual fee shall be regulated by the INPI.

(2) Payment shall be made within the first 3 (three) months of each annual period, but it may also be made within the following 6 (six) months, independently from any notification, upon payment of an additional fee.

85. The provisions of the previous Article apply to international applications filed under a treaty in force in Brazil, and the payment of the annual fees that fell due prior to the date of entry into the national processing shall be made within a period of 3 (three) months of that date.

86. The failure to pay the annual fee, in accordance with provisions of Articles 84 and 85, shall result in the dismissal of the application or extinguishment of the patent.

CHAPTER XIII - RESTORATION

87. The patent application or the patent may be restored, if the applicant or titleholder so requests, within 3 (three) months from the notification of the dismissal of the application or the extinguishment of the patent, upon payment of a specific fee.

CHAPTER XIV - INVENTIONS AND UTILITY MODELS CREATED BY EMPLOYEES OR SERVICE PROVIDERS

88. The invention and the utility model belong exclusively to the employer when they result from an employment contract being performed in Brazil and that has research or the inventive step as its object, or if such results from the nature of the services for which the employee was hired.

(1) Except as otherwise stipulated by contract, the retribution for the work to which this Article refers is limited to the agreed salary.

(2) In the absence of proof to the contrary, the invention or utility model on which a patent is applied for by the employee, up to 1 (one) year of the extinguishment of the employment relationship, is considered to have been developed during the term of the contract.

89. The employer, the patent holder, may grant the employee, the author of the invention or improvement, a share in the economic gains resulting from the exploitation of the patent, by negotiating with the interested party or in accordance with the rules of the company.

Sole Paragraph. The share referred to in this Article does not incorporate, in any way, into the salary of the employee.

90. The invention or the utility model developed by an employee shall belong exclusively to him, provided that it is unrelated to the employment contract and does not result from the use of resources, means, data, materials, facilities or equipment of the employer.

91. The property of an invention or utility model shall be common, in equal parts, when it results from the personal contribution of the employee and resources, data, means, materials, facilities or equipment of the employer, in the absence of express contract provision to the contrary.

(1) When there is more than one employee, the portion that corresponds to them shall be divided equally among all of them, except as agreed to the contrary.

(2) The employer is guaranteed the exclusive right of license for exploitation, and the employee is assured the fair remuneration.

(3) In the absence of an agreement, the exploitation of the object of the patent must be started by the employer within a period of 1 (one) year of the date of granting, under penalty of the property of the patent being transferred as an exclusive right to the employee, except where there are legitimate reasons for the failure to exploit.

(4) In the event of an assignment, any of the co-titleholders, under the same conditions, may exercise the right of preference.

92. The provisions of the preceding Articles apply, where applicable, to relationships between an autonomous worker or a trainee and the contracting company, and between contracting and contracted companies.

93. The provisions of this Chapter apply, where applicable, to the direct, indirect

and foundational, federal, state or municipal entities of the Public Administration. (Regulation)

Sole Paragraph. In the event that is the subject of Article 88, the inventor shall be assured, in the manner and under the conditions set forth in the statutes or internal regulations of the entity to which this Article refers, an award of part of the value of the benefits gained from the application or patent, as an incentive.

TITLE II - INDUSTRIAL DESIGNS

CHAPTER I - OWNERSHIP

94. The author shall be assured the right to obtain registration of an industrial design that confers property on him, under conditions established in this Law.

Sole Paragraph. The provisions of Articles 6 and 7 apply to the registration of industrial designs, where applicable.

CHAPTER II - REGISTRABILITY

SECTION I - REGISTRABLE INDUSTRIAL DESIGNS

95. An industrial design is considered to be an ornamental plastic form of an object or an ornamental arrangement of lines and colors which may be applied to a product, providing a new and original visual result in its external configuration and that may serve as a model for industrial manufacture.

96. The industrial design is considered as new when it is not comprised in the state of the article

(1) The state of the art consists of everything made available to the public prior to the filing date of the application, in Brazil or abroad, by use or by any other means, without prejudice to the provisions of Paragraph 3 of this Article and of Article 99.

(2) For the sole purpose of determining novelty, the entire content of an application for a patent or for registration filed in Brazil, and not yet published, shall be considered to be included in the state of the art as from the date of filing, or of claimed priority, provided it comes to be published, even if subsequently.

(3) The industrial design shall not be considered to be included in the state of the art if disclosure occurred during the 180 (one hundred and eighty) days preceding the filing date of the application or of the claimed priority, if made in the situations outlined in Items I to III of Article 12.

97. The industrial design is considered to be original when it results in a distinctive visual configuration, in relation to other prior objects.

Sole Paragraph. The original visual result may be derived from the combination of known elements.

98. No purely artistic work is considered to be an industrial design.

SECTION II - PRIORITY

99. The provisions of Article 16, except for the time limit defined in Paragraph 3 of that Article, which shall be of 90 (ninety) days, apply to the application for registration, where applicable.

SECTION III - NON-REGISTRABLE INDUSTRIAL DESIGNS

100. It is not registrable as an industrial design:

I. anything contrary to morals and standards of respectability or that offends the honor or image of persons, or attempts freedom of conscience, belief, religious cult or ideas and feelings worthy of respect and veneration;

II. the common or ordinary necessary shape of the object or, yet, that shape which is essentially determined by technical or functional considerations.

CHAPTER III - APPLICATIONS FOR REGISTRATION

SECTION I - FILING OF APPLICATIONS

101. An application for registration, under the conditions stipulated by the INPI, shall contain:

- I. the request;
- II. the specifications, if applicable;
- III. the claims, if applicable;
- IV. drawings or photographs;
- V. field of application of the object; and
- VI. proof of payment of the filing fee.

Sole Paragraph. The documents that comprise the application for registration shall be submitted in Portuguese language.

102. Once the application have been submitted, it shall be subjected to a preliminary formal examination and, if found to be properly documented, shall be docketed, considered the filing date to be the date of submission.

103. The application that does not formally attend the provisions of Article 101, but which contains sufficient data related to the applicant, to the industrial design and to the author, may be submitted, against dated receipt, to the INPI, that shall establish the requirements to be satisfied, within 5 (five) days, under penalty of being considered non-existent.

Sole Paragraph. Once the requirements have been satisfied, the filing shall be considered as made on the date the application was submitted.

SECTION II - CONDITIONS OF APPLICATIONS

104. The application for industrial design registration shall refer to a single object, of which a plurality of variations shall be permitted, provided that they are intended for the same purpose and all retain the same preponderant distinctive

characteristic, each application limited to a maximum of 20 (twenty) variations.

Sole Paragraph. The design shall clearly and sufficiently represent the object and its variations, if any, in such a manner as to permit its reproduction by a technician versed in the subject.

105. If secrecy is requested pursuant to Paragraph 1 of Article 106, the application may be withdrawn within up 90 (ninety) days from the date of the filing.

Sole Paragraph. The withdrawal of an earlier filing without the production of any effects shall confer priority on the immediately subsequent filing.

SECTION III - PROCESSING AND EXAMINATION OF THE APPLICATIONS

106. Once the application for an industrial design registration has been filed and the provisions of Articles 100, 101 and 104 have been observed, it shall automatically be published and the registration shall be granted simultaneously, being issued the respective certificate.

(1) At the request of the applicant, made at the time of the filing, an application may be kept secret for a period of 180 (one hundred and eighty) days from the filing date, after which it shall be processed.

(2) If the applicant benefits from the provisions of Article 99, the submission of the priority document for processing the application is to be waited.

(3) If the provisions of Articles 101 and 104 are not satisfied, a demand shall be drawn up and the applicant shall reply it within 60 (sixty) days, under penalty of having the application definitively dismissed.

