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PATENTS

Exclusive commercialization rights

With publication of Decree 1,355 of December 30, 1994 in the Federal Official Gazette (Diário Oficial da União) on December 31, 1994 – promulgating Legislative Decree No. 30 of December 15, 1994, which approved the Final Act that Incorporates the Results of the Uruguay Round of Trade Negotiations in GATT - General Agreement on Tariffs and Trade – the provisions of the AGREEMENT ABOUT ASPECTS OF THE RIGHTS OF INTELLECTUAL PROPERTY RELATED TO TRADE (TRIPS), took full effect in Brazil.

With the advent of the TRIPS agreement, substantial changes and important guarantees were implemented in the Brazilian legal system regarding protection of intellectual property, among them the exclusive commercialization rights as defined in article 70.9.

Under the aforesaid section, where an invention from the pharmaceutical or agrochemical fields is the subject of a patent application with a given Member State through the so-called mailbox system, this Member must grant exclusive commercialization rights to the patent holder for a period of five years as of the date of the approval for commercialization from the Member

or until the respective patent is granted or rejected, whichever is earliest, if in another Member State, subsequent to the entering into effect of the WTO Constitutive Agreement, an application for a corresponding patent has been filed, a patent for the same invention has been granted and also the sanitary registration for commercialization of the product protected by the patent has been issued or, as can be interpreted, of the product directly obtained by the process covered under the patent.

Thus, there are three requirements for the grant of exclusive commercialization rights, as follows: (i) that the patent application, based upon the rights that will be granted, has been filed through the mailbox system (in Brazil, this period is between 1/1/1995 – the date the Agreement took effect in Brazil – and 5/14/1997 – the date the current Industrial Property Law - Law n°. 9.279/96, went into effect); (ii) that a corresponding patent application has been filed and the respective patent has been granted in another Member State and (iii) that government authorization has been granted for the commercialization of the product that is protected by the patent or, as it is possible to infer, of the product directly obtained by the process covered by the patent in the Member State where it already has been granted.

It is worth noting that the commercialization rights have been systematically incorporated by the Brazilian legal system. In fact, article 14 of Law n°. 10.603 of December 17, 2002, expressly refers to protection of undisclosed information submitted for approval for the commercialization of products (*data protection*).

Supported by the provision under examination, the solid expectation of the rights of the holder of the patent application, whose corresponding patent has already been granted by another Member State, is transmuted into the effective recognition of the exclusive rights for commercialization that seek the protection of the economic agents of the pharmaceutical and agrochemical markets who, after years of investment in human and financial resources, scientific research and technological development, have filed for similar patents in a number of countries and are momentarily exposed to free imitation by third parties while they await the

administrative process of the patent application to run its course in a given Member State.

Effectively, keeping in mind that the idea is to produce the same effect granted by the grant of the patent, the legal institute developed in article 70.9 of TRIPS is equivalent to it and grants the holder the right to prohibit unauthorized third parties to produce, use, put up for sale or import for such purposes the product, process or product obtained directly from the process that is the subject of the patent application, if the aforementioned conditions are met.

Bruno Falcone



TRADEMARKS

Recent decisions of the Brazilian Patent and Trademark Office (BPTO) involving the application of article 124, item XXIII, of the Industrial Property Law (IPL)

Under article 124, item XXIII, of the IPL, it is not possible to register as a trademark any sign that reproduces, fully or in part, a trademark that the interested party, as a result of his activity, alleges he was not aware of and that, moreover, is designed to identify an identical or similar product or service. Trademarks in such situations could induce the consumer to confuse or associate them with the holder of the true trademark.

The above provision is an innovative device if compared to other provisions dealing with the prohibition of the registration of trademarks. It was introduced into our legal system by means of Law no. 9,279/96 – Industrial Property Law – IPL, that is the law that, among other purposes, regulates the registration of industrial and commercial trademarks.

Its application in practice has served as a very important instrument to curb the usurpation of known trademarks and, consequently, the practice of unfair competition. As an example, it is possible to cite recent decisions that resulted in the rejection of applications for registration nos. 811898806 and 811988821 for the "AZZARUS" and "ASARO", trademarks, respectively.

Knowing that the blatant reproduction of well-known trademarks would easily be perceived and quickly rejected, the applicants in bad faith, masked their true intentions. Based upon the trademarks they sought to imitate, they introduced modifications by substituting some elements or adding others. This "disguise" is clearly seen when the "AZZARUS" and "ASARO" trademarks are compared to "AZZARO", well known in the fragrance business.

