

BRAZIL

**Criminal law sanctions with regard to the infringement of
intellectual property rights**

2. Substantive law:

The groups are invited to present the legal system currently in force in their countries from the point of view of the implementation of the penal sanctions of the intellectual property rights.

2. The Brazilian Intellectual Property legal system is basically composed by a Copyright Law (Law n. 9,610 of February 19, 1998), a Software Law (Law n. 9,609 of February 19, 1998), an Industrial Property Law (Law n. 9,279 of May 14th, 1996), a Consumer Law (Law n. 8,078, of September 11, 1990) and another separate law to regulate rights and obligations relating to corporate names (Law n. 8,934 of November 18, 1994).

However, the criminal provisions related to these laws are not necessarily encompassed in each of them. Crimes against copyrights are embodied in the Brazilian Criminal Code (Decree Law n. 2,848 of December 7, 1940). On the other hand, the Industrial Property Law foresees the crimes against patents, industrial designs, trademarks, geographic indications and the crimes of unfair competition (in which is included, among others, a modality of crime against corporate names). Crimes against softwares are included in the Software Law. The specific sections, as well as a brief description of each provision are as follows:

- Patent

Patent infringement is a crime as foreseen in the Industrial Property Law (articles 183 to 186). The various crimes are:

- a) to manufacture a product which is patented, without the authorization of the patent owner;
- b) to use a patented process without the authorization of the patent owner;
- c) to export, sell, exhibit or offer for sale, keep in stock, conceal or receive, with an economic purpose, a product which is a patent infringement;
- d) to import a patented product without the owner's consent, for the purpose mentioned in item "c" above, provided that the product was not placed on the local market by the patent owner or with his consent;
- e) to supply a component of a patented invention, provided that the final application of this component necessarily leads to the exploitation of the subject-matter of the patent.

The criminal remedies available are:

- search and seizure;
- criminal complaint;
- imprisonment of the infringers (the period is not equal for all acts and may vary from one month to one year); and
- fines.

- Industrial Designs:

Infringements of the industrial designs registrations are crimes as stated on articles 187 and 188 of the Industrial Property Law. These crimes are:

- a) to manufacture, without the authorization of the owner of the registration, a product that incorporates an industrial design registration, or a substantial imitation of it that may lead consumers to error or confusion;
- b) to export, sell, exhibit, with an economic purpose, an object that illegally incorporates an industrial design registration or a substantial imitation that may lead consumers to error or confusion;
- c) to import a product, for the purpose mentioned in item "b" above, that incorporates a Brazilian industrial design registration or a substantial imitation that may lead consumers to error or confusion, which were not placed on the local market directly by the owner of the registration or with his consent.

The remedies available for patent infringement (above listed) also apply for the industrial design violations. Imprisonment may vary from 1 (one) month to 1 (one) year. Destruction of seized goods is also available.

- Geographic Indications:

Infringements of geographic indications are crimes as foreseen on articles 192 and 193 of the Industrial Property Law:

- a) to manufacture, import, export, sell, exhibit or offer for sale or keep in stock a product that presents a false geographical indication;
- b) to use indicative terms - on a product, container, casing, belt, label, invoice, circular, poster or on any other means of disclosure or advertisement - such as "type", "species", "kind", "system", "similar", "substitute", "identical", or the equivalent, without making clear the true source of the product;

The available remedies are the same described above. Imprisonment may vary from 1 (one) to 3 (three) months.

- Trademarks:

Infringement of a trademark registration is a criminal offence (articles 189 and 190 of the Industrial Property Law). These crimes are:

- a) to reproduce a trademark registration in whole or in part, without the authorization of the trademark registration holder; or to imitate the registered trademark in a manner that induces confusion;
- b) to change a third party's trademark which identifies the product and then placing it on the market;
- c) to import, export, sell, offer or exhibit for sale, conceal or keep in stock:
 - (i) a product branded with a trademark illegally reproduces or imitated, in whole or in part; or
 - (ii) a product held in a container or package carrying a legitimate mark of a third party.

The remedies available are the very same for patent and industrial design infringements (listed above). Imprisonment may vary from 1 (one) month to 1 (one) year.

