IIC

REPRINT

International Review of Industrial Property and Copyright Law

Published by the Max-Planck-Institute for Foreign and International Patent, Copyright, and Competition Law, Munich.

IIC appears in connection with the National and International Editions of the German Review "Gewerblicher Rechtsschutz und Urheberrecht", monthly periodicals of the German Association for the Protection of Industrial Property and Copyright.

VCH Verlagsgesellschaft · D-69469 Weinheim

Published by the Max-Planck-Institute for Foreign and International Patent, Copyright, and Competition Law, Munich.

I I C appears in connection with the National and International Editions of the German Review "Gewerblicher Rechtsschutz und Urheberrecht", monthly periodicals of the German Association for the Protection of Industrial Property and Copyright.

VCH Verlagsgesellschaft . D-69469 Weinheim

TRIPS Agreement, Art. 65; Law No. 5.772/71, Art. 70 - "Zeneca"

The TRIPS Agreement is immediately applicable in Brazil so that the period of protection for patents after January 1, 1995 is 20 years from the filing date.

Decision of the Ninth Federal Court, Rio de Janeiro
July 30, 1997 - Case No. 97.0003260-4
Zeneca Limited v.
Patent Director, INPI - Instituto Nacional da Propriedade Industrial

From the Facts:

Zeneca Limited applied for an injunction against the act of the Patent Director of the National Industrial Property Institute *(INPI - Instituto Nacional da Propriedade Industrial)*, which issued a patent on 29 October 1996 for a period of 15 years based on Art. 24 of Law No. 5.772/71 which the petitioner claims is derogated by the international treaty known as the Agreement on Aspects of Trade-Related Intellectual Property Rights (TRIPS) of which Brazil is a signatory, and which was approved by the Brazilian Congress and promulgated through Legislative Decree No. 30/94 and Decree No. 1.355/94.

The petitioner claims that Arts. 33 and 70(2) of the above-mentioned international treaty stipulate that patents should be issued for a period of 20 years as from the date of filing thereof, and are applicable to the application filed by the petitioner, which was already under way when this Agreement came into effect in Brazil, whereby it requests that the patent in question be re-issued for a period of 20 years as from the date of filing thereof.

From the Opinion:

Judge Dr. Valéria Medeiros de Albuquerque: Through this writ, the petitioner requests that its Patent No. PI-8701892-6 be issued for a period of 20 years as from the date of filing thereof, rather than for 15 years as granted.

In fact, Art. 33, together with Art. 70(2) of the TRIPS Agreement, guarantees the period requested thereby.

Actually, when implementing the above-mentioned Agreement under domestic law, the Brazilian Government failed to make use of the provisions of Art. 65(1) and (2) of the above mentioned Agreement to delay the application thereof for a total period of five years.

Thus, although under the international Agreement Brazil had the option whereby the above-mentioned period may prevail under the transitional arrangements, it failed to

exercise the option and incorporated the Treaty into its domestic legal system, ordering that it be immediately applicable thereunder.

Indeed, although the provisions of Art. 65(1) allowed non-action by the members of the Agreement until 1 January 1996, the freedom of implementation was exercised by Brazil as provided in Art. 1 of the TRIPS Agreement. Thus, instead of remaining neutral, Brazil approved the Final Record of the Uruguay Round, which did not contain any provision directed to suspending the automatic effectiveness thereof, through Legislative Decree No.30 dated 15 December 1994, and Decree No. 1.355 dated 30 December 1994, determining execution and compliance therewith.

Additionally Secs. 2 and 4 of Art. 65 of the TRIPS Agreement provided for the freedom of implementation by the members of the Agreement (Art. 1 TRIPS Agreement) and as this option was not taken up by Brazil, and the deadline stipulated in Art. 65(1) has expired, there is no further period within which the validity and effectiveness of the TRIPS Agreement in Brazil may be postponed.

In fact, Brazil adapted its laws to the TRIPS Agreement through the promulgation of Law No.9.279/96, which extended the validity period for patents to 20 years as from the date of filing thereof.

The request of the petitioner is thus justified as the TRIPS Agreement is immediately applicable in Brazil, with the provisions thereof prevailing over prior legislation. Thus, contrary to the act of the defendant, patents issued after 1 January 1995 should have been granted for a period of 20 years as determined in Arts. 70(2) and 33 of the TRIPS Agreement.

I also adopt as a reason for handing down this decision the opinion of the representative of the M.P.F. (Attorney-General's Office) on page 191:

> Thus, interpreting Art. 65 of the TRIPS Agreement, whereby if Secs. 2 and 4 thereof are used, failing to respect Sec. 5, that is, meaning a lower level of consistency between domestic law and the minimum level of mandatory protection, Brazil would be in default of the above-mentioned Treaty.
>
> Should the period for issuing the patent contained in the Treaty be 20 years and Law No. 5.772/71 provides for a period of 15 years as from the date of the filing thereof, the application of the Law will clearly result in failure to comply with international norms and standards, or in the implementation of a provision which has already been revoked as falling below the minimum level already established.
>
> Thus, even admitting that Brazil has made use of the grace period granted to the developing nations, it may not implement “practices" which offer less protection to those involved, that is, in violation of what was agreed; all the more so since it is adapting its legislation to these parameters, as is shown by the promulgation of Law No.9.279/96 which establishes a limit of 20 years for new patent privileges.

