

# DANNEMANN SIEMSEN news

No 17 June 2007

read

## PATENTS

**Bill no. 29/06: finally, the proposal for Brazilian "linkage"**

Bruno Falcone

## TRADEMARKS

**The Challenge is to evaluate intangible assets in mergers**

Gustavo de Freitas Morais

Rodrigo Borges Carneiro

## INTEGRATED CIRCUITS

**Layout designs of integrated circuits now have specific protection**

Attilio Gorini

## ENVIRONMENTAL LAW

**Environmental management: What does it mean? What is its purpose?**

Isabel Hirsch de Alcantara

in this edition

### **Dannemann Siemsen Elected the Best of the Year by Managing Intellectual Property**

The English publication Managing Intellectual Property has selected, once again, Dannemann, Siemsen, Bigler & Ipanema Moreira as the best of Brazil in the intellectual property field.

Managing Intellectual Property was founded in 1990 and is now firmly established as the leading international magazine for IP owners, with over 10,000 readers across the globe.

David Merrylees, senior partner, Peter Dirk Siemsen and Gustavo de Freitas Morais, partners, attended the Global Awards ceremony in London.

### **Dannemann Siemsen adopts recycled paper**

Recycling paper is now an economically important activity. It generates income and contributes to sustainable development.

Aware of the importance of socio-environmental measures, Dannemann Siemsen has adopted the use of recycled paper in its correspondence with clients and in its daily activities. The transition has been gradual so as to avoid wasting existing stocks.

Adopting conscientious practices consistent with sustainable development is the responsibility of everyone.

## PATENTS

### **Bill no. 29/06: finally, the proposal for Brazilian "linkage"**

On February 6, 2006, legislative protocol for Bill no. 29 was carried out at the initiative of Senator Ney Suassuna, who intends to add subparagraph VIII of Law No. 6.360/76 to Article 16. This conditions the granting of sanitary registration for pharmaceutical products for human use upon evidence that the petitioner owns the patent or is licensed to economically exploit its object.

Following its presentation, the Bill was sent to the Committee on Social Matters, and Senator Augusto Botelho was named reporter (former reporter Senator Flexa Ribeiro was in favor of the Bill's approval). There were no amendments. If approved, it will establish in Brazil's regulatory system the "linkage" (as it is internationally known) between a patent right and the health authority's marketing approval and registration of the resulting products for sale.

The wording "if the main active ingredient or the drug [read: pharmaceutical formula] to be licensed is the object of a patent that is in effect" may have missed a good opportunity to expressly contemplate the protection granted under patents containing process claims – as the legislator's apparently unequal treatment is unwarranted –, but otherwise the Bill at issue represents a considerable advance in Brazil's industrial property protection mechanisms.

Note the only exception, in theory, to a patent's right to exclusivity under Industrial Property Law Article 43, Subparagraph VII, acts strictly for the production of test

data and results, with the aim of obtaining marketing approval for sale in Brazil or abroad in order to exploit the protected product subsequent to the respective patent's expiry date. However, neither the granting nor the application for such registration is permitted.

Currently, despite the legal and constitutional protection guaranteed invention patent owners, it is not unusual for sanitary registration for the so-called "similar" drugs (branded generic drugs) to be granted to third parties who are not authorized while the respective patent is totally enforceable.

Although the legal concept of a "similar" drug, as established in Law No. 6,360/76, Article 3, Subparagraph XX, unlike the case of generic drugs, does not explicitly address patent protection or other exclusivity rights, it appears that marketing approval, even in the health aspect only, to sell infringing products constitutes a true disservice and violates a series of principals on which government administration is founded.

As such, if the Federal Constitution and Industrial Property Law guarantee a patent owner the right to exploit economically, with exclusivity, its object – "considering the Country's social interests and economic development," – then granting marketing approval for a product that infringes a valid and enforceable patent is *contra legem* and violates public interest.

Moreover, the disservice is explained by the fact that – through an illegal act by the public health authority whereby it grants marketing approval to an unauthorized third party for a product in breach of a valid patent – the patent owner must resort to the already overloaded Judicial System, occasioning complex, unnecessary litigation at high costs to the parties involved, as well as to society as a whole., and this is inconsistent with the general principle that the Public Administration must act in as efficient a manner as possible.

It is also unconvincing to assert that the National Health Surveillance Agency (ANVISA) is a federal entity whose only objective is to protect public health, so that it may not interfere in industrial property matters. If that were the case, it would have to abstain from (re) analyzing patentability requirements for patent

applications for pharmaceutical products and processes sent to it under Article 229-C of the Industrial Property Law.