- Unfair Competition:

Acts of unfair competition are defined in the Brazilian Industrial Property Law (article 195) as criminal acts, which may be prosecuted before the criminal courts. The following acts of unfair competition allow criminal procedures:

- a) to publish, by any means, a false affirmation which is detrimental to a competitor, with a view to obtaining advantage over that competitor;
- b) to provide or divulge false information about a competitor, with a view to obtaining competitive advantage;
- c) to use fraudulent means to divert, for his own or a third party's benefit, a competitor's clientele;
- d) to use or imitate a competitor's advertising expression or sign, to cause confusion between the products or establishments concerned;
- e) to use a competitor's business name, corporate name or insignia, or sell, exhibit, offer for sale or keep in stock a product with such references;
- f) to substitute in a product the competitor's trade name by his own name, without the manufacturer's consent;

- g) to claim, in advertising, a false qualification that a person has not obtained;
- h) to sell, exhibit or offer for sale an adulterated or falsified product, with the competitor's package;
- i) to give or promise money or other advantage to a competitor's employee, to induce such employee to provide the giver with an advantage, through failure in his labour duties;
- j) to receive money or other utility, or accept a promise of payment or reward, to fail in the labour duties and provide a competitor with an advantage;
- k) to sell, exhibit, offer to sale or market a product which is presented as the subject of a filed or granted patent or a registered industrial design, when it is not.

Within the Industrial Property Law, infringement of trade secrets (also understood as unfair competition acts) comprises the disclosure, exploitation or use without authorization of:

- a) confidential knowledge, information or data, usable in industry, commerce or the service market (excepting the information which is of public knowledge or which is obvious to a person skilled in the art), to which he has had access by means of a contractual or employment relationship, even after the termination of such relationships;
- b) knowledge or information as mentioned in the previous item, when obtained by illicit means or fraud;
- c) the results of tests or other undisclosed data, whose elaboration involved considerable effort and was presented to government entities as a condition for the approval of the product sales.

Remedies against trademark infringements and acts of unfair competition included search and seizure, criminal complaint and usual remedies already mentioned (patent infringement). Imprisonment may vary from 3 (three) months to 1 (one) year.

- Software

The following acts are described as crimes (article 12 of the Software Law):

- a) to violate a software;
- b) to reproduce, by any means, a software, in whole or in part, with profit intention, without the author's or his representative's consent;
- c) to sell, exhibit for sale, import, rent, buy, hire, keep in stock, with profit intention, an original or a copy of a software produced with a software violation.

The available remedies are the same already described above. Imprisonment may vary from 6 (six) months to 4 (four) years.

- Copyright:

The following acts are described as crimes (section 184 of the Brazilian Penal Code):

- a) to violate a copyright;
- b) to reproduce an intellectual work, phonogram or video, by any means, with profit intentions, without the author's or the producer's authorization;
- c) to sell, exhibit for sale, import, rent, buy, hire, lend, exchange or stock, with profit intention, an original or a copy of an intellectual work, phonogram or video, without the author's or the producer's consent.

The available remedies are the same already described above. Since some of such acts are prosecuted by public criminal lawsuit, police inquests are also possible to investigate them. Imprisonment may vary from 1 (one) to 4 (four) years.

2.1 More particularly, the groups are invited to indicate if the provisions of article 61 of the TRIPS Treaty were introduced into their national legislation with regard to the trademarks and to the copyright.

2.1 Article 61 of the TRIPS Treaty states the following:

Article 61.

"Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements, which had been used to commit the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular whenever they are committed willfully and on a commercial scale".

Concerning Brazilian legal system, the rules of any IP treaty signed by the President and approved by the Congress (such as TRIPs) can be invoked by any national or resident foreigner. Such rules are directly enforceable, without the need of being endorsed and ratified by a subsequent national law.

In spite of this, criminal provisions stated in the Brazilian Intellectual Property Legislation are clearly in line with the provisions stated on article 61 of the TRIPS Treaty. Sanctions of imprisonment and fine required by the mentioned provision are incorporated in the Brazilian Criminal Code (whereby the criminal provisions related to copyrights are stated), in the Software Law (Law 9,609/98) and in the Industrial

Property Law (Law 9,279/96). Types and intensity of sanctions are applied in accordance with the seriousness of the crime committed.

Furthermore, the seizure of the infringing goods, their loss and their destruction are also incorporated in the criminal provisions stated in the Brazilian Intellectual Property Legislation. The criminal provisions also allow the seizure, loss and destruction of materials, accessories, pieces, parts and components related to the intellectual property infringement.

