

Brazil
in English

Report Q. 192
by the Brazilian Group

Acquiescence (tolerance) to infringement
of Intellectual Property Rights

I) Study of the substantive law

- 1) **The Groups are invited to indicate if, in their system of national law, rules are provided conferring an effect on the tolerance expressed by the holder of an intellectual property right with regard to a third party who infringes his/her right.**

Does this effect of the tolerance applies to all intellectual property rights (patents, models, marks and other distinctive signs) or only to some of them?

The Groups are also invited to give the justifications advanced in their country to introduce this rule of the acquisition of rights by the effect of the tolerance and to define the range of it.

Finally, the last question is to know if rules relating to acquisition of rights by effect of tolerance shall be exactly the same for all intellectual property rights.

Do national laws distinguish intellectual property rights subject to registration from the intellectual property rights which are simply conferred by use and not by registration.

The Brazilian system law does not admit the acquisition of rights as a mere effect of tolerance. There are general principles of law related to the statute of limitations that, in some sense, may achieve the same effect.

It is also important to stress that there are no legal distinction (at least in its intrinsic legal nature) concerning intellectual property rights that are subject to registration as trademarks and patents, from those IP rights that are conferred by use, publication or fixation (as *sui generis* rights, copyright and related rights).

Brazilian Civil Law recognizes two ways in which determined right can be limited (statute of limitations). One of them (*decadência*) extinguishes the right itself, and it can be determined by law or in a private agreement between the parties. The other restriction (*prescrição*) extinguishes the possibility of a legal action to be brought to the Court and it is always determined by law.

The first hypothesis occurs when one entitled to a certain right does not exercise it during the period stated in law or in a private agreement and,

obviously, in an indirect manner, extinguishes the possibility of bringing a legal action to Court, due to the loss of object of same. The elapse of such period cannot be suspended or interrupted.

The second case extinguishes, on the other hand, the right of action, that means, the right to bring a legal action to the Court. Although the right itself is recognized, the right to execute it in Court is extinct. The elapse of such period can be suspended or interrupted by causes stated in law.

Even if the time limit established by the statute of limitations is not reached, tolerance (or an inaction from the right owner) may difficult the utilization of a *periculum in mora* argument as a basis for an injunction request. However, such consequence is only an incidental result of tolerance and not the acquisition of substantive intellectual property rights.

- 2) The acquisition of the rights by the tolerance remains subjected to conditions relating in particular to the duration of this tolerance and the attitude expressed by the third party which exploits without authorization a prior intellectual property right.**

The Groups are thus invited to indicate which the necessary duration is so that the tolerance can confer a right to a third party and deprive the holder of the intellectual property right of the possibility of acting against this third party.

And the question is also of knowing which the starting point of this duration is and which is the act that the holder of the right must achieve to interrupt it.

Thus the Groups are invited to answer the question of knowing which the requirements are so that the tolerance is regarded as interrupted: is it necessary to initiate a legal procedure or is it enough to protest, for example by a letter, against the presumed infringement?

Tolerance of the presumed infringing use of intellectual property rights does not confer any right to third parties under Brazilian law.

The Brazilian group understands that if tolerance may be accepted, a period for the acquisition of rights by tolerance shall be reasonable and counted from the right holder knowledge of the presumed infringing use. Moreover, any simple proceeding from the right holder, as a cease and desist letter or an administrative opposition, shall be considered clear evidence that there was no tolerance regarding the presumed infringing use.

- 3) The tolerance supposes that the holder of the former right knows the existence of the infringement to his right and accept it in an intentional way.**

The question arises then of knowing which is the degree of knowledge of the acts of infringement which the holder of the former right must have to be considered as having accepted the litigious exploitation.

Can this knowledge be supposed or must it be proven in a positive way?

The Brazilian group understands that the knowledge of the presumed infringing evidence shall be proven in a positive way. Moreover, a simple public use must not be considered sufficient evidence of the right owner knowledge of the presumed infringing use.

- 4) In the same way, the Groups are invited to indicate what are the requirements to which the third party exploiting the prior intellectual property right without the authorization of its holder, must meet.**

Does this exploitation have to be carried out in good faith?

And according to which criteria jurisprudence and the national law define this good faith?

The Groups are also invited to indicate if the third party who exploits prior intellectual property rights without authorization must be in the ignorance of the existence of this right to be considered as having acted in good faith or if the knowledge of the former right does not exclude the good faith?

The third party that exploits the prior intellectual property must proceed in good faith and any prior knowledge of the intellectual property right by the exploiting party shall be deemed as bad faith.

- 5) The Groups should also indicate if their legal system provides other conditions (as for example the value or the geographical extent of the infringing activity) to which the exploitation of the second right by the third party shall meet in order to may call upon the benefit of the tolerance of this right by the holder of the former right.**

Another question relates to the conditions that have to be fulfilled by the use of the intellectual property rights which are subject to tolerance.

Do national laws provide conditions of this use relating to its importance, duration or its continuous nature.