In view of the above, I herewith order the defendant authority to reissue the patent at bar described in the initial documentation for a period of 20 years as from the initial filing thereof.

Published on August 18,1997 in the Official Gazette, at 36.

Comment:

On July 30, 1997, the Ninth Federal Court of Rio de Janeiro granted the writ of *mandamus* filed by Zeneca Limited against the Director of the Patent Department of the Brazilian Patent and Trademark Office (INPI) to extend from 15 to 20 years the period of validity of one of its patents which had issued in October 1996.

Zeneca's patent relates to derivatives of acrylic acid useful in agriculture (especially as fungicides but also as plant growth regulators, insecticides and nematocides), to processes for preparing them, to agricultural (especially fungicidal) compositions containing them, and to methods of using them to combat fungi, especially fungal infections in plants, to regulate plant growth and to kill or control insect or nematode pests.

Besides, on August 27, 1997, the same Court issued two injunctions in favor of American Cyanamid Company:[1] The first one considering valid patents which had expired in 1996 in view of the 20-year term of the TRIPS Agreement which should be applicable in Brazil since January 1, 1995; the second injunction ordered a potential Brazilian infringer of these patents, which had its validity term extended by the first injunction, to refrain from importing, exporting, manufacturing, selling or offering to sell products obtained according to the referred patents until a final decision is rendered in that court action. This second injunction also ordered the government agency responsible for registering products obtained according to the patents (Departamento de Defesa e Inspeção Vegetal - DDIV) to suspend the defendant's (Herbitécnica Indústria de Defensivos S.A.) registration of these products (soy herbicides).

These injunctions were granted before the serving of summons in incidental court proceedings started on July 30,1997, after the filing on July 17 and 21, 1997, of two ordinary actions aimed respectively at extending the term of validity of Cyanamid's patents and stopping and recovering damages from the infringer. A newspaper article published on September 8, 1997, informed that the infringer had already invested US$7 million in setting up its industrial facility for the manufacture of the infringing products.[2]

The whole issue started with the promulgation of the TRIPS Agreement in Brazil more than two years before the new Brazilian Law entered into force (May 15, 1997), opening the possibility of extending the term of protection from 15 to 20 years for all the patents in force on January 1, 1995, and those granted after that date until the entering into force of the new Brazilian Law, which finally adopted the TRIPS' 20-year patent term.

I. A Domestic Effectiveness of TRIPS Agreement

In view of the transitional arrangements contained in Art. 65 of the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS)[3] , the Latin

---

[1] See this issue, at 128.

[2] Gazeta Mercantil, at c-7

[3] "Article 65

1. Subject to provisions of paragraphs 2, 3 and 4 below, no member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the Agreement Establishing the WTO.

2. Any developing country member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1 above, of the provisions of this

American countries are not obliged to apply the provisions of TRIPS before January 1, 1996 (Art. 65(1)) being still entitled to delay the date of its application within the limits established therein. This option allows the members of the Agreement freely to exercise their sovereignty as provided for in Art. 1 of TRIPS:

> Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their domestic law *more extensive protection than is required by this Agreement*, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement, within their own legal systems and practice [author's emphasis].

This implementation might immediately follow the congressional approval and promulgation of the Agreement, or additionally require a second reading by Congress turning the Agreement into law, depending on the different constitutional systems in force.

It should further be noted that the Agreement actually establishes a minimum level of protection for intellectual property (Art. 1(1)) right from its entry into force at the international level requiring that any modification in the domestic legislation of its members shall not result in diminished compliance with the provisions of the Agreement (Art. 65(5)).

Indeed, these provisions must be complied with *immediately:*

1. By those members whose legislation already stipulates an equivalent or higher level of compliance with the provisions of the Agreement and, thus, since January 1, 1995, may no longer modify their domestic legislation in a manner that would result in diminished compliance with the provisions of the Agreement;
2. By those members whose legislation stipulates less compliance with the provisions of the Agreement and, therefore, may not modify their domestic legislation as of January 1, 1995, in a manner that would result in diminished compliance with the provisions of the Agreement, but must modify their domestic legislation within the transitional period(s) of which they may make use in order to achieve an equal or greater level of compliance with the provisions of the Agreement.

For example, the Brazilian Industrial Property Law stipulates that the registration of a mark shall remain in force for a period of ten years. Article 18 of TRIPS establishes that the registration of a mark will have a duration of no less than seven years. Consequently, even though Brazil could have used the transitional periods, the obligation to avoid adopting a norm that would result in diminished compliance with the provisions of Art. 18 of TRIPS immediately went into force and became fully

---

Agreement other than Articles 3, 4 and 5 of Part 1. ...

4. To the extent that a developing country member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that member, as defined in paragraph 2 above, it may delay the application of the provisions on product patents of Section 5 of Part II of this Agreement to such areas of technology for an additional period of five years.