However, many criminal judges allow the seizure of only few products, just to have the technical examination about the counterfeiting. Such behavior harms the TRIPs provisions, since this partial seizure does not intend to avoid that the counterfeited goods be placed in the market.

Do the national laws provide penal sanctions in case of the violation of other rights of intellectual property such as patents, models, unfair competition and so on?

Brazilian Intellectual Property Legislation also provides penal sanctions against infringements of software, patent, utility model, industrial designs, geographic indications, unfair competition and infringement of trade names.

2.2. The groups are invited to present the conditions of the penal liability for the acts for infringement of the intellectual property rights.

And in particular, does this penal liability require a special intentional element?

Who has the burden of proof of this intentional element?

Is this special intentional element supposed or must it be proven positively?

2.2 The intentional element is required for all intellectual property crimes. The plaintiff has to argue and positively prove it during the criminal action, since the burden of proof is his.

The intentional element may be evidenced if the ® symbol (meaning registered trademark) is displayed in the product. The receipt of a cease and desist letter by the infringer (before the search and seizure) is another acceptable evidence of the willfull intentional element which is needed for penal liability.

2.3. The groups must also indicate if there are differences between the acts of infringement of an intellectual property right from the point of view of the civil and penal liability.

The groups must indicate if the civil and penal liability are, in fact, likely to be engaged for the same acts of counterfeiting.

2.3 The criminal liability is independent with respect to the civil liability. Not necessarily all civil torts stated by the civil law will correspond to a criminal tort. An action which is considered as a civil infringement is not necessarily considered a crime. Section 209 of Brazilian IP Law rules that infringers are liable, at a civil court, for any act of unfair competition not defined by the penal sections.

Are the terms of limitation of these acts identical from the point of view of the civil liability and the point of view of the penal liability?

The statute of limitation for the criminal liability is not the same as the statute of limitation for the civil liability. On the criminal sphere, the statute of limitation may vary from 2 (two) to 8 (eight) years and on the civil sphere it may vary from 5 (five) to 20 (twenty) years, depending on the kind of (i) the infringed right, (ii) the complaint presented by the plaintiff and/or (iii) the concrete sanction fixed by the judge.

2.4. The groups must also indicate if their national laws provide the penal liability against a legal moral person for acts of counterfeiting.

2.4 Under the Brazilian criminal system, moral persons are not subject to prosecutions under the criminal law. Only their legal representatives have criminal liability. There are few exceptions allowing the punishment of moral persons in the criminal sphere, such as the environmental crimes. The Brazilian law writers are, however, submitting this issue to an ardent discussion, which may appoint to another understanding in the near future.

2.5. Does the penal Court which rules on the penal liability for an act of counterfeiting have the capacity to rule on the question of the validity of an intellectual property right or is this appreciation only the concern of a civil jurisdiction?

2.5 Article 205 of the Industrial Property Law sets forth that an allegation of nullity of a patent or a registration which is the cause of action may constitute matter of defense in a criminal action.

“Article 205 - An allegation of nullity of the patent or registration which is the cause of action may constitute a matter of defense in a criminal lawsuit. The acquittal of the defendant, however, will not mean the proper nullity of the patent or registration, which can only be requested in an action before the competent courts”.

If the criminal judge recognizes the invalidity of a patent or a registration, such decision only reaches the parties involved in the specific criminal action (the plaintiff and the defendant that challenged the validity of the intellectual property right). The recognition of the invalidity of the IP right, by the criminal judge, will not generate *erga omnes* effects (effects against the whole community). To obtain *erga omnes*

effects, the defendant will be required to file a nullity action before the Federal Court, involving also the BPTO.

If the penal judge does not have the capacity to appreciate the validity of an intellectual property right and in particular to pronounce the revocation of it, is it possible for the defendant to the criminal proceedings in counterfeiting to ask a stay of proceedings in order to seize the civil judge, or the patent office, of the appreciation of the validity of the right which is opposed to him?

The criminal judge is empowered to render a decision on the criminal action (in which the validity of an intellectual property right was raised) before the specific nullity action is adjudicated by the civil court, as long as the criminal liability is independent of the civil liability.

