

The Enforcement of Patent Rights in Brazil

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A. Brief Outline of The System of Patents and Civil Procedure

I. Patents

Industrial property rights are governed by the Brazilian Industrial Property Law (BIPL), which covers patents, trade marks, service marks, collective and certification marks, indications of origin, industrial designs, trade secrets and unfair competition law. This law, which came in force on May 15, 1997, also covers procedures and lays down criteria for the allocation of damages.

In Brazil, patent protection is also basically regulated by the Paris Convention of 1883 (as reviewed in Stockholm in 1967) and the TRIPS Agreement¹. Brazil is a member of the Patent Cooperation Treaty (PCT), as well.

The applicability of TRIPS has been subject to a great deal of controversy. First, there were some dissents between the Government and private practitioners about its date of application: January 1, 2000 for the former, and January 1, 1995 for the latter. Secondly, there is still some controversy about whether the TRIPS requires the extension of patents granted under the preceding legislation with a 15-year term and which were alive at the date of application of the new rule. The Brazilian Patent and Trademark Office (INPI) has been continuously denying administrative requests for extension of patents. In a decision issued after January 1, 2000 in connection with Brazilian Patent PI 8403932 in the name of Bassani Ticino S.p.A., INPI acknowledged that as a result of a panel proposed by the U.S.A. against Canada on the issue of the extension of patent term, it was determined by WTO that all patents that are still in force on the “date of application” of TRIPS in a member country should have their term extended to at least 20 years. The same decision added that according to the official position of the Brazilian Government the “date of application” for Brazil should be of January 1, 2000, and finally it refers to the fact that the Ministry of Development, Industry and Commerce, to which the Patent Office is subordinated, has issued an official report in 1997 (CONJUR No.

¹ WTO’s treaty on Trade Related Aspects of Intellectual Property Rights.

24/97), which denies the applicability of TRIPS as a ground for extending the term of patents, at the face of which the Patent Office is prevented from taking any action on those grounds. Therefore, briefly, that decision implicitly recognizes that owners of patents which were alive on January 1, 2000 are indeed entitled to an extension, but that as a matter of hierarchy INPI is prevented to act accordingly.

Notwithstanding INPI's position, among several court decisions involving the extension of patent term from 15 to 20 years, the vast majority is in favor of the applicability of TRIPS to this effect.

Patents are granted by INPI². The basic patentability requirements which are examined by INPI are novelty, inventive step and industrial applicability. Patentable inventions include either products or processes, and include chemicals, pharmaceuticals, foodstuffs and transgenic microorganisms.

Under Law 9279/96 patents of invention are granted for a period of 20 years from the filing date. The law also provides for a minimum term of 10 years from the date of the grant of the patent. For patents of utility model, these terms are 15 and 7 years, respectively.

The current law does not provide for formal pre-grant oppositions, but any interested party – including the applicant - is entitled to submit comments and evidence concerning patentability issues at any time up to the end of examination.

Furthermore, according to Sec. 51 BIPL, within 6 months from the grant any person having legitimate interest may file an administrative nullity action before INPI and INPI may also institute nullity proceedings *ex officio*. Moreover, nullity of a patent can also be judicially requested at any time during the life time of the patent or even after its expiration as a matter of defense e.g. in the course of an infringement action.

² Instituto Nacional de Propriedade Industrial (INPI).

II. Civil Procedure (General Overview)

There are basically five phases in a civil court action under the Brazilian Procedural Civil Code: the pleadings phase, clarification, fact-finding, decision, and appeal.

The claim is the main part of the civil procedure. In the claim, the plaintiff will expose the case and facts, its legal standings and its request for remedy.

Once the defendant is duly served with the summons, it will have a 15-day term to respond to the court action (e.g.: patent infringement action, patent nullity action). A request for preliminary injunction made by the plaintiff is usually examined by the Court within five days from the filing of the complaint. The defendant must present its arguments in a detailed manner. Subsequently, both parties are requested to amend possible procedural irregularities. The parties then have the opportunity to present further evidence, list their witnesses, request the dismissal of any prejudicial issue on the merits of the court action, such as the competence of the judge to examine the matter. Before handing down a decision, the judge may conduct a trial, which generally takes place in a single day. During the trial, the judge hears the witnesses and the oral arguments of the attorneys and also examines other pieces of evidence.

A decision without a hearing is allowed in some specific cases, such as:

- (a) where there is a clear case on the evidence, *e.g.* where the limitation period has expired;
and/or
- (b) when the issue on the merits is solely of law, or when no evidence needs to be heard; or
- (c) in cases of default.

