

# Intellectual property right licences Q&A: Brazil

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Country Q&A | Law stated as at 31-Jul-2021 | Brazil

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This Q&A provides country-specific commentary on the following standard documents:

*Trade mark licence: Cross-border.*

*Copyright licence: Cross-border.*

*Patents and know-how licence: Cross-border.*

*Industrial design right licence (short form): Cross-border.*

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## Key aspects of intellectual property licensing

### Degree of exclusivity

1. Describe what is understood by each of the below terms in your jurisdiction.

### Exclusive licence

An exclusive licence is the exclusive right granted by an individual or legal entity (licensor) to another individual or legal entity (licensee) to use the licensed intellectual property (IP) right for a determined term in a specific territory. No other parties (including the licensor) can use the licensed IP right, except if this is provided for in the licence. An exclusive licence does not transfer the IP right to the licensee (the licensor continues to be the owner of the right).

### Non-exclusive licence

A non-exclusive licence is a non-exclusive right granted by the licensor to the licensee to use the licensed IP right for a determined term in a specific territory. Any other parties authorised by the licensor can use the licensed IP right in the licensee's territory. The licence does not transfer the IP right to the licensee (the licensor continues to be the owner of the right).

### Sole licence

There is no definition of sole licence under Brazilian law. A licence under which only the licensor and licensee can exploit the licensed right is considered an exclusive licence that is subject to an exception for direct exploitation by the licensor.

2. Are exclusive licensees entitled to greater rights than sole or non-exclusive licensees? If yes, describe what those greater rights are for each type of intellectual property (IP) right, and comment on whether they can be expressly excluded from the terms of an IP licence.

## Trade marks

The law does not provide exclusive licensees greater rights than those attributed to non-exclusive licensees. In all cases, all rights should be clearly listed in the licence.

## Copyright

The law does not provide exclusive licensees greater rights than those attributed to non-exclusive licensees. In all cases, all rights should be clearly listed in the licence.

## Patents and know-how

The law does not provide exclusive licensees greater rights than those attributed to non-exclusive licensees. In all cases, all rights should be clearly listed in the licence.

## Industrial design right

The law does not provide exclusive licensees greater rights than those attributed to non-exclusive licensees. In all cases, all rights should be clearly listed in the licence.

## Most-favoured-nation clause

3. Is it common for a non-exclusive licensee to seek to restrict the terms on which the licensor can grant licences to third parties to use the licensed IP right, either in or out of the licensed territory (in the UK this is referred to as a most-favoured-nation clause (see for example *Trade mark licence: Cross-border: clause 2.2* and *Patent and know-how licence: Cross-border: clause 2.3*)?)

Most-favoured-nation clauses are common in Brazil in copyright agreements (for example, for the distribution of films by pay TV operators), especially when the licensee is a foreign company (from the US or UK).

These clauses, although not prohibited, are not very common in trade mark and patent licences.

4. Do any particular competition law implications arise in your jurisdiction from the inclusion of a most-favoured-nation clause in an IP licence? If yes, briefly explain these and comment on whether any amendments are required to either of the clauses referred to in [Question 3](#) as a result.

No particular competition law implications arise in Brazil from the inclusion of a most-favoured-nation clause in an IP licence. However, the inclusion of a most-favoured-nation clause together with other practices potentially harmful to competition, such as resale price fixing and exclusivity clauses, may have anti-competitive effects and be considered illegal. Competition issues must be analysed on a case-by-case basis.

### **Payment**

5. How is payment for a licence of IP rights most commonly structured in your jurisdiction?

The payment for a licence of IP rights is generally structured as periodic royalty payments (corresponding to a percentage of the net sales price of the products or the net revenues obtained from the licensed rights). Payment can also be structured as a fixed value per unit sold or as a lump sum. For payments to be remitted abroad, the IP right and the licence agreement must be registered with the National Institute of Industrial Property (INPI).

For tax deductibility purposes, the maximum amounts paid for trade mark and patent licences are subject to specific limitations (see [Question 6](#)).

6. Briefly explain the tax implications for either party of payment being made as:

- Periodic royalty payments;
- Fixed milestone payments; and/or
- a lump sum.

Payments made as periodic royalties, fixed milestones and/or a lump sum have no direct tax implications for the licensor and licensee.

However, a licensee that is subject to the real profit regime for income taxes (see [Question 9](#)) can deduct the amounts paid as royalties. Deduction is limited to a specific percentage of the net revenues arising from the exploitation of the licensed rights. This means that in a given period, depending on the type of payment, not all amounts may be deductible for tax purposes.