However, depending on the situation involved, the criminal judge may order a stay in the criminal procedure and await the civil decision regarding the validity of the intellectual property right.

2.6 The groups must also indicate which are precisely the sanctions envisaged by their penal legislation for acts of infringement of intellectual property rights.

2.6 The sanctions are stated on number 2 above.

Are the courts which impose penal sanctions also qualified to allocate damages in repair of the damage undergone by the victims of the acts of counterfeiting or is this question only the concern of the civil courts?

The criminal courts may not convict the defendant to repair the damages caused by the crime against an intellectual property right. The fine is the sole monetary penalty against the infringer, but it is paid to the Government and not to the offended party (owner of the intellectual property right violated). Besides, the value of the fines imposed by the criminal courts is not enough to compel infringers to cease the illegal activity. The Brazilian Association of Intellectual Property has sent to lawmakers some suggestions to change this scenario.

2.7 The groups are finally invited to give all practical information which they consider useful for the understanding of their legal system and in particular the information concerning the person vested with the right to initiate a penal procedure, the burden of proof of the infringement, the possibility for parties to settle the proceedings by an agreement, etc.

2.7 A preliminary search and seizure procedure may be requested by the offended party, whenever the violation refers to trademarks, patents, utility models, industrial designs, geographic indications, unfair competition, trade name and some

copyright infringement (the later is submitted, in some cases, to public lawsuits, which the offended party is not entitled to file).

An expert will be nominated to present a technical report on the counterfeiting or unfair competition. If such technical evidence confirms the facts described as crime, the offended party has a 30-day term to present the criminal complaint in order to start the private criminal action. Such term starts to run after the technical report is accepted and validated by the judge (the major case-law also requires that the offended party be served of such validation).

The police inquest is an administrative procedure that may be requested by the owner of a copyright for the same reasons stated before. The seizure of the products is not limited to samples but to the whole illegal production. It may be also applied in cases in which any distinctive elements of a public agency, national or international government are violated.

The House of Representatives has approved a project of law (nr. 333/99, which is now being examined by the Federal Senate) allowing the use of police inquests for the prosecution of all the other IP crimes, not limited to copyright cases.

The private criminal action is filed by the offended party (owner of the intellectual property right violated). The offended party is the Plaintiff of the criminal action and has the prerogative to decide whether the criminal action should be filed. This type of criminal action is applied on cases of crimes against patents, utility models, industrial designs, trademarks, geographic indications, unfair competition, trade names and some copyright infringement. The Public Prosecutor is only responsible for the supervision of the criminal action.

The public criminal action is filed by the Public Prosecutor when a public interest is involved due to a crime against an intellectual property right. In this case, the Public Prosecutor is the Plaintiff of the criminal action and is obliged to initiate the criminal procedure. This type of criminal action is only applied on cases of some crimes against copyrights or in cases in which any distinctive element of a public agency, national or international government is violated. The offended party may assist the prosecution.

When the Public Prosecutor refrains from initiating the public criminal action without any consistent reason, the offended party has the right to file a subsidiary private criminal action. However, this kind of subsidiary action is not allowed whenever the police inquest is shelved by the Judge.

As stated in item number 2.2, the Plaintiff has the burden of proof regarding the intentional element.

Agreements are only possible under private criminal actions. The offended party does not have the right to settle the case with an agreement if the action is of public initiative, as long as in these cases the Plaintiff is the own Public Prosecutor.

And the groups are invited to provide, if they exist, for the statistical data concerning the resorts to penal procedures (times of procedure, costs, a number of the litigation in country etc).

Police inquests may take approximately one year. The criminal preliminary procedure for search and seizure takes approximately six months. Criminal action may vary from two to three years.

The Court costs involved may vary from US\$ 500.00 to US\$ 1,000.00. The costs regarding experts' fees may vary from US\$ 1,500.00 to US\$ 4,000.00. The number of cases is not available.

2.8.1 In addition, the groups are also invited to describe the role of the technical experts in this penal procedure.

2.8.1 In the previous search and seizure proceeding, the technical experts have to analyze the evidences of the crime committed and present a report about the related aspects. Such report will be the grounds of the charges described in the subsequent criminal complaint.

And in particular to indicate if the opinions of the technical experts can be used to show that the validity of a right is not obvious and that this doubt must be taken into account to appreciate the intentional element of the penal offence.