This legislative initiative is thus beneficial, as it adapts Brazil to international standards for industrial property protection, like in the United States and Canada, for example.

Bruno Falcone



## TRADEMARKS

### The Challenge is to evaluate intangible assets in mergers

The pace of corporate mergers and acquisitions in Brazil has accelerated in the last two years. This trend promises to continue in 2007 as numerous deals have been announced, the purchase of the Ipiranga Group, for example. On the other hand, there is universal agreement on the growing importance of intellectual property for companies in the age of the knowledge economy. In highly innovative sectors, intellectual property in its diverse ramifications is actually the companies' most important asset.

In no area of the current economy is it unimportant to have a well-implemented strategy for protecting, managing and exploring intellectual property. Even sectors considered less "technological," like the fashion industry, or more traditional sectors, like steel, depend on intangible assets such as trademarks and patents to ensure their competitiveness.

In this scenario, intellectual property naturally increases in importance in proceedings of due diligence or systematic analysis of a company's documents and information designed to assess risks. Due diligence is indispensable for mergers, acquisitions and even for obtaining financing, which is more and more often ensured by intangible assets. Careful examination of the intellectual property portfolio of a target company must be conducted, preferably by an experienced team. A solid intellectual property due diligence team should consist of lawyers who have experience in the matter together with industrial property agents who have technical knowledge (like engineers, biologists and chemists); it is ideally conducted in the phase when the parties

are establishing the transaction's general procedures, objectives, guarantees and initial values.

The investigation and analysis must be strategically aligned with the parties' corporate objectives to ensure efficient control of time and resources. In some cases, it is even possible to anticipate pending matters that may determine the outcome of a transaction or influence its value.

Relegating to the back burner an appraisal of the target company's intangible equity and focusing the due diligence solely on corporate, labor and fiscal factors, or postponing the intellectual property assessment until the final phase of the process may prove to be irreparable mistakes.

Ideally the companies take the care to have regular intellectual property audits to adjust their assets to changes in managerial planning. Auditing can identify technologies that the company is not exploring directly, reduce spending on maintaining rights and identify situations where third parties could potentially threaten properties. The practice also teaches that ownership of rights can be affected if a company does not take precautions at the time assets are created.

It is important to point out the key points to be raised in a due diligence. Each situation is unique, and the diverse intellectual assets and rights have particularities that require special precautions. In general, the first issue is identifying all the trademarks, patents, industrial designs, copyrights, computer programs, trade secrets, contracts and litigation in which these assets are involved.

Regarding trademarks, among other things it is fundamental to ensure that there are registrations and that they cover the entire range of goods and services sold: it is increasingly common for the use of trademarks for goods and services to be extended to others to which the mark did not originally apply.

Numerous other issues can and are raised during a due diligence. Of note is the case of any licenses the company may have obtained for the use of software, technology or know how required for its operations and the impact of these licenses. On the other hand, verification must be made of any licenses the company

granted to third parties and their effect on the business.

Completion of this process provides companies with a portrait of the range for building more solid grounds for closing a transaction.

Gustavo de Freitas Morais

Rodrigo Borges Carneiro



## INTEGRATED CIRCUITS

### Layout designs of integrated circuits now have specific protection

As part of its Economic Growth Package, the Brazilian government published Provisional Measure No. 352, on January 2, 2007, now converted in Law no 11,481, May 31st, 2007. The measure instituted programs to foster technological development of the semiconductor and digital TV equipment industries, and also regulates intellectual property protecting layout designs of integrated circuits.

The new measure finally aligns Brazilian legislation with the WTO's International Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and with the WIPO Treaty on Intellectual Property in Respect of Integrated Circuits.

The creator of the layout design, which must be original, may register it with the Brazilian Patent and Trademark Office (BPTO). When filing, the applicant may request nondisclosure for a period of no more than six months. If the application is withdrawn by the month before nondisclosure ends, it will have no effect.

After filing, the BPTO shall conduct only a formal examination and may publish office actions. When this phase has ended, the application shall be approved. There are no provisions for administrative opposition.

The registration shall be valid for ten years, counting from the date of application or the first exploitation, whichever occurs first. Note that the petitioner must declare when he began using the layout design, and this must not exceed two years prior to applying.

Although the registration may appear merely declaratory, that is to say that it does not

create rights, the PM establishes that protection depends upon registration. The conclusion is then that the application does in fact establish rights, and thus is essential for exercising the rights arising therefrom.

Interested parties may file for legal cancellation of the registration, but the PM does not specify the time period for this. Since this is *sui generis* protection, analogy may be applied in this absence of specificity, most notably the analogy with industrial design (ID) registrations under Industrial Property Law (IPL) No. 9,279/98. The IPL establishes that the court may cancel ID registrations, like those of an invention patent, during the period they are in effect. Applying this Law analogously to the case of layout designs, one may conclude that the period for legal cancellation would be ten years counting from the date application is filed.