7. How is interest on overdue amounts usually calculated in your jurisdiction?

Interest on overdue amounts is usually charged at a rate of 1% per month (which is the legal interest rate on arrears under Brazilian law), in addition to a penalty fine of 10% of the total overdue amount.

8. What index is used to measure inflation in your jurisdiction (see, for example, [Standard document, Patents and know-how licence: Cross-border: clause 1.1: Definition of Minimum Royalty](#))?

The most common indexes used to measure inflation in Brazil are the Market General Price Index (IGP-M) and the Amplified Consumer Prices Index (IPC-A).

The IGP-M is calculated by the *Fundação Getúlio Vargas* (FGV) and comprises three other indexes, the Wholesale Prices Index (IPA), the Consumer Price Index (IPC), and the Construction Cost National Index (INCC), which represent 60%, 30% and 10% of the IGP-M respectively.

The IPCA is calculated by the Brazilian Institute of Geography and Statistics (IBGE) in the metropolitan regions of Rio de Janeiro, Porto Alegre, Belo Horizonte, Recife, São Paulo, Belém, Fortaleza, Salvador and Curitiba, Brasília and the municipality of Goiânia. It measures the price variation of products and services consumed by families with income between one and 40 minimum wages.

### **Tax considerations**

9. What tax charges and tax considerations typically arise on a licence of IP rights? Do these vary depending upon:

- The type of IP right being licensed;
- Whether the licensor or licensee is an individual or corporation; and/or
- Whether the licensor or licensee is tax-resident?
- If yes, explain those variations.

For local transactions, the taxation of IP rights is similar to that of other types of revenue, and therefore depends on whether the licensor or licensee is an individual or a legal entity, as well as on the tax regime applicable to a legal entity.

Individual licensors are subject to income tax at up to 27.5% on payments received. Payments made by legal entities to individuals are also subject to withholding income tax at the same rate, which can be later offset against the total income tax due.

Legal entities may be subject to different tax regimes, under which the tax burden may vary. For companies subject to the real profit regime, IP rights are subject to a combined rate of 34% of income taxes and to social contributions (PIS and COFINS) at 9.25%. A net operating loss may reduce the final income tax burden. Credits on inputs and raw material may also reduce PIS and COFINS, but this will depend on each specific situation.

Legal entities subject to the presumed profit regime can apply a presumed rate to calculate their taxable basis. Income taxes are then levied at 34% on this basis. The presumed profit margin is 32% on income arising from the exploitation of IP rights, but such activity must be provided for in the company's bye-laws and registered with the tax authorities. If this is not the case, the presumed profit margin cannot be applied, and revenue from the exploitation of IP rights will be considered as non-operational revenue, subject to normal taxation at 34%. PIS and COFINS also apply at 3.65% in all cases.

In all cases, a municipal tax on service (ISS) of up to 5% may also apply depending on the nature of the IP right and the local legislation. However, ISS may be challenged by taxpayers in some cases.

For licensees, no additional tax applies on payments for IP right licences. For companies under the real profit regime, these payments may be deductible expenses for income tax purposes. The tax legislation allows the deduction of payments made under IP right agreements, from 1% to 5% (depending on the industry) of the net revenues related to such rights until the term of the agreements, provided that the relevant agreements are registered with the INPI and the Central Bank (for payments remitted abroad). Deductions related to transfers of technology are limited to five years (possibly renewable for another five years). Payments made to partners, shareholders, managers and close relatives are not deductible.

In cross-border transactions, the licensor is subject to a standard 15% withholding income tax, in addition to a 10% contribution for intervention in the economic domain (CIDE). CIDE does not apply to:

- IP right agreements related to software without transfer of technology.
- Copyright royalties paid directly to the author.

For copyright licences relating to films and audiovisual works, another contribution, CONDECINE, is payable at a rate of 11%. It is disputable whether CIDE is levied together with CONDECINE.

If the beneficiary is located in a tax haven, a 25% income tax applies.

International double tax treaties may provide for lower rates (normally 10% for royalties).

Payments made under IP right agreements may be understood as the importation of goods and/or services, which would be subject to PIS and COFINS at 9.25% and ISS at up to 5%, depending on the legislation and locality. Both taxes may be challenged, depending on the nature of the IP right.

Payments made abroad can also be deducted if the payor is subject to the real profit regime. However, payments related to trade marks, patents or industrial designs cannot be deducted if made to a parent or controlling company abroad.