The vast majority of the first instance decisions are appealed to the Higher Courts.

III. Patent Nullity Action (General Overview)

Under Brazilian legislation, all nullity actions have to be filed before the federal courts, since in any action seeking the invalidation of a patent the INPI, when not plaintiff, will participate in the action, as a defendant³. Once summoned, the period for the defendant to reply is of 60 days.

While an administrative request for nullifying a patent may be filed at the INPI within 6 months from grant, a nullity action can be filed at any time during the term of a patent by INPI or by any legitimately interested party. Yet, nullity of a patent may be argued at *any* time as matter for defense, e.g. in the course of an infringement action.

During a nullity action, a judge may, as a preventive or incidental measure, determine the suspension of the effects of a patent, provided the relevant procedural requirements are met.

A patent may be declared null when granted contrary to the provisions of BIPL, e.g. for lacking novelty or inventive step⁴. Alternatively, nullity may apply to only some among the claims (partial nullity), provided the subsisting claims constitute subject matter that is patentable per se.

Nullity of a patent will produce effects as from the filing date of the application (“*ex-tunc*”).

If a patent was not granted to the true inventor or to a legitimate successor of the true inventor, instead of requesting nullity of the patent the true inventor or his successor may judicially claim the adjudication of the patent, i.e., the transfer of the rights while maintaining the patent in force.

³ In Appeal No. 9202086737, the 5th Group of the Federal Regional Court (TRF-2R) decided unanimously that in nullity actions of patents and trademarks, INPI should be co-defendant since it is the authority which is responsible for the granting of the rights (DJ of 8 February 2000, pages 217-218).

⁴ According to a unanimous decision issued by the 1st Group of the Federal Regional Court (TRF-2R), Civil Appeal No. 97.02.14696-8 RJ, published on the Official Gazette of 13 April 1999, a nullity action based on lack of novelty of the patented invention requires the performance of an expert opinion, under penalty of characterizing restriction of defense.

IV. Patent Infringement Action (General Overview)

While patent nullity actions must be filed at federal courts, infringement actions have to be filed before the state courts (usually, either in the court where the infringer has its domicile or in the court where the infringement took place, e.g. where infringing articles are found). According to the Brazilian legislation, the plaintiff is entitled to bring the infringement action before the state court where the tort took place. However, there are some situations in which the plaintiff is not able to identify the exact place of the infringement (e.g. infringement of a method claim). In these cases, the infringement action will be filed in the court where the infringer is domiciled.

In Brazil, there are 26 states and a federal district and each state has its own county level courts.

It is important to note that, except from the courts of the State of Rio de Janeiro, in Brazil, there are no specialized courts to decide cases regarding patent infringement. In the past five years, the number of new court actions aimed at enforcing patent rights has substantially increased. While in 1997, 80 new patent actions were filed before the Brazilian Courts, in 1999 there were 200 new filings and in 2001 more than 100. These numbers are substantially higher when compared with the last decade, however, they are still modest when compared with the number of patent applications filed in Brazil (in the year 2003 the estimate of the INPI is of approximately 20.000 new patent applications).

There are several reasons for this phenomenon, including the development of the local market, the significant improvement of the economic situation of the country, the enactment of the new Brazilian Industrial Property Law (BIPL) in 1997 and the TRIPS Agreement. In fact, these brand new legal tools for enforcing patent rights in Brazil are definitely encouraging patent holders to litigate for the protection of their rights and for monetary compensation for violation of their patents.

This new tendency is also leading the Brazilian Courts to be more thorough when analyzing patent infringement cases. For instance, in 2001, the Brazilian Courts in 83% of the decided cases found the patents at issue valid and infringed where the patent owners were foreign

companies. This percentage shows that the Brazilian Courts take a very pro-patent owner view when deciding patent infringement cases.

There are usually two hearings during a civil patent infringement case. The first one takes place after the defendant files its response. It is a conciliatory hearing, in which the judge acts as a mediator and tries to convince the parties to execute a settlement.

The second hearing is the final one, in which the parties hear their witnesses and the judge takes the deposition of the legal representatives of the parties. It is a one-day hearing and it is not mandatory depending on the necessity of the parties to present their evidence.

A patent infringement action usually takes from two to three years to be decided by the first instance court and another two years in the Higher Courts. In spite of the long duration of the litigation, Brazilian Legal System allows the patent owner to obtain preliminary injunctions to stop the infringement until a final decision on the merits is duly rendered by the last Higher Court.