(4) If the provisions of Article 100 are not satisfied, the application for registration shall be denied.

CHAPTER IV - GRANT AND TERM OF THE REGISTRATION

107. The certificate shall contain the number and the title, name of the author—with due regard for provisions of Paragraph 4 of Article 6, the name, the nationality and the domicile of the titleholder, the term, the drawings, the data related to foreign priority, and, if any, the specifications and claims.

108. The registration shall remain in force for a period of 10 (ten) years from the date of filing, being extendable for 3 (three) successive periods of 5 (five) years each.

(1) The request for extension shall be made during the last year of the term of the registration, accompanied by proof of payment of the respective fee.

(2) If the request for extension has not been formulated until the final term of registration, the titleholder may do so within the following 180 (one hundred and eighty) days, against payment of an additional fee.

CHAPTER V - PROTECTION CONFERRED BY THE REGISTRATION

109. The property of an industrial design is acquired by a validly granted registration.

Sole Paragraph. The provisions of Article 42 and Items I, II and IV of Article 43 apply to an industrial design registration, where applicable.

110. A person who, in good faith, prior to the filing date or priority date of an application for registration was exploiting the object thereof in this country, shall be assured the right to continue the exploitation, without onus, in the same manner and under the same conditions as before.

(1) The right conferred under this Article may only be assigned together with the business or company, or part of thereof, that is directly related to the exploitation of the object of the registration, by transfer or leasing.

(2) The right that is subject of this Article shall not be assured to a person who gained knowledge of the object of the registration through disclosure under Paragraph 3 of Article 96, provided that the application was filed within a period of 6 (six) months from disclosure.

CHAPTER VI - EXAMINATION OF THE MERITS

111. The titleholder of an industrial design may request the examination of the object of registration, at any time during the term of the registration, in relation to novelty and originality aspects.

Sole Paragraph. The INPI shall issue an opinion on the merits which, if it concludes that at least one of the requirements defined in Articles 95 to 98 is absent, shall serve as grounds for ex officio institution of procedure for nullity of the registration.

CHAPTER VII - NULLITY OF REGISTRATION

SECTION I - GENERAL PROVISIONS

112. A registration granted contrary to the provisions of this Law is null.

(1) Nullity of the registration shall produce effects from the filing date of the application.

(2) In the event of non-compliance with the provisions of Article 94, the author may, alternatively, demand adjudication of the registration.

SECTION II - ADMINISTRATIVE NULLITY PROCEEDINGS

113. Nullity of a registration shall be administratively declared if it has been granted in violation to the provisions of Articles 94 to 98.

(1) Nullity proceedings may be instituted ex officio at the request of any person having a legitimate interest, within a period of 5 (five) years from the date of granting of the registration, without prejudice of the case referred to in the Sole Paragraph of Article 111.

(2) The request or the ex officio institution of proceedings shall suspend the effects of the granting of the registration if submitted or published within 60 (sixty) days from the grant.

114. The titleholder shall be notified to submit his comments within a period of 60 (sixty) days from the date of publication.

115. After the time limit established in the preceding Article has elapsed, whether or not comments were submitted, the INPI shall issue an opinion and notify the titleholder and the applicant to submit their comments within the common period of 60 (sixty) days.

116. After the time limit established in the preceding Article has elapsed, even if no comments have been submitted, the case shall be decided by the President of the INPI, whereupon the administrative jurisdiction shall be ended.

117. Nullity proceedings shall continue even if the registration has been extinguished.

SECTION III - JUDICIAL NULLITY PROCEEDINGS

118. The provisions of Articles 56 and 57 shall apply to judicial nullity proceedings of an industrial design registration, where applicable.

CHAPTER VIII - EXTINGUISHMENT OF THE REGISTRATION

119. A registration shall be extinguished:

- I. on expiration of the term;
- II. on renunciation by its titleholder, without prejudice to the rights of third parties;
- III. on failure to pay the fee stipulated in Articles 108 and 120, or
- IV. on non-compliance with the provisions of Article 217.

CHAPTER IX - FIVE-YEAR FEE

120. The titleholder of a registration is subject to payment of a five-year fee since the second five year period from the filing date.

(1) Payment of the second five-year period shall be made during the 5th (fifth) year of the term of the registration.

(2) Payment for all other five-year periods shall be made at the time of the request for extension referred to in Article 108.

(3) Payment of five-year fees may also be made within 6 (six) months following the period established in the preceding Paragraph, upon payment of an additional fee.

CHAPTER X - FINAL PROVISIONS

121. Provisions of Articles 58 to 63 apply, where applicable, to the subject matter covered by this Title, and the rights of the employee or of the service provider are governed by the provisions of Articles 88 to 93.

TITLE III - MARKS

CHAPTER I - REGISTRABILITY

SECTION I - SIGNS REGISTRABLE AS MARKS

122. Any distinctive visually perceivable signs that are not included in legal prohibitions shall be eligible for registration as a mark.

123. For the purposes of this Law, the following definitions apply:

I. product or service mark: one which is used to distinguish a product or service from another that is identical, similar, or alike, but of different origin.

II. certification mark: one that is used to attest to the conformity of a product or service with certain technical standards or specifications, particularly regarding its quality, nature, material used and methodology employed; and

III. collective mark: one that is used to identify products or services provided by members of a certain entity.

Section II

Signs Not Registrable as Marks

124. The following are not registrable as marks:

I. official, public, national, foreign or international escutcheons, coats of arms, medals, flags, emblems, badges and monuments, as well as the respective designations, figures, or imitations;

II. letters, numerals and dates, standing alone, except when endowed with sufficiently distinctive form;

III. expressions, figures, drawings or any other signs that are contrary to morals and standards of respectability or that offend the honor or image of persons or attempt freedom of conscience, belief, religious cult or ideas and feelings worthy of respect and veneration;

IV. designations or initials of public entities or agencies, when registration is not required by the public entity or agency itself;

V. reproductions or imitations of a characteristic or differentiating element of a title of an establishment or a name of a company belonging to third parties, likely to cause confusion or association with such distinctive signs;

VI. signs of generic, necessary, common, ordinary or simply descriptive character, when related to the product or service to be distinguished, or those commonly employed to designate a characteristic of the product or service regarding its nature, nationality, weight, value, quality and time of production or rendering of the service, except when endowed with a sufficiently distinctive form;

VII. signs or expressions employed only as a means of advertising;

VIII. colors and their names, unless arranged or combined in a peculiar and

distinctive manner;

IX. geographical indications, imitations thereof likely to cause confusion, or signs that may falsely induce a geographical indication;

X. signs that induce to a false indication regarding the origin, source, nature, quality or usefulness of the product or service to which the mark is applied;

XI. reproductions or imitations of an official seal normally used to guarantee a standard of any kind or nature;

XII. reproductions or imitations of a sign that has been registered as a collective or certification mark by a third party, with due regard to the provisions of Article 154;

XIII. names, awards, or symbol of a sporting, artistic, cultural, social, political, economic or technical event that is official or officially sanctioned, as well as an imitation likely to create confusion, unless authorized by the competent authority or entity that is promoting the event.