10. Set out any amendments necessary to the standard documents below to reflect tax charges and considerations arising in your jurisdiction:

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patents and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

No amendments are necessary to the standard documents.

### **Maintenance of the registered IP right**

11. Which party is usually responsible for maintaining the registration of a licensed IP right (if it is registrable), including paying renewal and other applicable fees? Does your answer vary depending on whether the licence is exclusive, non-exclusive or sole?

The owner of the IP right (that is, the licensor) is usually responsible for maintaining the registration of the IP right (if registrable) with the INPI, including paying renewal and other applicable fees, regardless of the license being exclusive or non-exclusive.

12. What are the implications of non-payment of registry fees for a registered IP right in your jurisdiction?

Failure to pay registry fees for a registered IP right within the applicable deadlines leads to the automatic cancellation of the right, and of any licence granted over the right.

Failure to pay trade mark and industrial design maintenance fees results in the cancellation of registration. Failure to pay patent maintenance fees results in removal from the register of the patent files, but patent owners can file for restoration of the patent (whether granted or applied for) within three months from the notice of shelving (*Article 87, Law no. 9,279/96*).

### **Licence recordal / registration**

13. Can an IP licence be recorded / registered at the IP registry in your jurisdiction? If yes:

- Is this optional or a statutory requirement?
- Is there a timeframe within which a licence must be recorded?
- What are the implications for either party if it is not recorded, within the timeframe or at all?
- Which party typically bears the associated costs?

### **Trade mark licence recordal**

Trade mark licences can be registered with the INPI. Registration with the INPI is mandatory for the licence to be enforceable against third parties, for the remittance of royalties abroad, and for royalty payments to be tax deductible. There is no specific timeframe within which a trade mark licence must be recorded (although the recordal will always be limited to the term of validity of registration). The licensee usually bears the costs associated with the recordal, unless the parties agree otherwise.

### **Copyright licence recordal**

Registration of copyright licences is not mandatory. Existing copyright registers only record copyright assignments. However, any agreement can be registered at any Registry of Titles and Deeds in Brazil. Depending on the work,

copyright works can be registered with different bodies, including the INPI (for software registration), National Library, and National Cinema Institute, among others.

## Patents and registered designs

Patent and know how licences can be registered with the INPI. Registration with the INPI is mandatory for the licence to be enforceable against third parties, for the remittance of royalties abroad, and for royalty payments to be tax deductible. There is no specific timeframe within which a patent or know-how licence must be recorded. However, recordal will always be limited to the term of validity of the granted patent or five years (renewable for five additional years) for know-how licences (as provided by the INPI, without any statutory basis). The licensee usually bears the costs associated with the recordal, unless the parties agree otherwise.

## Industrial design right licence recordal

Industrial design right licences can be registered with the INPI. Registration with the INPI is mandatory for the licence to be enforceable against third parties, for the remittance of royalties abroad, and for royalty payments to be tax deductible. There is no specific timeframe within which an industrial design licence must be recorded (although the recordal will always be limited to the term of validity of the registration). The licensee usually bears the costs associated with the recordal, unless the parties agree otherwise.

## Notices

14. Do any particular rules apply as to how a licensee must mark its licensed products to indicate the licensor's name and ownership of the relevant IP rights subsisting in it, or is this entirely at the licensor's discretion (see for example *Standard document, Patent and know-how licence: Cross-border: clause 5.3* and *Standard document, Industrial design right licence (short form): Cross-border: clause 3.3*)? State any relevant legislation.

## Trade mark notices/markings

Trade mark marking is entirely at the licensor's discretion.

## Copyright notices/markings

Copyright marking is entirely at the licensor's discretion.

## Patents and know-how notices/markings

Patents and know-how marking is entirely at the licensor's discretion.

## Industrial design right notices / markings

Industrial design right marking is entirely at the licensor's discretion.

15. Comment on whether the formats shown below for trade mark and copyright notice respectively, taken from *Standard document, Trade mark licence: Cross-border* and *Standard document, Copyright licence: Cross-border*, reflect the formats used in your jurisdiction for those notices. If not, set out below any necessary amendments so that they do.

- *Standard document, Trade mark licence: Cross-border: clause 4.2.*

Made by [LICENSEE] in [PLACE] under licence from [LICENSOR]. [MARK] is the [registered] trade mark of [LICENSOR]

Trade mark notices are not mandatory in Brazil, but may be required under the terms of a licence. When notices are used, the format above reflects the format used in Brazil.