V. The Profession

In Brazil, patent applicants can be represented before the INPI by attorneys-at-law or by registered Industrial Property Agents. Before the courts, only attorneys-at-law are qualified to represent applicants or patentees.

The profession of Industrial Property Agent is regulated by Decree-Law No. 8.933 of January 26, 1946.

Nevertheless, following the enactment of the Industrial Property Code of 1971 (Law 5.772/71), the INPI assumed that Decree-Law 8.933 had been revoked, thus leaving the field open for any person to act before the office as a representative of patent and trademark applicants. Not surprisingly, this led to a flood of unqualified persons acting as representatives, thus jeopardizing the applicants' right to be represented only by qualified professionals and ultimately also affecting the proper operation of the INPI.

The Brazilian Association of Industrial Property Agents (ABAPI) objected to this situation for many years, until on March 28, 1998, a Ministerial resolution⁵ was published in the Official Gazette, delegating powers to the INPI to regulate the qualifications of industrial property agents. This regulation was established by Normative Act No. 141 of April 4, 1998 and allowed the registration as "industrial property agents" by those who could prove to have practiced before the INPI prior to March 24, 1998. While this Act did not eliminate all unqualified representatives, it established a cut-off date, after which the title of industrial property agent would only be granted to persons who pass an exam. This was deemed necessary by the INPI to avoid that persons who had acted for decades as representatives of applicants would suddenly lose their status before the office, leading to a great number of court actions.

Normative Act No. 141 reinvigorated the provisions of Decree-Law No. 8.933/46, thus establishing that in order to qualify as an industrial property agent one must: (i) be a Brazilian citizen,⁶ (ii) 21 years or older, (iii) have an acceptable record with respect to civil and political rights, and (iv) be of good standing. For legal entities, it is required that their partners are all industrial property agents or attorneys-at-law.

⁵ Portaria No. 32 of 19 March 1998 of the State Ministry of Industry, Commerce and Tourism.

According to ABAPI statistics, there are approximately 1,200 industrial property agents registered under the new regulations, while more than 300 have had their registrations cancelled for various reasons. ABAPI has approximately 340 members who are industrial property agents and/or attorneys-at-law.

The vast majority of industrial property agents in Brazil have an expertise in trademark matters, while only a small portion is truly skilled in patent matters, most having degrees in engineering, chemistry, physics or other technical areas.

It should be noted that although a person or legal entity must be qualified to act before the INPI as an applicant representative – *i.e.* one must either be an accredited industrial property agent or an attorney-at-law – Normative Act No. 141 and Law No. 9.279/96 provide that applicants with a domicile or residence in Brazil are also entitled to act before the INPI without a representative.

⁶ This requirement was later removed in view of the provisions of the Brazilian Constitution of 1988.

B. Problems Related to the Enforcement of Patent Rights:

I. Competent Parties

1. Plaintiff

According to the Civil Procedural Law of 1973 and Brazilian jurisprudence, the plaintiff in an IP court action must be the owner of the intellectual property right. A licensee, exclusive or non-exclusive, can only be a party in a court action as a co-plaintiff.

Only in special cases the court allows a licensee to act as a sole plaintiff. This occurs when the licensee is authorized to take action alone to protect the licensed IP right by a written licensing agreement.

A court may require a plaintiff domiciled abroad to post a bond to guarantee to the defendant the recovery of its attorney's fees and judicial costs. These fees will be paid if the plaintiff does not prevail in the court action. When the plaintiff has a subsidiary company in Brazil which appears as a co-plaintiff, the court may wave this bond.

2. Defendant

As already mentioned⁷, wherever the complaint seeks the cancellation of the patent, through an independent court action, the INPI must be a co-defendant.

Where there is an invalidity action against a patent, the INPI must take part in the court action as a co-defendant jointly with the patent owner. However, in an infringement action, the defendants will be only all persons that are directly or indirectly infringing the patent. The INPI will not be a part at infringement actions even if validity of the patent is challenged by the defendants as a matter of defense.

⁷ See item III. Patent Nullity Action.

II. The Competent Court

Although civil actions generally take place at the domicile of the defendant, the procedural law in specific cases may determine otherwise, *e.g.* that the court where the infringement is taking place. If the court action is based on an infringement of a written agreement, *e.g.*: patent licensing agreement, the action will take place in the court indicated in the agreement.

1. Courts of First Instance.

a) State Courts

Brazil is a federation of 26 states and one federal district, each of which has its own court structure.

