

Brazil

New enforcement tools in Brazil are encouraging trademark owners to litigate to protect their rights and claim monetary compensation for infringement

A developing local market, greater focus on the fight against counterfeiting, the enactment of the new Industrial Property Law in 1997 and the ratification of the Agreement on Trade-Related Aspects of Intellectual Property Rights have all contributed to a broader level of protection for trademark rights and an increase in litigation in Brazil.

Under Brazilian law, trademark infringement may constitute both a tort and a crime. Further, parallel importation can be stopped by means of measures taken before a civil court.

Criminal and civil remedies are available in case of trademark infringement. Criminal remedies include:

- search and seizure;
- arrest and possible imprisonment of infringers; and
- costs.

Civil remedies include:

- search and seizure;
- injunction;
- damages;
- destruction of seized products; and
- costs.

Taking action

All nullity actions must be filed before the federal courts as the Patent and Trademark Office must be named as a co-defendant.

Infringement actions must be filed before the state courts – usually, either in the court where the infringer has its domicile or the one where the infringement is taking place. Each of the 26 federal states has its own district courts. Accordingly, a trademark infringement action can be decided by any of these courts.

With the exception of the state of Rio de Janeiro, there are no specialized courts to decide trademark infringement cases.

During a nullity action, a judge may, as a preventive or incidental measure, order the suspension of the effects of a trademark registration, provided that the relevant

procedural requirements are met.

A trademark registration may be declared null if it was granted contrary to the provisions of the Industrial Property Law – for instance, if the registered mark is a generic term. The court may declare null the whole mark or only part of the mark if the surviving part can be considered registrable *per se*.

There are usually two hearings during a civil trademark infringement case. The first takes place after the defendant has filed its response. It is a conciliatory hearing, in which the judge acts as a mediator and tries to convince the parties to settle their dispute.

During the second and final hearing, witness evidence is heard and the judge takes depositions from the legal representatives of the parties. The hearing is not mandatory and will take place only if the parties need it to present their evidence.

A trademark infringement action usually takes two years to be decided at first instance and another two years should it be appealed to the higher courts. Trademark owners may obtain preliminary injunctions to stop the infringement and seize products bearing the mark until a final decision on the merits is duly rendered.

The plaintiff must be the owner of the trademark right. A licensee, exclusive or non-exclusive, can be party to a court action solely as a co-plaintiff. The court will allow a licensee to act as sole plaintiff only if a written licensing agreement explicitly authorizes the licensee to bring infringement proceedings.

A court may require a plaintiff domiciled abroad to post a bond for the defendant's eventual recovery of its attorneys' fees and judicial costs should the plaintiff not prevail in the court action. This does not apply where the plaintiff has a subsidiary in Brazil which appears as a co-plaintiff.

As previously mentioned, wherever a complaint seeks the cancellation of a trademark through an independent court action, the Patent and Trademark Office must be a co-defendant. In an infringement action, the defendants will be parties that are directly or indirectly infringing the trademark.

Cease and desist letters

A simple cease and desist letter is often enough to stop the infringement. This is an extremely cost-effective way of settling a dispute and avoiding court action. However, cease and desist letters may jeopardize the trademark owner's rights unless utmost care is taken to follow the appropriate procedures.

A warning letter may be served either through the Registry of Titles and Deeds or by means of a court procedure in which the judge designates a court officer to serve personally the infringing party with the letter. If the infringer does not comply with the terms of the letter, the mark owner must seek judicial measures to stop the infringement within five years of the infringement taking place or risk losing the right to obtain indemnification due to the statute of limitations. Moreover, if the mark owner does not act quickly, it may jeopardize its chances of obtaining a preliminary injunction to stop the infringement based on a provision similar to laches.

Sending a cease and desist letter is not mandatory before initiating court procedures.

In short, the decision to serve the infringer with a cease and desist letter is a strategic one and must be carefully considered on a case-by-case basis. In situations where the mark owner is seeking an injunctive order to seize the infringing goods, such a letter could jeopardize the operation because it will alert the infringer to the fact that the mark owner is aware of its illegal activities, giving the infringer time to conceal the infringing products.