- *Standard document, Copyright licence: Cross-border: clause 3.4.*

© Copyright [LICENSOR] [YEAR] manufactured by [LICENSEE]

Copyright notices are not mandatory in Brazil, but may be required under the terms of a licence. When notices are used, the format above reflects the format used in Brazil.

16. Explain briefly how a failure by an IP right owner and/or its licensees to use markings or notices to indicate the licensor's name and ownership of the relevant IP rights impacts upon the owner's rights, if at all.

Notices or markings are not mandatory in Brazil. Therefore, failure to use notices or markings does not impact the owner's rights. However, if a licence agreement requires the use of notices or markings and the licensee fails to do so, this may be deemed a violation of the agreement.

### **Statutory rights of licensees**

17. Do licensees have statutory rights if the licensed IP right is infringed by a third party? State any relevant legislation. If yes, do these rights vary depending on the level of exclusivity granted to the licensee and/or the type of IP right being licensed?

Licensees do not have statutory rights if the licensed IP right is infringed. The terms of the licence can grant the licensee the right to bring IP infringement proceedings, provided that the agreement is registered with the INPI (so that the agreement is enforceable against third parties).

18. Can any of these rights be expressly excluded, varied or supplemented by the terms of the licence? If yes, is this usual in your jurisdiction?

See [Question 17](#).

### **Licensee indemnity**

19. Is it usual for a licensor to seek an indemnity from a licensee in a licence of IP rights in your jurisdiction?

It is common for a licensor to seek an indemnity from a licensee against any liabilities, expenses, damages and losses it incurs as a result of the licensee using the licensed IP in breach of the licence, especially if the use infringes third parties' rights.

20. Set out any amendments necessary to the standard documents below to reflect standard practice in your jurisdiction, in relation to indemnities.

Amended clauses reflecting standard practice in Brazil are set out below.

- [Standard document, Trade mark licence: Cross-border: clause 10.2](#).

"10.2 The Licensee shall indemnify the Licensor against all liabilities, costs, expenses, damages and losses (including any direct, indirect or consequential losses, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable professional costs and expenses) suffered or incurred by the Licensor arising out of or in connection with:

(a) the Licensee's breach or negligent performance or non-performance of this agreement, including any product liability claim relating to Licensed Products manufactured, offered for sale, supplied or put into use by the Licensee;

(b) any claim made against the Licensor by a third party for death, personal injury or damage to property arising out of or in connection with defective Licensed Products, to the extent that the defect in the Licensed Products is attributable to the acts or omissions of the Licensee, its employees or agents; or

(c) any claim made against the Licensor by a third party for infringement of a third party right, to the extent that the infringement is attributable to the acts or omissions of the Licensee, its employees or agents."

- *Standard document, Copyright licence: Cross-border: clause 9.2.*

"9.2 The Licensee shall indemnify the Licensor against all liabilities, costs, expenses, damages and losses (including any direct, indirect or consequential losses, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable professional costs and expenses) suffered or incurred by the Licensor arising out of or in connection with:

(a) the Licensee's breach or negligent performance or non-performance of this agreement, including any product liability claim relating to Licensed Products manufactured, supplied or put into use by the Licensee;

(b) any claim made against the Licensor by a third party for death, personal injury or damage to property arising out of or in connection with defective Licensed Products, to the extent that the defect in the Licensed Products is attributable to the acts or omissions of the Licensee, its employees, agents, sub-licensees or subcontractors; or

(c) any claim made against the Licensor by a third party for infringement of a third party right, to the extent that the infringement is attributable to the acts or omissions of the Licensee, its employees or agents."

- *Standard document, Patents and know-how licence: Cross-border: clause 12.2.*

"12.2 The Licensee shall indemnify the Licensor against all liabilities, costs, expenses, damages and losses (including any direct, indirect or consequential losses, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable professional costs and expenses) suffered or incurred by the Licensor arising out of or in connection with:

(a) the Licensee's breach or negligent performance or non-performance of this agreement, including any product liability claim relating to Licensed Products manufactured, supplied or put into use by the Licensee;

(b) any claim made against the Licensor by a third party for death, personal injury or damage to property arising out of or in connection with defective Licensed Products, to the extent that the defect in the Licensed Products is attributable to the acts or omissions of the Licensee, its employees, agents, sub-licensees or subcontractors; or

(c) any claim made against the Licensor by a third party for infringement of a third party right, to the extent that the infringement is attributable to the acts or omissions of the Licensee, its employees or agents."