All patent infringement cases are prosecuted before the state courts, which are divided into civil and criminal courts.

A decision issued at first instance may be appealed to the state courts of appeal.

In 2001, the State Court of Rio de Janeiro created specialized courts to handle IP matters. Therefore, all patent infringements in this state are now judged by the specialized state courts.

b) Federal Courts

First instance federal judges sit in each state capital and in the federal district.

Only cases involving decisions by federal government agencies go before the federal courts. This includes decisions rendered by INPI (*e.g.* the granting of patents).

2. Courts of Appeal

Each State has its own Court of Appeals. Any appealed decision rendered by a first instance judge will be referred to the local court of appeals.

Decisions rendered by first instance federal judges are subject to appeal before the regional federal courts. The five regional federal courts of appeal are established in the cities of Brasilia, Rio de Janeiro, São Paulo, Recife and Porto Alegre. The Superior Court of Justice only hears appeals against decisions issued by the federal courts of appeals or by the state courts of appeals. The grounds for bringing such appeals are that the decisions violate federal laws or that they are in conflict with previous jurisprudence. The Supreme Court judges only constitutional matters. Both the Superior Court of Justice and the Supreme Court are based in Brasilia (the capital of Brazil).

3. Other Courts or Tribunals

The Industrial Property Law (Law No. 9297/96) authorizes the Judiciary to establish specialized Industrial Property Courts. In view this, four specialized courts were created by the Federal Court of Rio de Janeiro to judge cases involving decisions of the INPI. Subsequently, 12 specialized courts were created by the State Court of Rio de Janeiro to judge intellectual property disputes concerning rights of private parties.

III. Preparation for Trial

1. Warning Letters.

In many situations a simple cease and desist letter is enough to stop the infringement. This is a cost-effective way of settling the case and avoiding court actions. However, cease and desist letters may interfere with the patent owner's rights unless utmost care is taken with procedures.

In Brazil, a warning letter may be served either through the Registry of Titles and Deeds or even by means of a court procedure in which the judge designates a court officer to personally serve the infringing party with the letter. Of course the infringer may or may not comply with the terms of the letter.

In the latter case, the patent owner must seek judicial measures to stop the infringement within ten years or risk losing the case due to the statute of limitations. Moreover, if the patent owner does not act quickly, it may jeopardize its chances to obtain a preliminary injunction to stop the infringement based on a provision similar to laches.

It is important to note that in Brazil sending a cease and desist letter is not mandatory before initiating a court procedure, and if the patentee decides not to serve the infringer with this type of letter beforehand, it will not have any direct effect on the court procedure.

In short, the decision to serve the infringer with a cease and desist letter is a strategic one and has to be analyzed on a case by case basis since in situations where the patent right holder is seeking an injunction order to seize the infringing goods, such a letter could jeopardize the operation because it will alert the infringer that the patent owner is aware of its illegal activities, giving the infringer adequate time to hide the illegal products.

2. Measures to Preserve Evidence and Preliminary Measures

There are several legal measures that may be taken by the patent owner against an infringer before filing the main civil action both in the civil and in the criminal spheres.

Before initiating any patent litigation, it is essential to collect several pieces of evidence attesting the infringement and to preserve evidence. The infringer at any time could destroy all evidence of the infringement, and the best way to proceed in Brazil against this threat is through a preliminary criminal search and seizure action.

In Brazil, a patent infringement is both a tort and a criminal conduct. In spite of the fact that the criminal judges are not familiar to IP matters, this type of procedure is very effective since it does not directly involve a public prosecutor. The patent owner is legally entitled to lodge the criminal action without the interference of the prosecutor. It is only necessary to prove the infringement in order to go to the criminal court and the legal measure to prove it is through the preliminary criminal search and seizure action.

This type of preliminary court action is filed before the criminal court and it is based on Secs. 200, 201 and 203 of the Industrial Property Law and the Code of Criminal Procedure. In this procedure, the judge will nominate an expert to accompany the bailiff in the search and seizure procedure. The expert will collect samples of the infringing product or will verify the existence of the illicit act in the case of a patent relating to a process. Thereafter, the expert will issue an opinion, which will be examined by the criminal court. This is a very powerful tool, since if the expert identifies the patent infringement in its report, the patent holder will have strong evidence to submit before both the civil and criminal courts. This procedure is very cost and time effective, usually taking less than a month, and may also be initiated before the civil courts (collection of evidence before initiating the main civil action), though involving a more complex and time-consuming procedure.

