

DANNEMANN
SIEMSEN
BIGLER &
IPANEMA MOREIRA

DANNEMANN
SIEMSEN
ADVOGADOS

DANNEMANN
SIEMSEN
MEIO AMBIENTE
CONSULTORES

DANNEMANN SIEMSEN news

Nº 12 March 2006

read **in this edition**

PATENTS

Technological innovation and tax incentives under Law No. 11,196/05

Carlos Eduardo Elizário de Lima

TRADEMARK

Changes in treatment of highly renowned marks in Brazil

Carlos Eduardo Elizário de Lima

COPYRIGHT

Christ the Redeemer monument: who should it be credited to?

Alvaro Loureiro Oliveira

DOMAIN NAMES

Domain names - distinction in the release process.

Daniele Cerdeira de Sousa Leão Velloso

INTERNATIONAL TRADEMARK ASSOCIATION - INTA

Dannemann Siemsen at the INTA128th Annual meeting

The International Trademark Association – INTA will promote, between May 6th and 10, its 128th Annual Meeting. This time, the venues is Toronto, province of Ontario, Canada.

The INTA meeting is the most important event in the trademark area and congregates more than seven thousand professionals. This year's theme is Cross-Border Trademark Issues, which is especially relevant to Brazil in view of its territorial extension and economic importance in the worldwide scenario.

Our office will, once more, be represented by the following partners and professionals specialized in the areas of trademark prosecution, contracts, anti-piracy programs and civil and criminal litigation:

Peter Dirk Siemsen, Luiz Henrique O. do Amaral, Peter Eduardo Siemsen, Elisabeth Siemsen do Amaral, Attilio José Ventura Gorini, Alvaro Loureiro Oliveira, Rafaela Borges Walter Carneiro, Rodrigo Borges Carneiro, Mauro Ivan C. R. dos Santos e Sandra Leis

We will have a Hospitality Suite with the objective of receiving friends and clients. Meetings can be scheduled with any of the above professionals.

PATENTS

Technological innovation and tax incentives under Law No. 11,196/05

According to the current administration's industrial policy, incentive for technological innovation began with the Technological Innovation Law (Law No. 10973/2004). Essentially, the rule is designed to stimulate technological innovation and research in the productive sector by establishing specific bodies and by regulating the relationships between private companies and Scientific and Technological Institutions (for more information, please see our newsletter of March 2005).

The Innovation Law, however, did not specifically address tax incentives but, in its Article 28, sole paragraph, it just stated that the Executive Branch would submit a bill to address this matter. Although the bill was not submitted within the period established in the Innovation Law, on June 15, 2005 the Provisional Measure 252/2005 was issued. Among other items, it ratified existing benefits and created new tax incentives to promote technological innovation.

Due to political divergence, the validity of the Provisional Measure expired before it was approved by the Congress. In light of this setback, the government transferred the main points of the

Provisional Measure to the text of another Provisional Measure, No. 255.

Provisional Measure N° 255 was passed by the National Congress and converted into Law n° 11,196, sanctioned on November 21, 2005.

In summary, the key incentives for innovation set forth in Law No. 11,196 are the following:

(i) deduction as operating expenses of any disbursements for research and development (R&D) during the assessment period;

(ii) in addition to the deduction provided for in item (i), companies may deduct an additional 60% of these R&D disbursements as expenses (for a total of 160%), and this percentage may reach 80% depending on the number of researchers contracted (for a total of 180%). If the process results in the granting of a patent or registration of a cultivar, the company may deduct an additional 20% (which could mean a total deduction of 200% for R&D spending);

(iii) deduction of transfers destined for execution of innovation activities made by micro and small companies (MPEs) and independent inventors;

(iv) deduction of expenditures on technological research and development of technological innovation contracted with universities or research institutes established in the country;

(v) IRRF (Income Tax Withheld at Source) credit on royalties sent abroad arising from transfer of technology agreements recorded by the Brazilian Patent and Trademark Office (BPTO), in the following percentages: 20% for assessment periods ending between 01/01/2006 and 12/31/2008; and 10% for assessment periods ending between 01/01/2009 and 12/31/2013;

(vi) a 50% reduction of the Industrialization Tax (IPI) on R&D equipment, instruments, and accessories;

(vii) accelerated depreciation (multiplied by 2) of new machines, equipment, and accessories used for research and development, for the purpose of determining the Corporate Income Tax (IRPJ);

(viii) accelerated amortization of expenditures on acquisition of intangible assets related to R&D activities.