The Brazilian Law does not provide conditions which the exploitation of the prior intellectual property right must meet as tolerance does not create any right.

- 6) If the system of the national law provides the acquisitive effect of the tolerance, the question arises of knowing what are the consequences**

from the point of view of the rights of the third party who benefits from this tolerance.

First of all, the Question arises of knowing if this third party can only continue the same exploitation as that which profited from the tolerance from the holder of the former right or, if on the contrary, he can modify the nature as well as the extent of the exploitation which he undertook.

The Groups are thus invited to indicate if, in their country, the jurisprudence and the legal provisions limit the exploitation of the right former by the third party to the possibility of continuing it under the precise conditions of the operation taking benefit of the tolerance (as well from the point of view of the form, the sign, the model or the product being the subject of a patent as territorial and economic extent of this exploitation).

In addition, the question arises of knowing if the intellectual property right profiting from the tolerance (mark or another distinctive sign, model or invention) can be transferred to another third party and if this third party also profits from the tolerance from which its predecessor did take advantage.

Thus, the question is to know if the tolerance has an effect limited to the person who profited from it by the holder of the former right or if it is attached to the sign, model or invention which was used, independently of the person who carries out this exploitation.

The Groups should expose the solutions adopted on this subject by their national laws.

The third party that exploits the prior intellectual property right does not obtain any right by reason of this exploitation.

7) In the same context the question of the exhaustion of the right intervenes.

Indeed, if the products or the signs profiting from the tolerance are put on the market, the question of the freedom of circulation of these goods arises since they hardly can be regarded a priori as commercialised with the authorization of the holder of the former right.

It thus should be known if the tolerance is limited to the acts of the exploitation achieved by the person who profits from it initially or if it also extends its effects to the third parties which bought products, in particular for their export abroad.

There is no case law concerning an undue importation of goods that were put in the market - with the tolerance of the right holder - in other jurisdiction.

It is likely that exhaustion of the right shall not intervene in the present issue. Firstly because, as already mentioned, tolerance is not recognized under Brazilian law. Secondly, it is likely that the right holder may easily differentiate both situations and argue that, even if the first commercialization was object of tolerance, the commercialization under Brazilian jurisdiction is not tolerable.

- 8) The acquisition of rights by the effect of the tolerance raises also the question of the final and irrevocable character of this acquisition.**

One can indeed wonder about the question of knowing if it is not possible to call into question the effects of the tolerance for example by a regulation which would organize the coexistence of the two rights.

The Groups are thus invited to indicate if such a regulation is possible in their national systems and how can it be organized.

As tolerance of the exploitation does not originate any substantive right under Brazilian Law, there is no possibility (or need) of such organization.

- 9) Lastly, the Groups are invited to give their appreciation on the operation of the mechanism of the acquisition of the rights by the effect of the tolerance in their country.**

And the Groups are also invited to indicate if the rules as they exist in their country, can be used as a basis for a possible international harmonization.

The Brazilian System Law does not confer any right to third parties that exploit prior existing intellectual property rights. In other words, as tolerance is not foreseen under Brazilian Intellectual Property Law, it may not be considered as a method that creates a substantive right, especially if such right arises in contradiction to a previously existing intellectual property right.

II) Proposals for the harmonization

The Groups are invited to formulate the suggestions about the possible international harmonization of laws of intellectual property in the field of the effect of the tolerance of acts of infringement.

These suggestions should be founded on the evaluation that the Groups make of the legal system of their country so as to base the future harmonization on the legal solutions which appear to be the most effective and easy to implement.

- 10) First of all the Groups should formulate an opinion as for the rights of the intellectual property which could be struck by the effect of the tolerance of infringement.**

Does this tolerance have to take effect with regard to all the intellectual property rights or only for some of them (for example for the distinctive signs)?

The same principles concerning tolerance shall have effects concerning all intellectual property rights, as there is no sound reason that justifies a difference of treatment in this sense.

- 11) The Groups are also invited to give their opinion as for the nature of the tolerance if it were to be the subject of an international harmonization: is it limited to be a means of defence in the event of infringement proceeding or confers it a right pertaining to the person second in date?**

The nature of the tolerance shall be restricted to be used as a defence argument under an infringement proceeding, diminishing (or eliminating) the liability of the alleged infringer. The Brazilian group considers that tolerance shall not confer a substantive right to an intellectual property right infringer.

- 12) The Groups are also invited to formulate suggestions as for the conditions (such as: duration, extent and the knowledge of the infringement by the holder of the former right etc) which the tolerance should fulfil to produce the legal effects in the event of a possible international harmonization of the intellectual property rights.**

A reasonable period, after the knowledge of the infringement by the right holder should be available, as well as it must be interrupted with a simple letter from the right holder. A simple information to the alleged infringer showing evidence that the use is not approved by the right holder shall be sufficient to eliminate any characterization as a good faith use and/or that there is a tolerance concerning such use.

- 13) Finally the Groups can formulate any additional opinion as for the possible international harmonization of the rules of the intellectual property rights about the conditions and effects of the acquisition of the rights by the effect of the tolerance.**