After the preliminary search and seizure action, if the infringement is confirmed by the expert appointed by the judge, the patent holder may file either a criminal or a civil actions or both of them, simultaneously. As mentioned before, a public prosecutor is not directly involved in this criminal procedure and the patent infringer may be condemned of until one year of imprisonment. However, the criminal action does not solve the patent infringement problem, since the criminal court is not legally entitled to stop the commercialization of the infringing product. Therefore, in the majority of the cases, the patent holder uses the preliminary criminal search and seizure action only to collect evidence to support its case before the civil court.

When the patent owner has all necessary evidence to lodge its civil action, there are some preliminary measures that may be taken in order to immediately stop the infringement. According to Sec. 209 of the Industrial Property Law, in patent infringement cases, the judge is allowed to grant an *ex parte* restraining order to prevent future violations. In this situation, the defendant will not be permitted to sell the infringing goods during the civil action under the threat of a daily fine to be ascertained by the court. This injunction may be granted *inaudita altera parte* and the judge may request the plaintiff to post a judicial bond to guarantee the execution of the injunction (this bond is usually requested by the courts in infringement cases and it is not extremely high).

Moreover, the Brazilian Code of Civil Procedure allows an *ex parte* search and seizure order of the infringing products at the defendant's premises, which is also quite important to avoid the continuance of the patent infringement.

To grant these preliminary orders, the court must apply certain legal guidelines. These guidelines for the granting of these types of preliminary injunctions are:

- (1) *The fumus boni juris*: the plaintiff must demonstrate that it has a good right which deserves protection and that there is a good probability that the defendant is infringing this right (the Letters Patent and an expert report confirming patent infringement would be very powerful pieces of evidence); and
- (2) *The periculum in mora*: the judge must be convinced that the plaintiff's right is threatened by an activity of the defendant and could be severely damaged if no action is taken before a final decision on the merits is rendered.

In civil law, a preliminary injunction can be requested at any time and even before the defendant knows of the action. The judge may even grant a preliminary injunction without an express request by the plaintiff if he/she considers that serving the defendant with the summons would risk the integrity of the evidence.

Under the Brazilian Code of Civil Procedure it is also possible to obtain a preliminary injunction to freeze the infringer's assets until a final decision on the merits is rendered.

However, this type of court order can only be obtained if the patent owner shows that there is an actual risk of not duly recovering damages by the end of the court proceeding.

Furthermore, the plaintiff has to provide the court with a list of the assets of the defendant that it wishes to be frozen. It is not possible to request a general freeze, but rather it is necessary to specify of the defendant's assets.

Regarding a defendant's bank account, a disclosure is only feasible by means of a court order. In this situation, the financial institution is obliged to open the defendant's account, but this type of decision is quite rare, especially through a preliminary injunction.

Besides civil procedures, a criminal investigation of the infringer's assets is also possible. The public prosecutor may request the police to investigate the infringer's assets, which can be very helpful for the right owner in future civil action seeking damages. In certain specific cases, even the public prosecutor may request the freezing of the infringer's assets to the court.

IV. The Trial

1. Presenting Evidence and the Importance of Experts

Under the Brazilian Code of Civil Procedure, all evidence that is morally legitimate can be used to prove the rights claimed by the parties.

The production of evidence is not confined to a single “discovery-like” phase at first instance.

Documentary evidence should be produced by the parties in the pleadings phase. The plaintiff will produce its evidence in the complaint, and the defendant in its response. A request for oral evidence will be considered by the judge at any time or stage of the proceedings.

The types of evidence that may be produced during the action are as follows:

- (a) a personal deposition of the parties;
- (b) statement of witnesses;
- (c) documentary evidence;
- (d) sworn written evidence;
- (e) evidence from experts;
- (f) judicial inspection.

Facts from a non-party can only be discovered by the witnesses’ inquiry or when the judge orders a third party to produce a document which may clarify the case.

In patent litigation, a party may submit documentary evidence together with the complaint, but in view of the technical difficulties involved in such disputes, the judges tend to appoint an expert.

The person appointed must be an expert in his/her field, and must prepare a statement attesting to his/her competence to answer technical questions raised by the parties. Both parties are then able to appoint their own expert assistants, who will confirm or oppose the official expert's opinion.

The expert and the parties' assistants may be asked to appear during the hearings to give further clarification to the court. Judges can also request any other evidence that they consider appropriate to the case. This may include requests for experiments on the subject matter of the case.

2. The Role of Lawyers.

As mentioned before, in contrast to other countries, in Brazil there are no “patent attorneys”. As a matter of fact, any lawyer who is a member of the Brazilian Bar Association can act in a patent infringement case.