XIV. reproductions or imitations of titles, policies, coins, and paper currency of the Union, the States, the Federal District, the Territories, the Municipalities, or of a country;

XV. personal names or signatures thereof, family names and patronymics, or the image of third parties, except with the consent of the titleholder, his heirs or successors;

XVI. well-known pseudonyms or nicknames, individual or collective artistic names, except with the consent of the titleholder, his heirs or successors;

XVII. literary, artistic or scientific work, as well as the titles protected by copyright and likely to cause confusion or association, except with the consent of the author or titleholder;

XVIII. technical terms used in industry, science and art, that are related to the product or service to be distinguished;

XIX. reproductions or imitations, in whole or in part, even with an addition, of a mark registered by another party, to distinguish or certify an identical, similar, or alike product or service, likely to cause confusion or association with the other party's mark;

XX. duality of marks of a single titleholder for the same product or service, except when, in the case of marks of the same nature, they are endowed with a sufficiently distinctive form;

XXI. the necessary, common, or ordinary form of the product or packing, or also that one which cannot be dissociated from a technical effect;

XXII. an object that is protected by a third party industrial design registration; and

XXIII. signs that imitate or reproduce, wholly or in part, a mark of which the applicant could not be unaware because of his activity, and whose titleholder is

headquartered or domiciled in national territory or in a country with which Brazil has an agreement or that assures reciprocity of treatment, if the mark is intended to distinguish an identical, similar or alike product or service likely to cause confusion or association with that other party's mark.

SECTION III - FAMOUS MARKS

125. A mark that is registered in Brazil and considered to be famous shall be assured special protection in all branches of activity.

SECTION IV - WELL-KNOWN MARKS

126. The well-known mark within its branch of activity pursuant to Article 6bis (I) of the Paris Convention for Protection of Industrial Property enjoys special protection, regardless of whether it has already been filed or registered in Brazil.

(1) The protection that is the subject of this Article also applies to service marks.

(2) The INPI may ex officio deny a request for registration of a mark that wholly or partially reproduces or imitates a well-known mark.

CHAPTER II - PRIORITY

127. The application for registration of a mark that has been filed in a country that maintains an agreement with Brazil or in an international organization, when such produces the effect of a national filing, shall be assured the right to priority, within the time limits established in the agreement, and the filing is neither invalidated nor prejudiced by events occurring within those time limits.

(1) The claim of priority shall be made at the time of filing and may be supplemented within 60 (sixty) days with other priorities prior to the date of filing in Brazil.

(2) The claim of priority shall be proved by a proper document from the country of origin containing the number, the date, and the copy of the application or registration, accompanied by a free translation, for whose content the applicant shall be solely responsible.

(3) If not done at the time of the filing, the substantiation must occur within up to 4 (four) months of the filing, under penalty of forfeiture of the priority.

(4) In cases of priority obtained by transfer, the pertinent document must be submitted with the priority document itself.

CHAPTER III - APPLICANTS FOR REGISTRATION

128. Natural or legal persons under public or private law may apply for the registration of a mark.

(1) Persons under private law may only apply for registration of a mark that relates to the activity in which they actually and lawfully engage, either directly or through companies they directly or indirectly control, declaring that condition on the application itself, under the penalties of law.

(2) Registration of a collective mark may be applied for by a legal person that

represents the collectivity, which may engage in an activity other than that pursued by its members.

(3) Registration of a certification mark may only be applied for by a person who has no direct commercial or industrial interest in the product or service being certified.

(4) The claim of priority does not exempt the petition from the application of the provisions set forth in this Title.

CHAPTER IV - RIGHTS OVER A MARK

SECTION I - ACQUISITION

129. The property of a mark is acquired by means of registration, when validly granted pursuant to the provisions of this Law, and its exclusive use throughout the national territory is assured to the titleholder, with due regard, as to collective and certification marks, to the provision in Articles 147 and 148.

(1) Every person who, in good faith on the priority or filing date, has been using an identical or similar mark in this country for at least 6 (six) months to distinguish or certify an identical, similar or alike product or service shall have the right of preference for the registration.

(2) The right of preference may only be assigned together with the business of the company, or part thereof, that has a direct relation with the use of the mark, by transfer or leasing.

SECTION II - PROTECTION CONFERRED BY THE REGISTRATION

130. The titleholder of a mark or the applicant is further assured the right to:

- I. assign his registration or application for registration;
- II. license its use;
- III. safeguard its material integrity or reputation.

131. The protection that is the subject of this Law embraces the use of the mark on papers, printed matter, advertising, and documents related to the activities of the titleholder.

132. The titleholder of a mark may not:

- I. prevent merchants or distributors from using their own distinctive signs along with the mark of the product, in its promotion and commercialization;
- II. prevent manufacturers of accessories from using the mark to indicate the purpose of the product, provided that fair competition practices are followed;
- III. prevent the free circulation of the product placed on the domestic market by himself or by another with his consent, except as provided in Paragraphs 3 and 4 of Article 68; and
- IV. prevent the mention of the mark in a speech, scientific or literary work, or in any other publication, provided it is done without commercial connotation and without detriment to its distinctive character.

CHAPTER V - TERM, ASSIGNMENT AND ENTRIES

SECTION I - TERM

133. The registration of a mark shall remain in force for a period of 10 (ten) years from the date of granting of the registration, and the period may be extended for equal and successive periods.

(1) The application for extension shall be made during the last year of the term of the registration, accompanied by proof of payment of the respective fee.

(2) If the request for extension is not made before the term of the registration, the titleholder may do so during the following 6 (six) months, by payment of an additional fee.

(3) Extension will not be granted if the provision in Article 128 is not observed.

SECTION II - ASSIGNMENT

134. The registration application and the registration may be assigned, provided the assignee satisfies the legal requirements for applying to register it.

135. The assignment must comprehend all the registrations or applications, in the name of the assignor, for the same or similar marks, related to an identical, similar, or alike product or service; under penalty of having the registrations cancelled or the unassigned applications dismissed.

SECTION III - ENTRIES

136. The INPI shall make the following entries:

- I. of the assignment, containing the full identification of the assignee;
- II. of any limitation or onus that applies to the application or registration; and
- III. of changes in the name, headquarters or address of the applicant or titleholder.

137. Entries shall become effective with regard to third parties beginning on the date of their publication.

138. The decisions may be appealed when:

- I. it denies annotation of an assignment;
- II. it cancels the registration or dismisses the application, under the terms of Article 135.

SECTION IV - LICENSE OF USE

139. The titleholder of a registration or the applicant for registration may enter into a license contract for use of the mark without prejudice to his rights to exercise effective control over the specifications, nature and quality of the respective products or services.

Sole Paragraph. The licensee may be invested by the titleholder with full powers to take action to defend the mark, without prejudice to his own rights.

140. The license contract must be recorded with the INPI in order to become effective with regard to third parties.

(1) The recording shall become effective with regard to third parties from the date of its publication.

(2) For purposes of validating proof of use, it shall not be necessary that the license contract be recorded with the INPI.

141. A decision that denies the recording of a licensing contract may be appealed.

CHAPTER VI - LOSS OF RIGHTS

142. The registration of the mark shall be extinguished:

I. on expiration of the term;

II. on renunciation, which may be full or partial regarding the products or services indicated by the mark;

III. on forfeiture; or

IV. on non-compliance with the provisions of Article 217.

143. A registration shall be forfeited upon request by a person having a legitimate interest if, after 5 (five) years have elapsed since granting, on the date of the request:

I. the use of the mark has not been initiated in Brazil; or

II. the use of the mark has been interrupted for more than 5 (five) consecutive years, or if, in the same period of time, the mark has been used with a modification that entails alteration of its original distinctive character as appears on the registration certificate.

(1) Forfeiture will not occur if the titleholder justifies the failure to use the mark for legitimate reasons.

(2) The titleholder shall be notified to submit comments within a period of 60 (sixty) days, and the burden of proof, as regards use of the mark or justification of failure to use it for legitimate reasons, shall rest with him.

144. The use of the mark must comprehend products or services listed on the certificate, under penalty of having the registration partially forfeited as regards products or services not similar or alike to those for which the mark is proven to have been used.