The rejection of trademarks such as "AZZARUS" and "ASARO" based upon the known "AZZARO" brand through the application of article 124, item XXIII, of the IPL defeats the argument commonly used in the past by applicants in bad faith. In their defense, they alleged they were not aware of the trademark that, in truth, they wanted to usurp. The similarity of the supposedly new trademark with the imitated or reproduced one was purportedly the result of an amazing coincidence.

Others acting in bad faith have had no better luck in registering "DIVANI&DIVANI", "CAESARS PALACE", "BACACHARI", "OVOTHERM" and "THEMAGICTOUCH" trademarks, to cite just a few examples. By virtue of the provisions of article 124 item XXIII of the IPL, whoever applies for the registration of such names is deliberately misappropriating a mark of whose origin he was fully aware. Thus, the foregoing section establishes a legal presumption that the applicants were aware of such marks.

Also citing the "ASARO" case, the BPTO recognized the appropriateness of the arguments put forth by the owner of the "AZZARO" trademark, noting in its opinion that the ASARO trademark "(...) is similar to the "AZZARO" brand's, which is notably well-known in its field of activity, denoting unfair competition. As result of its activities, the opposed party could not fail to be aware of the existence of the trademark registered by the opponent."

In fact, the legislators acted correctly by presuming that players in a given segment are aware of the existence of marks enjoying reputation in such areas. By dealing with Crimes Against Industrial Property, the legislators went further – increasing the imprisonment sentences from one-third to one-half if the trademark that was

reproduced or imitated was well known. Thus, the impact of the rule commented in this article is vast, not only on the administrative but also in the judicial sphere (civil and/or criminal).

Well-known trademarks are those that have achieved a high degree of reputation in their specific segment. Nevertheless, it is presumed they are well-known in their field. This concept must be clear in order to avoid confusion with the concept of highly reputed (famous) marks, whose protection extends to all fields of activity. Highly reputed trademarks enjoy an enlarged protection as compared to well-known trademarks.

The protection of well-known trademarks in their segments assured by the device in question vacates, in the same proportion, possible arguments that bad faith applicants may make in their defense. This instrument is, thus, a valuable tool for combatting usurpation attempts by unfair competitors. Its regular application since the enactment of the current Brazilian Industrial Property Law has already established solid jurisprudence that serves as yet another element to curb unfair competition.

Ana Lúcia de Sousa Borda



CONTRACTS

Representation and Commercial Concession in the New Civil Code: Regulation or Confusion?

Upon the promulgation of the new Civil Code, specific regulation for "agency and distribution" contracts were introduced, through article 710 and subsequent ones.

After more than one year of the new Code in effect, much controversy has emerged about these articles, with allegations that they regulate not only the "agency contract" but also the traditional commercial concession contract, which also could be called distributorship or resale agreement.

A basic distinction about the contracts must be made. The commercial concession is based upon the reselling of merchandise; that is, the reseller acquires the product and resells it at his own risk, with

compensation deriving from the margin obtained in the sale. For its part, the agency represents mediation for conducting commercial deals, with compensation of the agent based upon a commission on the sales that are made. The "distributor," in the concept of the new Code, is an agent who has at his disposal the product to be transacted, through payment of a deposit or on consignment, without the merchandise being his property, as occurs in the case of the reseller (concessionaire).

In part, the confusion is due to the new terminology, with the adoption of a different name to designate the same contract (agency, referring to what previously was normally called "commercial representation") and equal names to identify different types of contracts (distribution to designate a type of "agency" and not the traditional "distribution at own risk," that now is called "commercial concession," so as not to make the confusion worse).

Thus, it can be concluded that the new Code only and exclusively contemplates the agency, which previously had already been regulated by Laws 4.886/65 and 8.420/92.

In this sense, the commercial concession contract continues to be atypical within the Brazilian legal system, except in the specific case of the concession for the sale of automotive vehicles, which is regulated by the Ferrari Law (Law 6.729/79).

It should be noted, furthermore, that the conditions foreseen in special laws cannot be used analogically by commercial concession contracts for specific and differentiated contracts, since a special and exceptional rule cannot be applied to different situations based upon analogical reasoning. The analogy is only possible when the situations are similar in their essence and their effects, which is not the case of the commercial concession regarding the agency or the contracts that are the subjects of the Ferrari Law. The impossibility of this analogy already has been confirmed by the STJ, in a decision in March 1994.

Thus, similarly, analogy also cannot be used for the new conditions of the Civil Code regarding agency contracts for the application of rules that clearly limit the freedom of the parties to contract commercial concession relationships.