The attorney’s role in a patent infringement case is quite broad. The attorney is the responsible for the collection of evidence, the drafting of all petitions and representation of the client before the court. A non-lawyer cannot act before the Brazilian courts and can only serve an infringer with a cease and desist letter if through non-judiciary ways.

3. The Role of the Judge.

In Brazil, at least in civil cases, there are no jury trials. Even in criminal sphere, there are jury trials only when judging capital crimes. Therefore, all patent infringement cases are decided in a bench trial.

In view of this, the judge is the main player in a patent infringement case, since he/she will decide on the granting of a preliminary injunction, the validity of the evidence submitted by the parties, the liability of the parties, the merits of the case, etc. In short, all the steps in the proceeding will be decided by the judge.

The judge also has the responsibility to conduct the hearings, which means he/she has the legal right to take the deposition of the parties and possible witnesses. During the hearings, the judge also has an obligation to encourage the parties to reach a settlement, without, of course, obliging them to do so.

The judges render their decision in writing and they must base their decision on the facts, the law, the jurisprudence and the doctrine (there are usually several citations on the Brazilian

decisions). All decisions are published in the Official Gazette (usually a short version), since the deadline to appeal against it only start running from the date of the official publication of the decision.

4. Scope of Patent Protection

a) Infringing Acts

The Brazilian Industrial Property Law in Sec. 42 expressly specifies acts that are considered to be patent infringements: manufacturing, using, offering for sale, selling or importing for such purposes without consent a product that is the subject of a patent, or a method, or product directly obtained by a patented method

Sec. 42(2) provides for the reversal of the burden of proof, whenever the issue concerns a potential infringement of a method claim, which includes products which are obtained directly by the patented method. In such situations, the accused party will bear the burden of establishing that the method it uses does not infringe the method claim and/or that the product being commercialized was not obtained by the claimed method.

Whether or not it is sufficient to establish that an accused product was not “*directly*” obtained by a claimed method is not clear from the law. This is because while Sec. 42(2) contains the expression “directly”, Sec. 184 related to crimes against patents refers to a “product (...) obtained by (...) a patented method”, without using the expression “directly”. Since in Brazil a crime is also considered to be a civil offence, any act that constitutes a basis for a criminal action will also provide grounds for a civil action.

Unauthorized use of a patented invention is also criminal offence under Secs. 183-185 of the Industrial Property Law. There are some differences, however.

Art. 42	Art. 183-185
Manufacture	Manufacture
Use (product or method)	Use (means or method)
-	Export
Sell	Sell
Offer for sale	Exhibit or Offer for sale
-	Maintain in stock
-	Hide
-	Receive
Import with above purposes	Import (except parallel importation)
-	Supply component
Contribute to perform above acts	-

The acts of maintaining in stock, hiding and receiving listed in Sec. 184, seem to require an association with the phrase “*with a view to use for economic purposes*”. The importation of a product that was placed in the market in another country by the patentee or with his consent, *i.e.* parallel importation, is not regarded as a crime, although it constitutes a civil tort.

b) Claim Interpretation

According to Secs. 41, 186 of the Industrial Property Law, infringement will exist whenever an accused product/method contains the features of at least one independent claim, either in a literal manner or by equivalence.

Since an independent claim is taken to define the *essential* features of the patented invention, *as a general principle* an infringement will not occur if the accused product/method does not contain each and every feature of a certain patent claim. As mentioned above, this correspondence can be established either in a literal manner or by equivalence.

Nevertheless, the provisions concerning infringement by equivalence do not establish whether equivalence is to be determined on an element-by-element basis or if a single element in a claim can be taken to be equivalent to a group of elements in the accused product/method or vice-versa.

The law does not define how equivalence is to be assessed.

c) Indirect Infringement

Besides the product/method which is expressly claimed in a patent, also parts of products are protected, whenever those parts only suit the patented product or only have the purpose to perform the patented method.

The corresponding provisions read as follows:

Article 185 - Supplying a component of a patented product, or material or equipment for carrying out a patented method, provided that the final application of the component, material or equipment necessarily leads to the exploitation of the subject matter of the patent.

Penalty - detention of 1 (one) to 3 (three) months or a fine.

Thus in order to disqualify an infringement under the above provisions, an accused party must establish that the patentee did not meet his burden to prove that the accused component, material or equipment “*necessarily leads*” to the exploitation of the patented product/method.