145. Requests for forfeiture shall not be considered if the use of the mark was proven or failure to use it was justified in a prior proceeding requested less than 5 (five) years previously.

146. A decision that declares or denies forfeiture may be appealed.

CHAPTER VII - COLLECTIVE AND CERTIFICATION MARKS

147. The application for registration of a collective mark shall contain regulations on utilization, that provide conditions and prohibitions on the use of the mark.

Sole Paragraph. The regulations on utilization, when not accompanying the application, must be docketed within 60 (sixty) days from the filing date, under the penalty of having the application definitively dismissed.

148. The application of a registration of a certification mark shall contain:

- I. the characteristics of the product or service that is the object of certification; and
- II. the control measures that will be adopted by the titleholder.

Sole Paragraph. If the documentation referred to in Items I and II of this Article is not submitted with the application, it must be docketed within a period of 60 (sixty) days, under the penalty of having the application definitively dismissed.

149. The INPI must be notified of any change in the regulations on utilization, by means of docketed petition containing all the modified conditions, under penalty of not being considered.

150. The use of the mark does not require a license, being sufficient its authorization in the regulations on utilization.

151. In addition to the causes of extinguishment set forth in Article 142, the registration of a collective or certification mark is extinguished when:

- I. the entity ceases to exist; or
- II. the mark is used under conditions other than those stipulated in the regulations on utilization.

152. Renunciation of the registration of a collective mark shall only be permitted when applied for in accordance with the social contract or statutes of the entity itself, or in accordance with the regulations for utilization.

153. The forfeiture of the registration shall be declared if the collective mark is not used by more than one authorized person, with due regard for provisions of Articles 143 to 146.

154. The collective and the certification marks that were once in use and whose registrations have been extinguished may not be registered in the name of a third party until 5 (five) years have elapsed since the extinguishment of the registration.

CHAPTER VIII - FILING

155. The application must refer to a single distinctive sign and shall, subject to the conditions stipulated by the INPI, contain the following:

- I. the application;
- II. labels, if applicable; and
- III. proof of payment of the filing fee.

Sole Paragraph. The application and any documents accompanying it shall be submitted in the Portuguese language, and if any document is in foreign language, its free translation must be submitted at the time of filing or within the following sixty (60) days, under penalty of not having the document considered.

156. When the application has been submitted, it shall be subject to a preliminary formal examination, and if found to be properly documented, it shall be docketed, and the filing date of the application shall be considered as the date of submission.

157. Applications that do not formally comply with the provisions of Article 155, but which contains sufficient data related to the applicant, the mark sign and its class, may be delivered, against dated receipt, to the INPI, which shall stipulate the requirements to be satisfied by the applicant within 5 (five) days, under penalty of being deemed non-existent.

Sole Paragraph. Once the conditions have been satisfied, the filing shall be considered to have been made at the date the application was submitted.

CHAPTER IX - EXAMINATION

158. After being docketed, the application shall be published so that opposition may be presented within a period of 60 (sixty) days.

(1) The applicant shall be notified of the opposition and may submit comments within a period of 60 (sixty) days.

(2) The opposition, the administrative nullity proceedings, or the judicial nullity proceedings shall not be considered if, based on Item XXIII of Article 124, or on Article 126, the filing of the application for registration of the mark pursuant to this Law is not proven within a period of 60 (sixty) days from the interposition.

159. After the period for opposition has elapsed or, if an opposition was presented, at the end of the period allowed for comments, the examination shall be done, and in its course demands may be formulated, and their responses must be submitted within a period of 60 (sixty) days.

(1) If an applicant does not respond to the demand, the application shall be definitively dismissed.

(2) If there is response to the demand, even if it has not been satisfied, or its formulation is contested, the examination shall be continued

160. When the examination has been concluded, a decision shall be handed down, either approving or rejecting the application for registration.

CHAPTER X - ISSUE OF REGISTRATION CERTIFICATE

161. The registration certificate shall be issued after the application has been approved and proof of payment of the appropriate fees has been furnished.

162. Payment of the fees, and its proof, related to the issue of the registration certificate and to the first decade of its term, shall be done within a period of 60 (sixty) days of approval.

Sole Paragraph. The fee may also be paid and proven within 30 (thirty) days of the time limit stipulated in this Article, independently of any notification, upon payment of a specific fee, under penalty of having the application definitively dismissed.

163. The registration certificate shall be deemed to have been granted on the date of publication of the respective act.

164. The certificate shall contain the mark, the number and date of registration, name, nationality and domicile of the titleholder, the products or services, the registration characteristics and the foreign priority.

CHAPTER XI - NULLITY OF REGISTRATIONS

SECTION I - GENERAL PROVISIONS

165. A registration that is not granted in accordance with the provisions of this Law is null.

Sole Paragraph. Nullity of the registration may be total or partial, and a condition for partial nullity shall be the fact that the subsisting part may be considered registrable.

166. The titleholder of a mark registered in a country that is a signatory of the Convention of the Union of Paris for the Protection of Industrial Property, may, alternatively, claim by means of judicial proceedings, the adjudication of the registration as set forth in Article 6septies (1) of that Convention.

167. The declaration of nullity shall produce effects beginning on the filing date.

SECTION II - ADMINISTRATIVE NULLITY PROCEEDINGS

168. Nullity of the registration shall be administratively declared when it has been granted in violation of the provisions of this Law.

169. Nullity proceedings may be instituted either ex officio or at the request of any person having a legitimate interest, within a period of 180 (one hundred and eighty) days of the date of the issue of the registration certificate.

170. The titleholder shall be formally notified to submit his comments within a period of 60 (sixty) days.

171. After the time limit established in the preceding Article has elapsed, even if no comments have been submitted, the case shall be decided by the President of the INPI, whereupon the administrative jurisdiction shall be ended.

172. Nullity proceedings shall continue even if the registration has been extinguished.

SECTION III - JUDICIAL NULLITY PROCEEDINGS

173. Judicial nullity proceedings may be proposed either by the INPI or by any person having a legitimate interest.

Sole Paragraph. The judge may, in the course of the judicial nullity proceed-

ings, provisionally order suspension of the effects of registration and of the use of the mark, provided the proper procedural requirements have been satisfied.

174. Judicial proceedings to declare the nullity of a registration prescribe within 5 (five) years of the date of registration.

175. Judicial nullity proceedings of the registration shall be filed within the Federal Court system, and the INPI, when not the plaintiff, shall participate in them.

(1) The defendant titleholder shall have a period of sixty (60) days to reply.

(2) Once the decision on the judicial nullity proceedings has become final, the INPI shall punish the entry thereof, so that third parties may be informed.

TITLE IV - GEOGRAPHICAL INDICATIONS

176. A geographical indication shall be an indication of source or a denomination of origin.

177. Indication of source shall mean the geographic name of a country, city, region or locality in its territory, which has become known as a center of extraction, production or manufacture of a given product or of provision of a given service.

178. Denomination of origin shall be the geographical name of a country, city, region or locality in its territory, that designates a product or service whose qualities or characteristics are due exclusively or essentially to the geographical environment, including natural and human factors.

179. The protection shall be extended to the graphical or figurative representation of a geographical indication, as well as the geographical representation of a country, city, region or locality in its territory whose name is a geographical indication.

180. Once a geographical name has fallen into the common use as designating a product or service, it shall not be considered to be a geographical indication.

181. A geographical name that does not constitute an indication of source or denomination of origin may serve as a characteristic element of a product or service mark, provided that it is not inducing to a false source.

182. The use of the geographical indication is restricted to those producers and service providers who are established in that locality, and it is also demanded, concerning denominations of origin, that the quality requirements be satisfied.

Sole Paragraph. The INPI shall establish the conditions for registration of geographical indications.