- *Standard document, Industrial design right licence: Cross-border: clause 5.2.*

"5.2 The Licensee shall indemnify the Licensor against all liabilities, costs, expenses, damages and losses (including any direct, indirect or consequential losses, loss of profit, loss of reputation and all interest, penalties

and legal costs (calculated on a full indemnity basis) and all other reasonable professional costs and expenses) suffered or incurred by the Licensor arising out of or in connection with:

(a) the Licensee's breach or negligent performance or non-performance of this agreement, including any product liability claim relating to Licensed Products manufactured, offered for sale, supplied or put into use by the Licensee;

(b) any claim made against the Licensor by a third party for death, personal injury or damage to property arising out of or in connection with defective Licensed Products, to the extent that the defect in the Licensed Products is attributable to the acts or omissions of the Licensee, its employees or agents; or

(c) any claim made against the Licensor by a third party for infringement of a third party right, to the extent that the infringement is attributable to the acts or omissions of the Licensee, its employees or agents."

21. Does a licensor have a general obligation at law to mitigate any loss that it may suffer or incur due to an event that would give rise to a claim under an indemnity? State any relevant legislation.

The licensor does not have a general obligation at law to mitigate loss. However, this obligation may be set out in the licence agreement.

### **Product liability**

22. Could the presence of a licensor's name or trade mark on a product manufactured by the licensee put the licensor at risk of a product liability claim against it if the product becomes defective, even though the licensor has no contractual relationship with the end user of the product?

If the end user is a consumer (considered to be a disadvantaged party under Brazilian law), the licensor may be jointly and severally liable with the licensee, as the Brazilian Consumer Defence Code provides that all members of the supply chain are jointly and severally liable for damages caused to consumers.

23. Comment on whether there is anything that a licensor can do (including whether any amendments should be made to any of the four cross-border IP licences referred to in this questionnaire), to lessen the risk of such a claim being made against it in your jurisdiction.

The licensor can conduct inspections of the licensee's premises, for example, to ensure that the products are being manufactured in accordance with the applicable quality standards.

## Insurance

24. Is it usual for a licensor of IP rights to require a licensee to take out insurance in an amount adequate to cover its liabilities under the licence? If yes, comment on whether the clauses below reflect standard practice in your jurisdiction and, if not, set out below any necessary amendments so that they do.

- *Standard document, Trade mark licence: Cross-border: clause 10.6.*
- *Standard document, Copyright licence: Cross-border: clause 9.5.*
- *Standard document, Patents and know-how licence: Cross-border: clause 12.5.*
- *Standard document, Industrial design right licence: Cross-border: clause 5.4.*

Yes, this is common and no amendments are necessary to the clauses.

## Warranties

25. Is it usual for a licensor to give certain express warranties to a licensee in an IP licence? If yes, briefly describe what those express warranties are, and which types of IP licences they apply to (if not all).

The specific warranties given by a licensor will depend on a number of factors, including the IP rights being licensed, the purpose of the licence and the bargaining position of each of the parties.

The following warranties are usually given by the licensor:

- The licensor owns the title, all rights and interests over the IP right, and is entitled to grant all the rights set out in the licence agreement.
- The licensed IP right is valid.
- The licensee's exercise of the licence will not infringe the rights of any third party.

26. Is it usual for certain warranties to be implied into the terms of an IP licence in your jurisdiction? If yes, briefly describe what those implied warranties are, which types of IP licences they apply to (if not all), and state any relevant legislation.

In all IP licences, the warranty that the licensor owns the title to the licensed IP right may be deemed an implied warranty. Although there is no specific statutory provision in this sense, a licensor is deemed to have ownership of any licensed asset or right, as a precondition to the agreement.

27. Is it possible for a licensor to exclude the application of those implied warranties, for example as shown in *Trade mark licence: Cross-border: clause 9.4* and *Patent and know-how licence: Cross-border: clause 3.4, clause 4.2 and clause 11.5*.

These exclusions of implied warranties are unlikely to be enforceable, as a licence will be deemed null and void if the licensor is not vested with the legal rights and powers required to legally license the IP asset or right (see [Question 26](#)).

### **Sub-licensing**

28. Does the right to grant sub-licences of an IP right have to be expressly granted to a licensee in order to take effect, or are there certain circumstances in which it might be implied?

The right to grant sub-licences must be expressly granted.

29. Does a sub-licence have to comply with any particular formalities in order to be valid and enforceable? If yes, describe briefly what these are.