The preceding statute of limitation is the same as in the Civil Code in cases where the law does not expressly state the period. However, another interpretation is possible: since granting is an administrative act by a federal autarchy, one may conclude that the period is five years from the date granted.

Only time will settle these and other controversial issues, but it is certain that registration of the layout designs of integrated circuits has come at the right time considering the technological advances needed to align Brazil with the world economy.

Attilio Gorini



## ENVIRONMENTAL LAW

### Environmental management: What does it mean? What is its purpose?

The Environmental Management purpose is to seek harmony between economic development and conscientious, balanced and sustainable use of natural resources. It is the environmental variable in corporate management that has become an inexplicable requirement for companies that did not act to comply with social obligations.

Management should begin with investment planning, even prior to purchasing an asset, quantifying and qualifying its value

so as to know just what is being acquired. Before a project, whether public or private, is put into practice, the interested party needs to understand the location where it will be implemented, including information on the soil, climate, hydrology, flora, fauna, infrastructure and social systems created.

Considering that currently everyone is better informed about environmental issues, which are key to beginning any business – whether the industrial, tourist, real estate or infrastructure sector –, investment banks are only financing projects that promise a better environmental performance than production or infrastructure activities.

Choice of location, formulation of a project, its implementation and operation will always depend on sustainable development, which essentially means harmony between economic development and conscientious, balanced use of natural resources.

With these objectives in mind – and placed on paper – one may begin to think about the legal administrative procedures (licensing) required to meet this goal.

What would be the licensing for a project that has been carefully planned in compliance with prevailing environmental legislation? An easy, agile analysis for any environmental agency in any area that is responsible for authorizing its operation.

When the licensing process begins with these objectives already considered, processing is faster and more efficient, without obstacles on the development path.

What exactly would be Environmental Management for a project's implantation and operation?

It would be choosing the right location; elaborating a project appropriate for applicable legal parameters and monitoring its construction; and using modern technology that has already been tested in more developed countries so as to avoid repeating the mistakes of the past.

Companies that apply Environmental Management practices reap unmistakable benefits, from an economic, as well as strategic, perspective, to name a few: lower consumption of water, energy and other inputs; the recycling, sale and

utilization of wastes and decreased effluents; avoiding pollution-related fines and penalties; an increase in the marginal contribution of "green products", which can be sold at higher prices; a higher market share due to innovative products and less competition; the creation of new product lines for new markets; higher demand for products that help reduce pollution. Of the more prominent strategic benefits, the following are few remarkable examples: a stronger institutional image; a revitalized portfolio of products; increased productivity; committed personnel; improved labor relations; enhanced creativity for new challenges; better relations with governmental agencies, the community and environmental groups; guaranteed access to the international market; better alignment with environmental standards. (Source: Adapted from North, K. *Environmental business management*. Geneva: ILO, 1992. In: Cagnin, 1999.)

It is not useful to hold seminars, conferences, meetings and other gatherings with different economic sectors without keeping in mind that the foundation for any type of business is the environment and its planned management.

Activities can no longer be conducted with "dealing" or "influence trafficking": the issue is treated seriously. Companies must engage competent and respected professionals to help make project implementation possible.

Isabel Hirsch de Alcantara



CORRECTION: Please note that in the June 2007 special edition of the Dannemann Siemsen Newsletter, the article "The Concept of Geographical Indications" was written by Ana Lúcia de Sousa Borda, and the article "Industrial Property Law and Border Measures" was also written by Thiago Andrade e Silva.

© 2003/2007 DANNEMANN SIEMSEN

**DISCLAIMER**

Dannemann Siemsen News is a publication of 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 us.

Subscribe to the digital version:  
[www.dannemann.com.br/DSNews](http://www.dannemann.com.br/DSNews)

Suggestions and comments are welcome at  
[dsnews@dannemann.com.br](mailto:dsnews@dannemann.com.br)

**RIO DE JANEIRO**

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

**SÃO PAULO**

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

**BRASÍLIA**

SHS, Quadra 06, conjunto A, Bloco C  
Salas 903-907 - Complexo Brasil XXI  
70316-000 Brasília -DF Brazil  
Tel.: 55 (61) 3433 6694  
Fax: 55 (61) 3433 6695

**EDITORIAL BOARD**

**CHAIR**

José Antonio B. L. Faria Correa

Attilio Gorini

Markus Wolff

Rodrigo Borges Carneiro