Note that specific conditions must be met before some of the incentives may be applied. For example, companies benefiting from the IRRF credit – Item (v) – must commit to investing 1.5 or 2 times the value of the benefit in research in Brazil, depending on the region in which it is established.

Law No. 11,196 also provides for a reduction to zero of the IRRF rate – currently 15% – on remittances abroad destined to the registration and maintenance of marks, patents, and cultivars.

Some of the benefits under Law No. 11,196 (like those listed in the previous three items) were already foreseen in Law No 8,661/93, which regulated the Program for the Development of Industrial Technology (PDTI) and the Program for the Development of Agriculture Technology (PDTA). However, application of these benefits was subject to prior approval of projects by the Ministry of Science and Technology following technical analysis by the Brazilian Innovation Agency (FINEP). This condition was eliminated by the new Law.

Finally, although the new system does not condition application of benefits upon official homologation, it should be noted that companies benefiting from them must submit accounting reports on their research and development projects – which is yet to be regulated –, control payments and spending in specific accounts, and assume full responsibility for undue application of the incentives.

Carlos Eduardo Elizário de Lima



TRADE MARK

Changes in treatment of highly renowned marks in Brazil

On September 6, 2005, the Brazilian Patent and Trademark Office (BPTO) issued Resolution No. 121/05. This Resolution regulates Article 125 of Law No. 9,279/96 (Industrial Property Law – IPL), which addresses highly renowned marks, and revokes Resolution No. 110 of January 27, 2004.

The new Resolution presented few changes if compared with the previous one, although the following modifications are worth noting:

a) In Article 2, the BPTO defined highly renowned marks and the parameters to be considered for analysis, such as: (i) the mark's history; (ii) the image of the goods and services represented by its represents; and (iii) the sign's attractiveness to the general public, which consequently extends to different market segments.

Note that the BPTO had previously elaborated the above-mentioned definition in its Resolution INPI/PROC/DICONS No. 54/2002, as an attempt to characterize highly renowned marks that was grounded in Brazil's doctrine and based on the content of the *Association Internationale pour la Protection de la Propriété Intellectuelle* (AIPPI) regarding the matter.

Although this attempt to define highly renowned marks was valid, since it specified some of the characteristics inherent to them, explanation of these factors was still insufficient to curb the subjectivity surrounding the issue.

b) A requirement was included providing for invocation of the special protection conferred by IPL Article 125, upon filing of opposition or administrative nullity proceedings, presupposing conflict between the marks owned by the parties involved.

This requirement is unquestionably designed to prevent the filing of ungrounded opposition or administrative nullity proceedings submitted only for the purpose of securing the BPTO's pronouncement of highly renowned status for the marks.

c) Analysis of a given mark's renown now occurs upon examination of filed opposition or administrative nullity proceedings filed, and no longer before the analysis of the merit of these incidents as under the previous Resolution.

d) A few inaccuracies of the former Resolution were corrected as it did not address the possibility of challenge to the special protection sought by the interested party, also in the response to the opposition.

e) Alterations were made regarding the composition of the Special Commission

responsible for analyzing the request for recognition of a given mark's highly renowned status. Formerly, the group included 3 sitting members and 2 alternates. Note that now this Commission is chaired by the BPTO's current Director of Trademarks and is composed of 3 sitting members and 3 alternates, pursuant to BPTO's Ordinance Order No. 314/2005 issued by the Institute on the same date as the Resolution under review.

f) Article 10, Paragraph 1, complemented the terms of Article 14, Paragraph 1, of the previous Resolution, establishing that subsequent to payment of a determined retribution in the period of protection of the highly renowned status (5 years), the mark owner will not be subject to any other fee for its maintenance, unless the BPTO requires additional documentation to this end.

Despite the changes noted above, the new Resolution, like its predecessor, did not address possible autonomous request of recognition of a mark's renown.