TITLE V - CRIMES AGAINST INDUSTRIAL PROPERTY

CHAPTER I - CRIMES AGAINST PATENTS

183. A crime against an invention or utility model patent is perpetrated by anyone who:

I. manufactures a product that is the object of an invention or utility model patent, without authorization from the titleholder; or

II. uses a means or process that is the object of an invention patent, without authorization from the titleholder.

Penalty—imprisonment, from 3 (three) months to 1 (one) year, or a fine.

184. A crime against an invention or utility model patent is perpetrated by anyone who:

I. exports, sells, displays or offers for sale, has in stock, conceals or receives, with a view to use for economic purposes, a product manufactured in violation of an invention or utility model patent, or obtained by a patented means or process; or

II. imports a product that is the object of an invention or utility model patent, or obtained by a means or process patented in this country, for the purposes set forth in the preceding Item, and that has not been placed on the foreign market directly by the patent holder or with his consent.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

185. Supplying a component of a patented product, or material or equipment to execute a patented process, provided that the final application of the component, material or equipment leads necessarily to the exploitation of the object of the patent.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

186. The crimes in this Chapter are determined to have been committed even when the violation does not affect all the claims of the patent or is restricted to the utilization of means equivalent to the object of the patent.

CHAPTER II - CRIMES AGAINST INDUSTRIAL DESIGNS

187. Manufacturing, without authorization from the titleholder, a product that incorporates a registered industrial design, or a substantial imitation that may induce to error or confusion.

Penalty—imprisonment, from 3 (three) months to 1 (one) year, or a fine.

188. A crime against industrial design registration is perpetrated by anyone who:

I. exports, sells, displays or offers for sale, has in stock, conceals or receives, with a view to use for economic purposes, an object that illegally incorporates a registered industrial design, or a substantial imitation that may induce to error or confusion; or

II. imports a product that incorporates an industrial design registered in this country, or a substantial imitation that may induce to error or confusion, for the purposes set forth in the preceding Item, and that has not been placed on the foreign market directly by the titleholder or with his consent.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

CHAPTER III - CRIMES AGAINST MARKS

189. A crime against mark registration is perpetrated by anyone who:

I. reproduces a registered mark, in whole or in part, without the authorization from the titleholder, or imitates it in a way that may induce to confusion; or

II. alters the registered mark of another person already affixed on a product placed on the market.

Penalty—imprisonment, from 3 (three) months to 1 (one) year, or a fine.

190. A crime against mark registration is perpetrated by anyone who imports, exports, sells, offers or displays for sale, conceals or has in stock:

I. a product bearing a mark illegally reproduced or imitated, in whole or in part, of another person; or

II. a product of his own industry or commerce, contained in a vessel, container or package that contains the legitimate mark of another person.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

CHAPTER IV - CRIMES COMMITTED BY MEANS OF MARK, TITLES OF ESTABLISHMENTS AND ADVERTISING SIGNS

191. Reproducing or imitating, in whole or in part and in a way that may induce to error or confusion, coats of arms, escutcheons, or national, foreign or international official badges, without the necessary authorization, in a mark, title of establishment, trade name, insignia or advertising sign, or using such reproductions or imitations for economic purposes.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

Sole Paragraph. Anyone who sells or displays or offers for sale products bearing such marks shall incur the same penalty.

CHAPTER V - CRIMES AGAINST GEOGRAPHICAL INDICATIONS AND OTHER INDICATIONS

192. Manufacturing, importing, exporting, selling, displaying or offering for sale, or having in stock a product that bears a false geographical indication.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

193. Using, on a product, container, wrapping, ribbon, label, invoice, circular, poster, or any other means of divulgation or advertising, modifiers such as "type",

“species”, “genus”, “system”, “similar”, “substitute”, “identical”, or equivalent terms, that do not safeguard the true source of the product.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

194. Using a mark, trade name, title of establishment, insignia, advertising phrase or sign, or any other form that indicates other than the real source, or selling or displaying for sale a product bearing such marks.

Penalty—imprisonment, from 1 (one) to 3 (three) months, or a fine.

CHAPTER VI - CRIMES OF UNFAIR COMPETITION

195. A crime of unfair competition is perpetrated by anyone who:

I. publishes, by any means, false statements, to the detriment of a competitor, for the purpose of obtaining some advantage;

II. provides or divulges false information about the competitor in order to obtain an advantage;

III. employs fraudulent means to divert the customers of another person to his or another party's advantage;

IV. uses another person's advertising phrase or sign, or imitates it, in order to create confusion among the products or establishments;

V. uses, improperly, another person's trade name, title of establishment, or insignia, or sells, displays, offers for sale, or has in stock a product bearing these references;

VI. substitutes his own name or firm name on another person's product in place of that person's name or firm name, without his consent;

VII. attributes to himself, for advertising purposes, a reward or distinction that he has not received;

VIII. sells, displays or offers for sale, in another person's container or wrapper, an adulterated or counterfeited product, or uses that container or wrapper to negotiate a product of the same type, although not adulterated or counterfeited, provided the act does not constitute a more serious crime;

IX. gives or promises money or some other benefit to an employee of a competitor so that said employee, by neglecting his job duties, provides him an advantage;

X. receives money or some other benefit, or accepts a promise of payment or reward, to provide an advantage to the employer's competitor, by neglecting his duties as an employee;

XI. divulges, exploits, or utilizes, without authorization, confidential knowledge, information or data that could be used in industry, commerce or rendering of services, other than that which is of public knowledge or that would be evident to a technician versed in the subject, to which he gained access by means of a contractual or employment relationship, even after the termination of the contract;

XII. divulges, exploits or utilizes, without authorization, the kind of knowledge or information to which the previous Item refers, when obtained by illicit means or when access was gained through fraud; or XIII. sells, displays or offers for sale a product declaring that it is object of a patent that has been filed or granted, or of an industrial design that has been registered, when it has not, or mentioning it in an advertisement or a commercial paper as being filed or patented, or registered, when it has not;

XIV. divulges, exploits, or utilizes, without authorization, results of tests or other undisclosed data whose preparation involves considerable effort and that were submitted to government agencies as a condition for obtaining approval to commercialize products.

Penalty—imprisonment, for 3 (three) months to 1 (one) year, or a fine.

(1) The hypotheses to which Items XI and XII of this Article refer include the employer, partner or officer of the company, who commits the offenses characterized in those provisions.

(2) The provision in Item XIV does not apply to the disclosure by a government agency empowered to authorize the commercialization of a product, when necessary to protect the public.

CHAPTER VII - GENERAL PROVISIONS

196. The penalties of imprisonment for the crimes set forth in Chapters I, II and III of this Title shall be increased by one-third to one-half if:

I. the offending party is, or was, the representative, mandatory, agent, partner or employee of the patent holder or titleholder of the registration or of his licensee; or

II. the mark that has been altered, reproduced or imitated is famous, well known, or is a certification or collective mark.

197. The fines stipulated in this Title shall be set at a minimum of 10 (ten) and a maximum of 360 (three hundred and sixty) daily-fines, pursuant to the provisions of the Criminal Code.

Sole Paragraph. The fines may be increased or reduced, by as much as 10 (ten) times, in view of the personal situation of the agent and the magnitude of the advantage obtained, regardless of the rule established in the preceding Article.

198. Products bearing counterfeited, altered or imitated marks, or that show a false indication of source may be seized by customs authorities, ex officio or at the request of the interested party, during verification procedures.

199. In the crimes set forth in this Title, legal action shall be taken only on the basis of a complaint, except for the crime in Article 191 in which the criminal action shall be public.