A sub-licence does not need to comply with any formalities to be valid and enforceable.

### **Sub-contracting**

30. Does the right to grant sub-contracts for the manufacture of a product bearing or consisting of a licensed IP right have to be expressly granted to a licensee to take effect, or are there certain circumstances in which it might be implied?

This right must be expressly granted.

31. Does a sub-contract have to comply with any particular formalities to be valid and enforceable? If yes, describe briefly what these are.

A sub-contract does not need to comply with any formalities to be valid and enforceable.

### **Termination**

32. Comment on whether the clauses below reflect the grounds upon which a licensor is usually entitled to terminate an IP licence in your jurisdiction, and if not, set out below any necessary amendments so that they do:

- *Standard document, Trade mark licence: Cross-border: clause 13.3.*

- *Standard document, Copyright licence: Cross-border: clause 12.2.*
- *Standard document, Patents and know-how licence: Cross-border: clause 17.3.*
- *Standard document, Industrial design right licence: Cross-border: clause 8.2.*

No amendments are necessary to the above clauses.

### **Challenge to validity**

33. Would a clause prohibiting the licensee from challenging the validity of a registered IP right breach competition law in your jurisdiction? If yes, comment on whether a permitted alternative is for the licensor to have the right to terminate if the licensee challenges the validity of its registered IP right (see *Trade mark licence: Cross-border: clause 13.3(g)* and *Patent and know-how licence: Cross-border: clause 17.3(h)*), or propose other appropriate wording.

A clause prohibiting the licensee from challenging the validity of a registered IP right would not breach competition law in Brazil.

### **Insolvency or bankruptcy of licensor**

34. If a licensor becomes insolvent or, if an individual, bankrupt during the term of an IP licence, how would that affect the continuation of the licence, if at all?

Brazilian insolvency laws do not specify the effect of judicial reorganisation or bankruptcy proceedings on IP licences.

In principle, a licensor subject to judicial reorganisation will maintain its business activities. IP licences will generally be necessary for the licensor to maintain its revenues and overcome its financial difficulties, and should therefore not be terminated.

If the licensor is declared bankrupt, it may be authorised to assign its IP licenses to third parties if the assignment is necessary to pay creditors or the amount may be invested to overcome the difficulties (maximisation of assets principle).

35. Are there any additional provisions that could be included in the following standard documents to better protect a licensee in the event of a licensor insolvency or bankruptcy?

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patent and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence (short form): Cross-border.*

A preferential right to buy the licensed IP rights, exercisable on certain insolvency events, may be included in the licence to reinforce the licensee's protection. However, in Brazilian insolvency proceedings, the court must guarantee the right of all interested parties to make offers to acquire the company's assets.

Under the maximisation of assets principle, the court must seek to obtain the highest amount for the debtor's assets, to pay as much as possible of the debt and protect creditors' interests.

36. Are there any particular aspects of insolvency or bankruptcy law and practice that the parties would need to be mindful of when including any such additional provisions?

In Brazil, insolvency proceedings are carried out under the supervision of the Prosecutor's Office, the creditors' representative and a judge, who generally take all measures necessary to protect the rights of creditors. It is not possible to enter into any transaction that may impair the debtor's estate or the interests of creditors.

### **Formalities for licensing**

37. Does an IP licence have to comply with any formalities in order to be valid and enforceable in your jurisdiction (including in relation to format, language and execution)? If yes, describe briefly what these are for each type of IP right.

## **Trade marks**

If the licensor is a foreign company or an individual located outside Brazil, the licence must be registered with the INPI and must include the following information:

- Trade mark application or registration number.
- Conditions related to exclusivity (if any).
- Whether the licensee can sub-license the trade mark.
- Payment amount, structure and conditions.
- Term of the licence (which cannot exceed the term of validity of the trade mark).

A trade mark licence must be in Portuguese (or translated into Portuguese by a certified translator).

## **Copyright**

A copyright licence agreement does not need to comply with any formalities.

## **Patents and know-how**

If the licensor is a foreign company or an individual located outside Brazil, the licence must be registered with the INPI and must include the following information:

- Patent application or registration number.
- Conditions related to exclusivity (if any).
- Whether the licensee can sub-license the patent.
- Payment amount, structure and conditions.
- Term of the licence (which cannot exceed the term of validity of the patent).

A patent licence must be in Portuguese (or translated into Portuguese by a certified translator).