The conclusions of the technical experts can be used to show that the right is not valid. However, the experts may only analyze the facts involved in the case. Only the judge is empowered to recognize and declare the validity or invalidity of a right. Since the patent or registration is granted by an administrative act, it is presumed to be valid. The infringer has the burden to prove the nullity. However, it is a penal tradition that doubts must be solved in favour of the defendant. Thus, if the validity of the IP right is not clear, such doubt can be taken in consideration to assess the intentional element needed to establish the criminal offence.

2.9. Lastly, the groups are invited to make known their general opinion on the interest of the penal sanctions for the acts of violation of the rights of intellectual property right.

2.9 Penal sanctions are very important. All legal systems should have criminal provisions with respect to all intellectual property rights as a supplementary remedy to be adopted against the infringer.

3. Proposals for solutions for the future:

On the basis of the evaluation of the existing legal system in their country, the groups are invited to formulate proposals for the future which could form the subject of a harmonisation at the international level.

3. The Brazilian House of Representatives has approved a project of law (nr. 333/99) increasing penalties for counterfeiting crimes. Such increase has positive effects, since it works as a deterrent and enlarges the statute of limitations.

The offended party must be awarded punitive damages, which payment should end penal liability. Damages paid by the infringer must be higher than the royalties paid by a regular licensee.

Moral persons can only be criminally liable if the penalties have an economic nature. However, the liability of moral persons should not suppress the liability of the natural persons (its partners), which is a strong tool to lead infringers to an agreement.

3.1. The groups are invited to take position on the advisability of subjecting to penal sanctions the violation of all the intellectual property rights: Should the penal sanctions be extended to all the intellectual property rights, including the patents?

3.1 The Brazilian legislation already provides penal sanctions to all the intellectual property rights (including patents) and it is the opinion of the group that they should be maintained and that all countries should have it.

3.2. The groups are invited to formulate observations on the existence of the intentional element as condition required for the application of penal liability to the authors of infringement of intellectual property rights.

Should this violation be deliberated?

3.2 The intentional element is needed for penal liability. Unconscious violations (without the wilful element) must lead only to civil liability.

Could the proof of the intentional character result from the nature of the infringement or does it have to be proven positively by the victim of the counterfeiting?

See item 2.2 above. The intentional element should be positively proven. Such evidence may consist in the receipt of a cease and desist letter, the use of the ® symbol in the trademark that was reproduced or imitated without consent, the notoriety of the trademark, the level of reproduction or imitation etc...

3.2. Should the Penal Judge have to rule on the validity of an intellectual property right whose infringement is reproached within the penal procedure or should he leave the question of the appreciation of the validity of such a right to the concern of the

Civil Judge or the patent office, and to postpone consequently to rule in the penal procedure while waiting for the ruling of the proper authority on the validity of the title called upon in the penal authority?

3.2 See item 2.5 above. The Judge of the criminal court should be entitled to incidentally recognize the invalidity of an intellectual property right, since the course of the criminal action (which is processed by the State court) is totally dissonant to the nullity action (processed by the Federal court). In fact, the nullity action may last about 10 years, this being the reason why the suspension of the criminal action during this complete period is unacceptable and not advisable.

In the resolution regarding question 134 B, the AIPPI has already resolved that: "1. a court which is called upon to determine infringement of a patent or a trade mark should also be able to adjudicate upon validity, at least inter partes, to ensure that the validity and scope of the right are consistently construed".

3.3. The groups finally have to determine if the victim of counterfeiting must be a master of the criminal proceedings i.e. introduce it and put an end to it, in particular by settlement?

3.3 The victim of the counterfeiting may not shelve public criminal actions. The defendant's authorization (presumed in an agreement) is needed to shelve private criminal actions.

Could the victim of the counterfeiting be able to use, in particular within the framework of the civil procedure, the documents from the penal procedure and in particular the evidence of the alleged counterfeiting?

This possibility is already available under the Brazilian Intellectual Property legal system.

4. Various:

The groups are invited to announce all other aspect of the question which could result from the examination of the questions above and which would not be expressly mentioned in the working guidelines.

Indeed, taking into account the pioneer character of the question, the AIPPI wishes to profit from the experience of the national groups, even when some situations can appear exceptional, for, if required, being able to draw the consequences from it on the international level.

4. See topic 3 above.

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