Benefits of criminal procedures

Before initiating any trademark litigation, it is essential:

- to collect evidence to demonstrate the infringement; and
- to preserve that evidence.

As the infringer may destroy all evidence of the infringement, the best way to proceed is through a preliminary criminal search and seizure action.

Even though criminal judges are not familiar with IP matters, criminal procedures are effective because they do not directly

involve a public prosecutor. The mark owner is legally entitled to lodge a criminal action without the interference of the prosecutor. The sole requirement for filing a criminal case is the ability to prove the infringement claimed. This can be done by way of the preliminary criminal search and seizure action, which requires an opinion issued by an expert appointed by the Criminal Court.

If the expert finds that an infringement has taken place, the mark owner will have strong evidence to submit before both the civil and criminal courts. This procedure is cost- and time-effective and usually takes less than a month. An expert opinion may also be requested through the civil courts.

After the preliminary search and seizure action, and if the infringement is confirmed by the court-appointed expert, the mark owner may file either a criminal or a civil action, or both.

Civil action

Once the mark owner has all necessary evidence to lodge its civil action, it may take some preliminary measures to stop the infringement immediately. According to Section 209 of the Industrial Property Law, in a trademark infringement case the judge is allowed to grant:

- an *ex parte* restraining order to prevent future violations; and
- a search and seizure order.

In this situation, the defendant will not be permitted to sell the infringing goods during the civil action under the threat of a daily fine to be determined by the court. This injunction may be granted *in audita altera parte* (ie, without hearing the defendant) and the judge may request the plaintiff to post a bond to guarantee the execution of the injunction.

Before the court can grant preliminary orders either for collecting evidence or restraining the defendant, the plaintiff must demonstrate that:

- there is a likelihood of success;
- it has the right to protection; and
- the defendant is infringing the trademark.

The judge must also be convinced that the plaintiff's right is threatened by an activity of the defendant and could be severely damaged if no action is taken before a final decision on the merits is rendered.

Under civil law, a preliminary injunction can be requested at any time and even before the defendant knows of the action. The judge may even grant a preliminary injunction without an express request by



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the plaintiff if he/she considers that serving the defendant with the summons would risk the integrity of the evidence.

Evidence

The production of evidence is not confined to a single 'discovery' phase at first instance.

Documentary evidence should be produced by the parties in the pleading phase. The plaintiff produces its evidence in the complaint and the defendant in its response. A request for oral evidence is considered by the judge at any time or stage in the proceedings.

Evidence may include:

- personal depositions of the parties;
- witness statements;
- documentary evidence;
- sworn written evidence;
- expert evidence; and
- judicial inspection.

Facts from a third party can be introduced only through witness inquiry or when the judge orders such third party to produce a document which he/she

considers necessary to clarify the case.

A party may submit documentary evidence together with the complaint. Usually, the plaintiff presents evidence of the reputation of the mark and, increasingly, surveys to confirm secondary meaning or even likelihood of confusion.

In cases involving trademark violation and trade dress infringement, it is also common to present an expert opinion. The expert is appointed by the judge and each party may also appoint their own technical experts who will confirm or oppose the official expert's opinion.

The expert and the parties' representatives may be asked to appear during the hearings to give further clarification to the court. Judges can also request any other evidence that they consider relevant to the case.

Remedies

The most common remedies obtained by mark owners in infringement cases are:

- the cessation of the infringement by the defendant under the threat of payment of a daily fine;
- the destruction of all products and material involved in the infringement;
- the recovery of damages; and
- the payment of attorneys' fees and judicial (official) costs.

Section 209 of the Industrial Property Law allows the recovery of damages for losses caused by the infringing act. A judge, in the formal record of the same action, may grant a preliminary injunction before summoning the defendant to avoid irreparable damages.

Under Section 210 of the Industrial Property Law, damages awarded to the injured party will be determined according to which of the following criteria is most favourable to the plaintiff:

- the profits that the injured party would have made if the violation had not occurred;
- the benefits gained by the infringer; or
- royalties that would have been paid if the infringing use had been licensed.

Finally, the mark owner may recover attorney fees to the tune of 10% to 20% of the amount of damages recovered and all the official costs connected with the litigation. [WTR](#)