## **Industrial design right**

If the licensor is a foreign company or an individual located outside Brazil, the licence must be registered with the INPI and must include the following information:

- Industrial design right application or registration number.
- Conditions related to exclusivity (if any).
- Whether the licensee can sub-license the industrial design right.
- Payment amount, structure and conditions.

- Term of the licence (which cannot exceed the term of validity of the industrial design right).

An industrial design right licence must be in Portuguese (or translated into Portuguese by a certified translator).

### **Compliance with local law and practice**

38. Are any of the terms in the standard documents below invalid, unenforceable or contrary to standard practice in your jurisdiction? If yes, set out below any necessary amendments to make those terms are valid, enforceable and reflective of standard practice.

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patents and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

No amendments are necessary to the standard documents.

### **Competition law**

39. What competition law considerations must be taken into account by parties entering into an IP licence in your jurisdiction? State the relevant legislation.

The following competition law considerations must be taken into account by parties negotiating an IP licensing agreement:

- The obligation to submit certain agreements to the Brazilian Anti-trust Authority (CADE) for merger review.
- Anti-trust violations.

### **Merger review**

With effect from 25 November 2016, Resolution No. 17/2016 provides for associative agreements that are subject to CADE's scrutiny (*Article 90, item IV, Law 12,529/2011*). The following types of agreements with a term of two years or more must be reported to CADE:

- Agreements involving parties that compete in the market affected by the agreement.
- Agreements that provide for the sharing between the parties of risks and results in the business activity related to the agreement.

Submission of an agreement is mandatory if both:

- The economic group of one of the parties had a gross revenue or business turnover in Brazil that exceeded BRL750 million in the previous fiscal year.
- Any other economic group involved in the transaction had a gross revenue or business turnover in Brazil that exceeded BRL75 million in the previous fiscal year.

## **Anti-trust violations**

Anti-trust violations include any practices aimed at:

- Limiting, restraining or in any way harming free competition.
- Controlling any relevant goods or services market.
- Increasing profits arbitrarily.
- Exercising a dominant position abusively.

*(Article 36, Brazilian Competition Law (12,529/2011).)*

In the field of IP rights, the following practices may constitute anti-trust violations:

- The abusive exercise or exploitation of intellectual or industrial property rights or technology.
- The monopolisation or prevention of exploitation of industrial or intellectual property rights or technology.

*(Article 36, §3º, III, IV, V, VIII, XIV, XIX, Law 12.529/2011.)*

Some clauses in IP licences may be problematic from an anti-trust perspective and should be considered by the parties. For example, licences granted to competitors (horizontal agreements) or cross-licences may be problematic if accompanied by resale price restrictions or certain output limitations. Certain restrictions in vertical licences may also result in anti-trust liability (for example, tie-in sales arrangements, exclusivity requirements, resale price fixing, territorial restrictions, and so on).

The exercise of IP rights does not in itself constitute anti-competitive conduct, even if the exclusivity results in market power for the IP right holder. CADE is only concerned with the abusive exercise of IP rights. To assess abusive conduct, CADE will consider whether there is market power, anti-competitive effects, and possible pro-competitive justifications that balance the anti-competitive effects (similar to the rule of reason in the US).

40. Do these considerations vary depending on the level of exclusivity granted to the licensee and/or the type of IP right being licensed? If yes, please describe briefly how they vary.

Competition law considerations do not vary depending on the level of exclusivity granted to the licensee and/or the type of IP right being licensed.

41. Could any clauses in the standard documents below create any particular competition law concerns in your jurisdiction? If yes, set out below any necessary amendments for those clauses to comply with your national competition law.

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patents and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

The exercise of IP rights does not in itself constitute anti-competitive conduct. Therefore, CADE will analyse any IP licences based on the rule of reason, seeking to identify if:

- The IP holder has a dominant position in the market affected by the agreement.
- There are structural conditions for the exercise of the dominant position.
- There was, in fact, abuse damaging competition in the market.

No amendments are necessary to the standard documents.

## **Brexit**

42. Are any amendments required to the standard documents below to reflect the fact that the UK left the EU on 31 January 2020, and a transition period ended on 31 December 2020?

- If yes, set the amendments out below and, if necessary, briefly explain them.
- If amendments are required but will depend upon the terms agreed between the UK and the EU in the trade and co-operation agreement governing their future relationship, set out the amendments for each scenario below.
- If no amendments are necessary, insert "no amendments".