Cândida Ribeiro Caffé



INTEGRATED CIRCUITS

Protection of the topology of integrated circuits in Brazil

Even though late in complying with the Treaty on Intellectual Property in Respect of Integrated Circuits adopted at Washington on May 26, 1989 (PICI), Brazilian legislation will finally consider ways to ensure the intellectual protection of integrated circuits (IC).

The first printed circuit was invented by American electronic engineer Jack St. Clair Kilby in 1958 and patented the following year. An IC (also called a microchip) consists of a plurality of tridimensional elements in the form of a semiconductor pastille. This pastille varies in size from 0.5 to 2 cm², containing a plurality of components ranging from transistors to passive components, connected to each other, that carry out a great variety of functions. Besides making it possible to drastically reduce the size of equipment, the advent of the IC made it feasible to achieve unquestioned technological advances in the fields of telecommunications, medicine and leisure through simple appliances and objects for common use. As a matter of curiosity, a standard home computer contains on average 8 million integrated circuits.

For its part, the topography of integrated circuits that is the subject of the protection under this law consists of a series of related images, constructed or coded through any means or form, that represents the tridimensional configuration of the layers that comprise the integrated circuit, where each image totally or partially represents the geometric forms or surface arrangements of the integrated circuit at any stage of its conception or production.

Basically, this new protection concept is situated somewhere between patent protection and copyright protection because it simultaneously is an abstract device that is loaded with original and not obvious technical concepts.

According to the Brazilian National Congress itself, the new regulations are designed both to encourage innovation by domestic producers of high technology integrated circuits who are hurt by the reality of strongly competitive international competition and the extinction of the market reserve

that companies in this field of activity had enjoyed in Brazil as well as to adjust local legislation to the rules introduced by the international TRIPS treaty – and more specifically, articles 35 to 38.

The objective of this legislation is to ensure that companies with relatively small IC manufacturing production can obtain protection and also renew themselves technologically in order to create and protect their microchips. It should also be pointed out that this law, similar to patents and industrial designs, protects patent applications from other countries, with a deadline for filing such applications assured by international treaty that is in effect in the country.

The owner of a patent issued by the Brazilian Patent and Trademark Office has its rights secured for ten years as of the initial filing date or exploitation date (as long as the time between the beginning of exploitation until the filing of the patent application does not exceed two years), and has the possibility of stopping the total or partial reproduction, importation, sale or distribution of the protected topology, except if good faith can be established, thus satisfying the conditions contained in articles 36 and 37 of TRIPS. In order to qualify for protection, the topography must be original – that is, it has to be derived from intellectual creation and must not be something that is common or ordinary to a specialist in the field. Once the registration has been made, the patent holder may voluntarily assign its technology or license its exploitation. Non-exclusive compulsory

licenses are also contemplated in order to ensure free competition so as to prevent abusive situations as defined in the anti-trust legislation. This includes the lack of supply of the market in terms of price, quantity or quality as well as the cases considered as constituting national emergencies.

The bill, which has already been approved by Congress is now just awaiting publication in the Official Gazette (Diário Oficial da União), and will take effect in Brazil six months afterwards.

Bruno Lopes Holfinger



the concern expressed by the Brazilian government that the German proposal to reduce the maximum withholding income tax rate of 15% could result in loss of revenue. Since Brazilian legislation currently provides for a withholding tax of 15% applying to the remittance, the maximum rate permitted under the agreement with Germany in order to avoid double taxation, the Brazilian government resisted the proposal of a reduction in order to avoid that transfer of technology agreements executed with German companies would have a different tax rate. However, this position wound up contributing to or even causing the denouncement of the treaty by Germany.

The denouncement of the agreement, however, could result in loss of revenue just the same because many Brazilian companies will lose the opportunity to acquire new technological knowledge. This loss will not only lead to a lack of improvement in products, but also even make it impossible to introduce new ones, with subsequent loss of competitiveness on the export market. Summing up, the denouncement of the double taxation treaty could not come at a worse time, in as much as Brazilian exports have hit historic records, without a shadow of a doubt generating revenues for the country.

Ana Lúcia de Sousa Borda
Cândida Ribeiro Caffé



TAX LAW

The Denouncement of the Brazil-Germany Double Taxation Treaty - Brief Comments

Effective since 1975, the treaty between Brazil and the Federal Republic of Germany to avoid double taxation will remain in force until December 31, 2005. Its denouncement by the German government will certainly have implications and consequences for Brazilian and German companies interested in new contracts involving the transfer of technology, the licensing of trademarks, patents and technical assistance services, or even for those who desire to continue transferring know-how in order to improve products and introduce new ones.

One of the factors that contributed to the non renewal of the agreement was

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