This is difficult where:

- (i) the component, material or equipment indeed has no other purpose aside from being used in connection with the patented invention; or
- (ii) the component, material or equipment can have other purposes aside from being used in connection with the invention, but in the circumstances it is clear that no other use could have been intended when the component, material or equipment was supplied to a third party by the accused party.

V. Defenses

1. Invalidity

Since novelty and inventive step are legal requirements for a patent to be valid in Brazil, if the accused product/method can be taken to be fully embraced by the prior art or to be inferred there from in an obvious manner, this fact alone would preclude infringement.⁸

Invalidity of a patent is expressly provided in the law as a matter of defense in the course of an infringement action under Sec. 56 of the Industrial Property Law in civil and Sec. 205 in criminal matters.

Except if invalidity is argued before a competent federal court, it will only produce legal effects between the parties.

Civil Appeal No. 12754/00 by the 1st Civil Chamber of the city of Rio de Janeiro: “Law No. 9.279/96, in its Sec. 56(1) provides for the possibility of arguing nullity of the patent as a matter of defense. Acknowledgement of nullity in this case will only produce effects between the parties which integrate the proceeding relationship, not having the effect, as the appellant seems to believe, of *per se* nullifying the patent itself before the Patent Office”.

Moreover, according to a São Paulo court⁹ the alleged infringer can argue that the invention is not novel and hence not patentable without the need of requesting nullity of the patent before the competent court, having also established that the competence for judging the case is with the State Court since it refers to subject matter capable of being judged “*incidenter tantum*” and “*inter partes*”, whereby the Federal Court is competent for judging the appropriate action for nullifying the patent.

On a formal basis, particularly Secs. 46¹⁰ and 50¹¹ provide the applicable grounds.

⁸ In *Vacchi S.A. Ind. e Com. Ltda. v. Master Equipamentos Industriais*, concerning the accused infringement of Brazilian patent PI 8504023, 1st Civil Court of Novo Hamburgo, RS, Civil Appeal No. 594 012 478, in a decision issued on 13 April 1994 the court found that the machine manufactured by the defendant was based on the prior art, and was thus entitled to be further manufactured and sold.

⁹ 9th Chamber of Private Right of the Justice Court of the State of São Paulo, in Civil Appeal No. 367824 (RJTJESP-215/149-51, April 1999).

¹⁰ Article 46 - A patent is null when granted contrary to the provisions of this law.

¹¹ Article 50 - Nullity of a patent will be declared administratively when:

Aside from arguing nullity of the patent as a matter of defense in the course of an infringement action, an accused party may also file a lawsuit before a federal court requesting nullity of the patent with effects *erga omnes*. According to a unanimous decision of the Federal Regional Court,¹² a nullity action based on lack of novelty requires expert evidence.

If there is sufficient evidence to the judge about the invalidity of the patent, an injunction can be granted whereby the effects of the patent are suspended before a final decision is issued.¹³

2. Non-infringement

Secs. 43 and 45 of Law No. 9.279/96 expressly provide for exceptions to the rights conferred by a patent.

Acts of permissible use under Sec. 43 of the Industrial Property Law are: acts done privately and without commercial ends, acts for experimental purposes related to studies or to scientific or technological research, the preparation of a medicine according to a medical prescription for individual cases, and acts of use after domestic exhaustion.

Among the above exceptions, which are mostly self-explanatory, Sec. 43(4) establishes the principle of national exhaustion of rights. A patentee would, however, be entitled to prevent third parties from the parallel importation of patented products.¹⁴

The research exemption was further clarified by Law 10.196/01 of 14 February 2001 that exempts: acts aimed exclusively at producing information, data and results of tests, intending

I - any of the legal requisites have not been met;

II - the specification and the claims do not meet the provisions of articles 24 and 25, respectively;

III - the subject of protection of the patent extends beyond the contents of the application as originally filed; or

IV - any of the essential formalities indispensable for grant were omitted during prosecution.

¹² 1st Group of the Federal Regional Court (TRF-2R), Civil Appeal No. 97.02.14696-8 RJ (DJ of 13 April 1999). The authors acknowledge with thanks the contribution of Mr. Gert Egon Dannemann in the collection of jurisprudence.

¹³ Federal Regional Court of Appeals (TRF-2R), 1st Panel, review No. 9902265138 RJ (DJ-2, 20 July 2000, p. 112). The judge is entitled to determine a suspension of the patent, provided that the proper procedural requirements are fulfilled. Different, the same Court of Appeals, review No. 200202010327488 (DJ-2, 12 September 2002, p. 379), and review No. 200102010152088 (DJ-2, 2 May 2001, p. 88): patents issued by the INPI are presumed valid.