200. Criminal action and the preliminary proceedings of search and seizure, in crimes against industrial property, shall be governed by the Criminal Procedure Code, with the modifications set forth in the Articles of this Chapter.

201. In search and seizure proceedings, in a crime against patent which object is the invention of a process, the officer of the court shall be accompanied by an expert who shall make a preliminary verification of the existence of the illicit, and the judge may order the seizure of the products obtained by the counterfeiter by employing the patented process.

202. In addition to the preliminary proceedings of search and seizure, the interested party may request:

I. seizure of the counterfeited, altered or imitated mark at the place where it is prepared or wherever it is found, before it is used for criminal purposes; or

II. destruction of the counterfeited mark on the packets or products that contains it, before they are distributed, even if this implies the destruction of the packaging or of the products themselves.

203. When dealing with industrial or commercial establishments lawfully organized and that are operating publicly, the preliminary proceedings shall be limited to the inspection and seizure of the products, when so ordered by the judge, and their activity lawfully engaged in cannot be stopped.

204. Once the search and seizure proceedings have taken place, any party who has requested such proceedings in bad faith, in a spirit of rivalry, on a mere whim, or as a flagrant mistake shall be liable for damages.

205. An allegation of nullity of the patent or of the registration on which the proceedings are based may constitute a material for defense in criminal proceedings. The acquittal of the defendant shall not, however, cause the nullity of the patent or registration, which may only be sought through the competent action.

206. In the event that information disclosed in court, in defense of the interests of either of the parties, is characterized as confidential, whether industrial or trade secret, the judge shall order that the proceedings be held in camera, and the other party shall be prohibited from using such information for other purposes.

207. Independently of the criminal action, the aggrieved party may bring any civil suits he considers as appropriate pursuant to the Civil Procedure Code.

208. The indemnification shall be determined by the benefits the aggrieved party would have made if the violation had not occurred.

209. There shall be reserved for the aggrieved party the right to recover damages as compensation for losses caused by acts that violate industrial property rights and acts of unfair competition not set forth in this Law, but that tend to prejudice another person's reputation or business, create confusion among commercial or industrial establishments or service providers, or among the products and services placed on the market.

(1) The judge may, during the course of the proceedings itself and in order to avoid damage that is irreparable or difficult to repair, provisionally order the suspension of the violation, or of the act that gives rise to it, prior to summons for the defendant, and in case he considers it necessary, order the posting of a cash bond or a fidejussory guarantee.

(2) In cases of reproduction or flagrant imitation of a registered mark, the judge may order the seizure of all merchandise, products, objects, packages, labels and anything else that contains the counterfeited or imitated mark.

210. Losses of profits shall be determined using the most favorable criterion to the aggrieved party, among the following:

I. the benefits that the aggrieved party would have made if the violation had not occurred;

II. the benefits made by the perpetrator of the violation of the right; or

III. the remuneration that the perpetrator of the violation would have paid to the titleholder of the violated right throughout the granting of a license that would have allowed him to lawfully exploit the property.

TITLE VI - TRANSFER OF TECHNOLOGY AND FRANCHISING

211. The INPI shall register the contracts involving transfer of technology, franchising and similar contracts in order that they may become effective with regard to third parties.

Sole Paragraph. The decision related to the applications for registration of contracts referred to in this Article shall be issued within a period of 30 (thirty) days of the date of the application for registration.

TITLE VII - GENERAL PROVISIONS

CHAPTER I - APPEALS

212. Unless expressly established otherwise, the decisions provided for in this Law are subject to appeal, which shall be presented within a period of 60 (sixty) days.

(1) Appeals shall be received in full suspensive and devolutive effects, and, where applicable, all the provisions pertinent to the examination at the first instance level shall apply.

(2) There shall be no appeal of the decision ordering definitive dismissal of a patent or of a registration application, and of the decision approving the application for a patent, a certificate of addition, or a registration of a mark.

(3) The appeals shall be decided by the President of the INPI, whereupon the administrative jurisdiction shall be ended.

213. Interested parties shall be notified so that, within a period of 60 (sixty) days, they present arguments against the appeal.

214. For purposes of supplementing the arguments offered by way of appeal, the INPI may formulate demands, which must be satisfied within a period of 60 (sixty) days.

Sole Paragraph. After the time limit stipulated in the caput has elapsed, the appeal shall be decided.

215. The decision on an appeal is final and unappealable within the administrative sphere.

CHAPTER II - ACTS BY THE PARTIES

216. The acts set forth in this Law shall be taken by the parties or by their duly qualified attorneys in fact.

(1) The original, transcript, or certified photocopy of the instrument of power of attorney must be in the Portuguese language, but it shall not require consular authentication and notarization of signature.

(2) The power of attorney must be presented within up to 60 (sixty) days from the date of the first act by the party in the proceedings, independent from notification or demand, under penalty of dismissal, being definitive the dismissal of a patent application, an application for registration of an industrial design and an application for registration of a mark.

217. The person domiciled abroad must appoint and retain an attorney in fact who is duly qualified and domiciled in this country, and with powers to represent that person in administrative and judicial proceedings, including receipt of summons.

218. A petition shall not be considered when:

- I. it is presented outside the legal period; or
- II. it is not accompanied by proof that the appropriate fee has been paid for the amount required on the date it was filed.

219. Neither a petition, opposition or appeal shall be considered, if:

- I. it is presented outside the period stipulated in this Law;
- II. it does not contain legal grounds; or
- III. it is not accompanied by proof of payment of the corresponding fee.

220. The INPI shall, whenever possible, make use of the acts by the parties, by formulating the appropriate demands.

CHAPTER III - TIME PERIODS

221. The time periods established in this Law are continuous and the right to conduct the action is automatically extinguished after it has elapsed, unless the party proves that it has not acted owing to just cause.

(1) Just cause is considered to be an unforeseen event, beyond the control of a party that prevents it from taking the action.

(2) Once just cause has been recognized, the party shall take the action within the time limit granted to it by the INPI.

222. The calculation of the time periods excludes the first day but includes the day of the expiration.

223. The time periods begin to run only after the first working day after notification which shall be done by means of publication in the INPI official gazette.

224. When no specific stipulation is made in this Law, the time period for taking an action shall be 60 (sixty) days.

CHAPTER IV - STATUTE OF LIMITATIONS

225. The statute of limitations on an action to remedy damages caused to an industrial property right is 5 (five) years.

CHAPTER V - ACTS BY THE INPI

226. The acts by the INPI in administrative proceedings regarding industrial property become effective only upon publication in the appropriate official gazette, with the following exceptions:

I. those that does not expressly depend on a notification or publication requirement under the provisions of this Law;

II. administrative decisions, when notification is made by mail or information given to the interested party in the proceedings; and

III. internal opinions and instructions of which parties do not need to be informed.

CHAPTER VI - CLASSIFICATIONS

227. Classifications with regard to the subjects of Titles I, II and III of this Law shall be established by the INPI whenever they have not been established in an international treaty or agreement in force in Brazil.

CHAPTER VII - FEES

228. Fees shall be charged for the services set forth in this Law, and the amounts of such fees and the form of collection shall be established by an act of the head of the public federal administration agency to which the INPI is attached.

TITLE VIII - TRANSITORY AND FINAL PROVISIONS

229. The provisions of this Law shall apply to pending [patent] applications, except for the patentability of applications filed prior to December 31, 1994, the subject matter of which are substances, matter or products obtained by chemical means or processes, or food or chemical-pharmaceutical substances, matter, mixtures or products, as well as medicines of any kind, including the respective processes for obtaining or modifying them, whose applicants have not exercised the right specified by Articles 230 and 231 of this Law, which shall be considered rejected for all purposes, and the INPI shall publish a notice regarding the rejections.