In view of this, the recognition of the request that the BPTO recognize a mark's highly renowned status is still only possible upon the filing of opposition or administrative nullity proceedings before the BPTO.

It may therefore be concluded that, despite changes to its form and content, regulation governing the matter in question does not address all the concerns of highly renowned marks for complete application Article 125 of the IPL.

Ana Carolina Lee Barbosa
Diego Perandin



COPYRIGHT

Christ the Redeemer monument: who should it be credited to?

Considered one of the wonders of the modern world, the Christ the Redeemer monument in Rio de Janeiro celebrates its 75th anniversary in 2006. Now, so many years after its inauguration – and even longer since its conception ten years earlier – controversy has arisen as to the work's ownership, and worse yet, as to who royalties for its reproduction is due.

While the heirs of sculptor Paul Landowski claim rights, the heirs of Brazilian Heitor da Silva Costa have produced important documents shedding light on the facts and putting an end to discussions about who has rights to the work.

The statue's history began in 1921 when, as the 100th anniversary of Brazil's independence approached, the Catholic Circle of Rio de Janeiro initiated a viability study for the construction of a monument in honor of Christ the Redeemer.

Numerous designs were submitted to an examining board, which selected the contribution of architect and engineer Heitor da Silva Costa. Although the original design was somewhat different, Silva Costa's studies culminated in the symbolic representation of the Christ figure with arms outstretched to suggest a cross.

Based on the studies and sketches, and with important collaboration by the Brazilian drawer and painter Carlos Oswald, Silva Costa prepared two scale models. He then parted for Europe, where an engineering firm assisted in calculating the monument's structural requirements and a statue maker was engaged to refine plans for building the monument.

In France, Silva Costa commissioned Paul Landowski: he admired the sculptor's work and identified it as consistent with his vision for the monument. Commissioned and duly compensated for his work, Landowski helped Silva Costa build one to four-meter scale models, essential to the transposition of the final, thirty-meter statue. Landowski was also responsible for the plaster mold of the face and hands of the Christ image.

Thus the question: who then holds the rights for the architectural monument to Christ the Redeemer? An architect-engineer conceived, executed and made the work; a painter was responsible for the sketches; and a statue maker built the scale models. Ownership rights, then, belong to the three artists.

However, in the project's contract, the statue's ownership rights were permanently assigned to the commissioning party, the Civil Society Christ the Redeemer Monument Commission, now incorporated by the Archdiocese of Rio de Janeiro. It, then, is responsible for managing these rights,

and consequently for any royalties due for use or reproduction of the monument.

The location of the document signed by Silva Costa and the others is unknown, but the contract clearly stipulates the yielding of these rights as a condition for Silva Costa's completion of the project. Since he did in fact complete the work, the conclusion is obvious, and the writings of Paul Landowski support this deduction: they formally record his yielding of ownership rights related to his participation in the work, at the request of Silva Costa.

Thus, the heirs of Heitor da Silva Costa, Carlos Oswald and Paul Landowski hold the work's moral rights and should fight for recognition of their forebears' collaboration, demanding that the respective names be cited wherever authorship is credited and preventing any substantial changes to the monument.

The timing could not be better for this restoration of the statue's memory: celebrations of the monument's 75th anniversary are the ideal moment for sealing the creators' names in the national and international memory. After all, the Christ the Redeemer monument, conceived, executed, and built by Heitor da Silva Costa, with sketches by Carlos Oswald and scale models by Paul Landowski, is a historical landmark and symbolizes the city of Rio de Janeiro, even Brazil itself. It is the image that internationally represents the country.

Alvaro Loureiro Oliveira



DOMAIN NAMES

Domain names – distinction in the release process.

The expansion of the Web has opened a new market for registration of marks, company names, and famous persons. Domain names have become valuable assets and, as such, are subject to extensive dispute.

In an effort to curtail disputes between domain and trademark, the entity responsible for registering domains in Brazil, Registro.br/Nic.br, has created what is known as the domain release process. One of the many rules established by the entity concerns domains in default, with

fees due, and those which cancellation was requested. In both cases, ownership is lost or relinquished by one particular person or company and then begins the release process.