¹⁴ Unless the patentee only uses the patent by importation himself, Sec. 68(4). The provision is questionable under Art. 27(1) TRIPS.

to obtain the register of commercialization, in Brazil or in another country, for the exploitation and commercialization of the patented product after expiry of the patent term.

Prior user rights are granted to a person who in good faith, prior to the date of filing or of priority of a patent application, exploits its object in Brazil.

The application is thus limited to cases in which a certain party has actually used the patented product/method in Brazil before the priority date of another party's patent application. Thus, it is not sufficient for that party to prove that it has reduced the invention to practice before the priority date and/or that it has initiated preparations to use it. This restriction is clear as the prior user is guaranteed the right to continue the exploitation "in the previous form and conditions".

According to available information, prior user rights were claimed for the first time in an infringement action, 8th Civil Court of Porto Alegre, Action No. 109177908. Until the day this article was being prepared, the expert appointed by the judge had recognized the prior use but no decision had been issued.

VI. Remedies

The most common remedies obtained by the patent owner in a patent infringement case are the following:

- (1) cessation of the infringement by the defendant under the payment of a daily penalty;
- (2) the destruction of all products and material involved in the infringement;
- (3) the recovery of damages; and
- (4) the payment of attorney fees and judicial (official) costs.

1. Damages

Sec. 209¹⁵ of the BIPL generically provides that the aggrieved party is reserved the right to receive losses and damages in compensation for losses caused by acts of violation of industrial property rights, while a judge may, in the formal record of the same action, so as to avoid irreparable damages or damages that would be difficult to recover, grant an injunctive order to suspend the violation or act that has such in view, before summoning the defendant, against, if he judges necessary, monetary caution or a fiduciary guarantee.

According to Sec. 210 of the Industrial Property Law, damages (loss of profits) to the injured party will be determined according to which of the following is most favorable: a) the benefits that would have been gained by the injured party if the violation had not occurred; b) the benefits gained by the author of the violation of the rights; or c) the remuneration that the author of the violation would have paid to the proprietor of the violated rights for a granted license which would have legally permitted him to exploit the subject of the rights.

In view of this, even if the infringer does not keep records of the illegal operations, it is possible to determine the damages using a different criteria, such as the benefits that would

¹⁵ Two available second instance decisions, issued unanimously, interpret this provision in different manners. In Civil Appeal No. 28.993-4/0, Ribeirão Preto, DJ of 20 July 1998, the 8th Chamber of Private Right of the Justice Court of São Paulo issued a decision to the effect that the compensation for patent infringement “shall correspond to the profits equivalent to the commercialization of the patented equipment, in number of units equal to those used by the defendant”. In Civil Appeal No. 102.573-4, São Paulo, RJTJ 248, pages 153-159, of August 2001, the 1st Chamber of Private Right of the Justice Court of the State of São Paulo, the decision stressed that “in view of the deficiency of accounting registry by the plaintiff [note: plaintiff in the appeal is the prospective infringer], which does not preclude conviction, the execution shall be performed by articles, being limited to the period in which the commercialization of the product patented by the defendant has started until the termination of the patent term”.

have been obtained by the injured party if the violation had not occurred or the remuneration that the infringer would have paid to the owner of the violated rights for a license.

Therefore, under the Brazilian Statutes there are reasonable legal measures to be taken against the infringer even when it is not possible to calculate the exact amount of the damages caused by the infringing operation.

In addition to losses and damages concerning infringement occurred *after* grant of the patent, the patentee is also entitled to compensation concerning the period of infringement between publication of the respective application and its grant¹⁶. Nevertheless, if the infringer obtained knowledge of the contents of the application prior to its publication – e.g. by means of a warning letter – the period of undue exploitation, for the effect of compensation, will be counted from the date of commencement of the exploitation.

Finally, the patent owner may recover attorney fees and the official costs connected with the litigation. However, attorney fees are limited to 10% to 20% of the amount of damages recovered by the patent owner.

¹⁶ This does not imply that a patent applicant can file an infringement action before grant. According to a unanimous decision issued by the 8th Chamber of Private Right of the Justice Court of São Paulo, in Civil Appeal No. 5.614-4 (RJTJESP-204/119 of 21 May 1998), “the violation of an invention is intrinsically conditioned to the legal existence of the privilege, i.e., the Letters Patent or of the valid patent and not only an expectation of the right derived from a patent application filed at the INPI”.