No amendments are necessary to the following standard documents:

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patents and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

## Specific aspects of trade mark licences

### Non-use of a registered trade mark

43. If a registered trade mark is not used by its owner or licensee in your jurisdiction, can it be challenged by third parties and/or removed from the register? If yes, briefly explain and state the relevant legislation. What is the period of time within which a registered trade mark must be used in your jurisdiction before it can be challenged?

The registration of a trade mark can be cancelled at the request of any person with a legitimate interest if any of the following applies:

- The use of the trade mark has not been initiated after five years from the date of registration.
- The use of the trade mark has been interrupted for more than five consecutive years.
- Within that time, the trade mark has been used in a modified form that alters its original distinctive character, as found on the certificate of registration.

*(Article 143, Brazilian Intellectual Property Law (Law No. 9279/96).)*

44. Can a licensor compel a licensee to use its trade mark, under the terms of a licence?

A licensor can compel a licensee to use its trade mark under the terms of a licence.

### **Goodwill**

45. Does goodwill derived from use by a licensee of a licensed trade mark automatically accrue to the licensor, or must this be expressly stated in the terms of the licence (see *Standard document, Trade mark licence: Cross-border: clause 4.3*)?

As there are no specific provisions in Brazilian law relating to goodwill in connection with trade marks, goodwill is always deemed to be automatically accrued to the licensor, as the legitimate and exclusive owner of the trade mark. This principle derives from Article 1,232 of the Brazilian Civil Code (*Law 10,406/2002*).

46. Is it common for licensors to request confirmatory assignments of goodwill from licensees in your jurisdiction?

It is not common for licensors to request confirmatory assignments of goodwill from licensees in Brazil.

## **Specific aspects of patent and know-how licences**

### **Know-how**

47. Does information have to meet certain criteria in order to be considered "know-how" in your jurisdiction? If yes, describe that criteria and state any relevant legislation.

There is no formal definition of know-how under Brazilian law. However, according to Brazilian doctrine, information will be considered "know-how" if the following conditions are met:

- It is confidential, usable in industry, commerce or the provision of services.
- It has an economic value.
- Reasonable steps are taken to keep it secret.
- It is not already in the public domain or obvious to a person skilled in the relevant area.

The protection of know-how is also based on the interpretation of Article 209 of Law no. 9,279/96, which states that any act against industrial property rights not expressly provided for in this law can be challenged in court by the owner of the rights, and lead to an award of damages against the infringer.

#### **Field of use**

48. Are there any field of use restrictions that would give rise to competition law concerns in your jurisdiction (see *Standard document, Patent and know-how licence: Cross-border: clause 2* and *Drafting note: Field of use*)? If yes, explain what those restrictions are, and state any relevant legislation.

Field of use restrictions are usually permitted.

#### **Limitation of liability arising from technical assistance**

49. Comment on whether the limitation on the licensor's liability at *Standard document, Patent and know-how licence: Cross-border: clause 4.1(d)* is valid and enforceable, and reflects standard practice in your jurisdiction. If not, set out below any necessary amendments to make it so.

This limitation on the licensor's liability is valid and enforceable, and reflects standard practice in Brazil.

## Marketing

50. Do the obligations set out in *Standard document, Patent and know-how licence: Cross-border: clause 6* reflect obligations typically placed on a patent licensee in relation to marketing? If your answer depends on the exclusivity granted to the licensee by the licence, briefly explain.

The obligations in *Standard document, Patent and know-how licence: Cross-border: clause 6* reflect obligations typically placed on a patent licensee in relation to marketing.

## Improvements

51. Is it common for parties to a patent licence to be obliged to disclose and grant licences to one another of improvements in the licensed technology (see *Standard document, Patent and know-how licence: Cross-border: clause 7.1*)? If yes, do any particular competition law issues arise from including such an obligation? Explain what these are and state any related legislation.

Any improvement in the licensed technology belongs to the party who develops the improvement, the other party being guaranteed a preferential right to the grant of a licence over the improvement (*Article 63, Law no. 9,279/96*).

52. Comment on whether any amendments need to be made to *Standard document, Patent and know-how licence: Cross-border: clause 7.1* due to these competition law issues.

No amendments are necessary.

53. Comment on whether the market position of the licensor in the particular technology market, and/or the amount of consideration the licensee receives in exchange for its improvements impact on the extent to which these competition law issues apply.

The market position of the licensor and the amount of consideration the licensee receives do not in themselves have an impact on the application of competition law.

The main concern of CADE is to prevent the abusive exercise of IP rights (see [Question 39](#) and [Question 41](#)).

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