The domain release process is exclusive to Brazil and unique in the world. In the case of global domains (gTLD), such as the eminent .COM., if annual fees are not paid in full, the domain automatically enters the process for becoming available, at which time any person may request it be registered again.

The Brazilian release process involves the gathering into lots of numerous .whether by default or explicit request. Information regarding the opening of the fifteen-day process is found on the Registro.br/Nic.br website, normally 3 days before it commences. All candidates for the registration of released domain names must file for registration during this period.

Until 2004, when two or more interested parties requested a domain in a release process, none of them was granted the name. No administrative solution was in place for verifying the legitimacy of interest in a domain name and its consequent authorization, which rendered many domains unavailable for indeterminate periods, especially those based on marks that were widely recognized or registered by others who failed to maintain payments.

In order to remedy the problem of unavailable domains, Registro.br instituted one of the most important changes in the rule: the introduction of the "distinction"

option, which in the words of the entity means, "At the time request is submitted for a domain name, the petitioner may argue that it holds a distinction relevant to its request for registration a domain in the release process."

To benefit from this distinction option, the petitioner must satisfy any of the following conditions:

- a) the entity applying in the release process must hold the registration certificate for a trademark identical to the domain name requested;
- b) the domain name requested must be identical to the company name, in use for at least twelve months;
- c) the domain name must be representative of the entity's name and contained in its company name.

With the conditions met, the petitioner is qualified to select the distinction flag on the domain name application form. This option indicates that the candidate holds the registration of a mark or company name that corresponds to the domain name in question.

Prior to inclusion of the distinction option, Registro.br dealt with one of three possible scenarios:

- a) no one requested the registration – the domain was released to anyone who registered it;
- b) only one company requested the registration – this company received

the right to use the domain;

- c) two or more companies requested the registration – the domain underwent a new release process established by Registro.br/Nic.br.

With the inclusion of the distinction option, when two or more candidates select the same domain name, the one indicating a distinction may obtain the right providing it presents evidence of the mark and commercial name. Historically, Registro.br has promoted thorough analysis of documentation. Important factors have been the appropriateness of the domain name for the petitioner's activity as well as its credibility.

Inclusion of the distinction option was one the most significant changes in the long history of the release process for domain names in Brazil: the petitioner confers upon himself the right to use the domain, preventing the undue use of names. As such, the domain release process in Brazil circumvents processes that may take advantage of "opportunity," thereby enhancing name protection and avoiding inappropriate releasing of names.

The experience of the release process is an extremely important advantage over the competition. The most important factor in avoiding loss of a domain name is competent management of the name portfolio, with payments and renewals kept up to date, this applying to domains registered either in Brazil or overseas.

Daniele Cerdeira de Sousa Leão Velloso



EDITORIAL BOARD

CHAIR

José Antonio B. L. Faria Correa

Attilio Gorini (*copyright and contracts*)

Joaquim Eugênio Goulart (*civil litigation*)

José Henrique Werner (*criminal litigation*)

Marco Antonio P. Gonçalves (*domain names*)

Maria Carmen de Souza Brito (*patents*)

Markus Wolff (*patents*)

Paulo de Bessa Antunes (*environmental law*)

Rodrigo Borges Carneiro (*copyright and trademarks*)

DISCLAIMER

Dannemann, Siemsen News is a publication of the Dannemann, Siemsen. It is intended merely to highlight matters of interest in the areas of Intellectual Property and Environmental Law. This publication should not be interpreted as a legal/technical opinion for a specific case. Should you require advice or information, please contact one of the members of our Editorial Board.

Subscribe to the digital version:
www.dannemann.com.br/DSNews

Suggestions and comments are welcome at
dsnews@dannemann.com.br

RIO DE JANEIRO

Rua Marquês de Olinda, 70
22251-040 Rio de Janeiro - RJ Brasil
Tel.: 55 (21) 2237 8700
Fax: 55 (21) 2553 1812

SÃO PAULO

Av. Indianópolis, 739
04063-000 São Paulo - SP Brasil
Tel.: 55 (11) 5575 2024
Fax: 55 (11) 5549 2300