Sole Paragraph - The patenting criteria of this Law shall apply on the effective filing date of the application in Brazil, or on the priority date, if any, to applications relating to pharmaceutical products and to chemical products for agriculture filed between January 1, 1995 and May 14, 1997, and protection is assured as from the date of grant of the patent for the remaining term, counted from the date of filing in Brazil, such term being limited to the one prescribed in the heading of Article 40.

Article 229-A - Process patent applications filed between January 1, 1995 and May 14, 1997, which were not granted protection under Article 9 letter “c” of Law No. 5,772 of December 21, 1971, shall be considered rejected, and the INPI shall publish a notice regarding the rejections.

Article 229-B - Product patent applications filed between January 1, 1995 and May 14, 1997, which were not granted protection under Article 9 letters “b” and “c” of Law No. 5,772 of [December 21,] 1971, whose applicants failed to exercise the right specified in Articles 230 and 231, shall be decided until December 31, 2004 in conformity with this Law.

Article 229-C - The granting of patents for pharmaceutical products and processes shall be subject to the prior approval of the National Sanitary Control Agency – ANVISA. 230. An application for a patent, related to substances, materials or products obtained by chemical means or processes, and alimentary or chemical-pharmaceutical substances, materials, mixtures or products, and medications of any kind, as well as the respective processes for obtaining or modifying them, may be filed by a party who enjoys protection guaranteed by a treaty or convention in force in Brazil, in which case it is assured the date of the first patent application filed abroad, provided that its object has not been introduced on any market by direct initiative of the titleholder or by a third party with his consent, and that no serious and effective preparations to exploit the object of the application or of the patent have been made, in this country, by third parties.

(1) The filing must occur within a period of 1 (one) year from the date of publication of this Law, and must indicate the date of the first filing abroad.

(2) A patent application filed on the basis of this Article shall automatically be published, and any interested party may submit comments, within a period of 90 (ninety) days, as to whether it satisfies the provisions in the caput of this Article.

(3) When Articles 10 and 18 of this Law have been observed, and once the provisions established in this Article have been satisfied and the granting of the patent in the country where the first application was filed has been proven, the patent shall be granted in Brazil, just as it was granted in its country of origin.

(4) The patent granted on the basis of this Article is assured the period of protection remaining in the country where the first application was filed, calculated from the date of filing in Brazil and limited to the period established in Article 40, not applying the provisions of its Sole Paragraph.

(5) An applicant who has filed a patent application that is still pending, related to substances, materials or products obtained by chemical means or processes, and alimentary or chemical-pharmaceutical substances, materials, mixtures, or

products, and medications of any kind, as well as the respective processes for obtaining or modifying them, may submit a new application within the time limit and under the conditions established in this Article, attaching proof of having abandoned the pending application.

(6) The provisions of this Law apply, where applicable, to the application filed and the patent granted on the basis of this Article.

231. An application for a patent related to the subject matter dealt with in the preceding Article may be filed by a national or a person domiciled in this country, in which case it is assured the date of disclosure of the invention, provided that its object has not been introduced on any market by direct initiative of the titleholder or by a third party with his consent, and that no serious and effective preparations to exploit the object of the patent have been made, in this country, by third parties.

(1) The filing must occur within a period of 1 (one) year from the date of publication of this Law.

(2) The patent application filed on the basis of this Article shall be processed pursuant to this Law.

(3) The patent granted on the basis of this Article is assured the remainder of the 20 (twenty) year protection period calculated from the disclosure date of the invention, beginning on the filing date in Brazil.

(4) An applicant who has filed a patent application that is still pending, related to the subject matters dealt with in the preceding Article, may submit a new application, within the time limit and under the conditions established in this Article, attaching proof of having abandoned the pending application.

232. The production or use, under the provisions of the previous legislation, of substances, materials or products obtained by chemical means or processes, and alimentary or chemical-pharmaceutical substances, materials, mixtures, or products, and medications of any kind, as well as the respective processes for obtaining or modifying them, even if protected by a product or process patent in another country, under a treaty or convention in force in Brazil, may continue under the same conditions as prevailed prior to the approval of this Law.

(1) No retroactive or future charge of any amount for any reason shall be permitted with respect to products produced or processes employed in Brazil pursuant to this Article.

(2) Likewise, no charge shall be permitted under the terms of the preceding Paragraph in the event that, during the period prior to the entry into force of this Law, significant investments have been made toward the exploitation of product or process referred to in this Article, even if protected by a product or process patent in another country.

233. Applications for registration of advertising phrases and signs and of declarations of notoriety shall be definitively dismissed, and the registrations and declaration shall remain in force for the remainder of the term, but cannot be extended.

234. The applicant is assured the guarantee of priority set forth in Article 7 of Law no. 5,772 of December 21, 1971, until the end of the time period in effect.

235. The time period in effect granted under Law no. 5,772 of December 21, 1971, is assured.

236. The application for an industrial model or design patent, filed while Law no. 5,772 of December 21, 1971, was in force, shall automatically be designated as application for registration of industrial design, and the publication already done shall be considered for all legal effects.

Sole Paragraph. or the adapted applications, the payments shall be taken into consideration for purposes of calculating the five-year remuneration owed.

237. The provisions of Article 111 shall not apply to the industrial model or design patent applications that were object of an examination in accordance with Law no. 5,772 of December 21, 1971.

238. Appeals filed while Law no. 5,772 of December 21, 1971, was in force shall be decided as set forth in that Law.

239. The Executive Power is empowered to promote the necessary changes in the INPI to ensure financial and administrative autonomy to that Autarky, which may:

- I. contract technical and administrative personnel by means of public competition;
- II. establish a salary scale for its employees, subject to approval by the Ministry to which the INPI is attached;
- III. make decisions on the basic structure and internal regulations, which shall be approved by the Ministry to which the INPI is attached.

Sole Paragraph. Expenditures resulting from application of this Article shall be charged against the INPI own funds.

240. Article 2 of Law no. 5,648 of December 11, 1970, shall henceforth read as follows:

“2. The principal purpose of the INPI is to enforce, at the national level, rules regulating industrial property, taking into account its social, economic, legal and technical role, and to offer comments regarding the advisability of signing, ratifying and terminating conventions, treaties, accords, and agreements on industrial property.”

241. The Judicial Power is hereby authorized to create special courts to settle issues involving intellectual property.

242. The Executive Power shall submit to the National Congress a bill of law intended to accomplish, whenever necessary, the harmonization of this Law with the industrial property policy adopted by the other countries that are members of MERCOSUL.

243. This Law enters into force on the date of its publication as regards the subject matters regulated in Articles 230, 231, 232, and 239, and 1 (one) year after publication as regards the other Articles.

244. The Law no. 5,772 of December 21, 1971, Law no. 6,348 of July 7, 1976, Articles 187 to 196 of Decree-Law no. 2,848 of December 7, 1940, Articles 169 to 189 of Decree-Law no. 7,903 of August 27, 1945, and any other provisions contrary to this Law are to be repealed.

Brasília, May 14, 1996; 175th year of the Independence and 108th year of the Republic.

FERNANDO HENRIQUE CARDOSO

Nelson A. Jobim

Sebastião do Rego Barros Neto

Pedro Malan

Francisco Dornelles

José Israel Vargas

ANNEX B

DECREE NO. 3,201 OF OCTOBER 6, 1999

Establishes rules concerning the granting, ex officio, of compulsory licenses in cases of national emergency and public interest provided for in Article 71 of Law no. 9,279, of May 14, 1996.

THE PRESIDENT OF THE REPUBLIC, using the prerogatives to which he is entitled by Article 84, Item IV, of the Constitution, and in consideration of the provisions of Article 71 of Law no. 9,279, of May 14, 1996.

DECREES:

1. The granting, ex officio, of a compulsory license, for non-commercial public use, in cases of national emergency or public interest, provided for in Article 71 of Law no. 9,279, of May 14, 1996, shall be ruled in accordance with this Decree.

2. There may be granted, ex officio, a compulsory license for a patent, for non-commercial public use, in cases of national emergency or public interest, thus declared by the Government, provided that it is ascertained that the patent-holder or his licensee does not fulfill those needs.

(1) A national emergency is understood to be a condition of impending danger to the public, even if existing only in a part of the national territory.

(2) There are considered to be within the public interest those facts, among others, related to the public health, nutrition, protection of the environment, as well as those of primordial importance to the technological or social and economic development of this country.

3. The act of the Federal Executive Power declaring the national emergency or the public interest shall be performed by the Minister of State responsible for the subject matter in question and shall be published in the Federal Official Gazette.

4. There having been ascertained the impossibility of the patent-holder or his licensee to fulfill the national emergency or public interest situation, the Government shall grant, ex officio, the compulsory license, which shall not be exclusive, and the respective act shall be immediately published in the Federal Official Gazette.

5. The act of granting the compulsory license for non-commercial public use shall establish, among others, the following conditions:

- I. the term of the license and the possibility of renewal;
- II. those offered by the Union, particularly regarding the compensation to the titleholder;
- III. the obligation of the titleholder, if needed, to transmit necessary and sufficient information to the effective reproduction of the protected object, to the supervision of assembly and further technical and commercial aspects applicable to the case in question.

Sole Paragraph. In order to determine the compensation to which the titleholder is entitled, there shall be considered the relevant economic and market circumstances, the price of similar products and the economic value of the authorization.

6. The competent authority may request information as needed to support the granting of the license or to determine the compensation due to the patent-holder, as well as other pertinent information, from the federal, state and municipal, direct and indirect, public administration agencies and entities.

7. In case of national emergency or public interest characterizing extreme urgency, the compulsory license provided for in this Decree may be implemented and the use of the patent may be effected, irrespective of prior compliance with the conditions established in Articles 4 and 5 of this Decree.

Sole Paragraph. If the competent authority has knowledge, without conducting a search, of the existence of a patent in force, the titleholder shall be immediately informed on such use.

8. The exploitation of a compulsorily licensed patent in accordance with the provisions of this Decree may be initiated irrespective of the existence of an agreement on the conditions included in Article 5.

9. The exploitation of a patent licensed in accordance with the provisions of this Decree may be performed directly by the Union or by duly contracted third parties, and the reproduction of the object thereof for other purposes being prohibited, under penalty of being considered illicit.

10. In such cases where it might not be possible to fulfill the situations of national emergency or public interest with the product placed on the domestic market, or the manufacture of the object of the patent by third parties, or by the Union, is found to be unfeasible, the latter may proceed to import the product that is the object of the patent, provided that it was introduced onto the market directly by the patent-holder or with his consent.

11. The contracting of third parties to exploit the compulsorily licensed patent shall be performed by means of bidding, and the process thereof shall be performed in compliance with the principles of Law no. 8,666, of June 21, 1993.

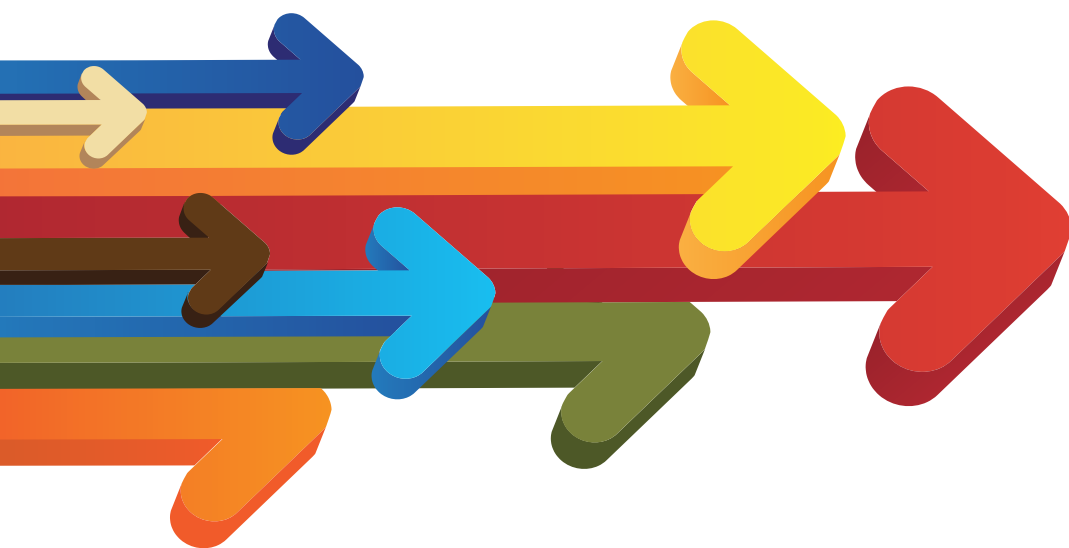
12. Once the national emergency or the public interest has been fulfilled, the competent authority shall extinguish the compulsory license, respecting the terms of the contract executed with the licensee.

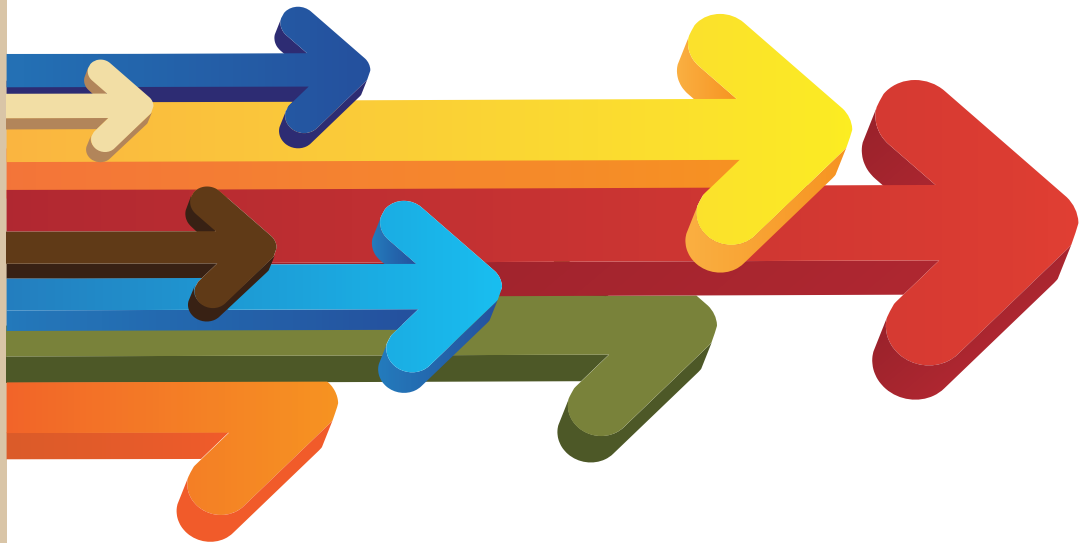
13. The competent authority shall inform the Instituto Nacional da Propriedade Industrial—INPI (National Institute for Industrial Property), for purposes of entry, in respect of the licenses for non-commercial public use, granted on the basis of Article 71 of Law no. 9,279, of 1996, as well as concerning changes and extinguishment of such licenses.

14. This Decree enters into force on the date of its publication.

Brasília, October 6, 1999; 178th year of Independence, 111th year of the Republic.

FERNANDO HENRIQUE CARDOSO
José Serra





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