5. Any member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 above shall ensure that any changes in its domestic laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement."

effective. Brazil cannot adopt a period of less than seven years for the validity of the registration of a mark without violating the Agreement, even if it had availed itself of a transitional period under paras. 1, 2 or 4 (Art. 65(5)). The substantive provisions of the Agreement already bind the members, having provided for sanctions against those who fail to comply therewith.[4]

What we thus note is not the deferred effectiveness of the minimum level established by the provisions of the Agreement, but rather the immediate effectiveness thereof, generating obligations at the international level since January 1, 1995, which vary according to the protection level in the Member nations, as well as to the use or not of the transitional periods available.

Once the TRIPS' provisions become effective in the domestic sphere, they revoke the incompatible provisions of the previous national law, in compliance with the principle *lex posterior derogat priori.* Depending, again, on the constitutional system of each country, the TRIPS' provisions will then either stand on equal footing with the domestic law or have a higher hierarchical authority, in which case they may not be revoked by the eventual incompatible provision(s) of a later domestic law.

In Brazil, treaties which have been ratified must be approved by Congress through a Legislative Decree and then promulgated through an Executive Decree in order to be applicable internally. Some have argued that the Executive Decree is not necessary as the publication of the Legislative Decree should be considered as the promulgation.

Nevertheless, Brazil, without making any disclaimer, approved the Final Record Incorporating the Results of the Uruguay Round through Legislative Decree No. 30 of December 15, 1994, and promulgated it through Decree No. 1355 of December 30, 1994, determining its application and fulfillment.

The legal consequences of the Decree from the legislative and executive powers have already been analyzed by the Supreme Court. Justice Leitão de Abreu in the extraordinary appeal No. 80.004 (Full Court) stated: "it does not seem to me that the principle established in the leading case should be abandoned, of which Minister Osvaldo Trigueiro was the Reporter." In expressing the *unanimous opinion of the Court regarding the immediate applicability of Treaties approved and duly promulgated,* he justified with his customary accuracy and sobriety of language the terms in which *these norms of international law mandatorily apply to domestic law.* "With regard to Brazilian law" - stated the eminent jurist - "it does not seem reasonable to me that the validity of treaties shall be conditional on a double reading by Congress, a requirement which no Brazilian Constitution has ever stipulated" (R.T.J. 58/74).

From the absence of a provision specifically directed to delaying the domestic applicability of TRIPS, the Brazilian Association of Intellectual Property (ABPI), after extensive discussions and studies on this subject, concluded that the text of the Agreement known as TRIPS was incorporated into the Brazilian legal system on

[4] Non-compliance with the commitment undertaken under the Agreement may, if considered sufficiently serious in light of para. 2 of Art. XXIII of GATT 1994, prompt the WTO to authorize one or more members of the Agreement to suspend the application of any obligation or concession resulting from the GATT 1994 or from the Uruguay Round with regard to the member in breach of this Agreement.

January 1, 1995, revoking the provisions of Brazilian law which did not conform thereto, according to the principle *lex posterior derogat priori.*

The arguments against the applicability of TRIPS in Brazil derive from the fact that the Legislative and Executive Decrees, which respectively approved and promulgated the TRIPS Agreement, were silent as to whether the transitional provisions contained in Art. 65 of the Agreement would apply nationally.

At the international level, the transitional provisions of Art. 65 would certainly exempt developing countries such as Brazil from applying the substantive provisions of the Agreement. Therefore, it has been argued that the Agreement would have a programmatic nature, as the countries would have the option of applying or not the provisions of the Agreement within the limits of Art. 65. Considering that an option should be actively exercised and the above mentioned Decrees were silent in regard to the provisions of Art. 65, some, including the Brazilian Patent and Trademark Office, have said that in view of the non-action of the country on this point, the international exemption provided for in Art. 65 would remain applicable internally and that a Brazilian law incorporating the provisions of the Agreement would be required for its domestic implementation.

However, the position of the ABPI was that Brazil actively exercised its option of determining the application of the Agreement when approving it through the Legislative Decree and then promulgating it with the Executive Decree, the legal consequences of which are explained by the Supreme Court decision in extraordinary appeal No. 80.004 (see above).

Besides, it has also been argued that if the Agreement is applicable internally, Art. 65 of the Agreement would also be one of the provisions which would be applicable internally. The ABPI, however, believes that the provision contained in the first paragraph of Art. 65 of TRIPS, "no member shall be obliged to apply the provisions of this Agreement before the expiring of a general period of one year following the date of entry into force of the Agreement Establishing the WTO" (January 1, 1995), brings to the Brazilian legal system the obligation of not requiring the application of the Agreement by another member country before the deadline it provides for. Expressly directed to the strict application between the member countries, *the first paragraph of Art. 65 of TRIPS is a legal provision of international law which, internally, neither obliges nor exempts Brazil from applying the Agreement, consonant with the freedom of implementation provided for in Art.1 of TRIPS.*

This freedom was sovereignly exercised by Brazil in that it approved the Final Record of the Uruguay Round as mentioned above.

Finally, the period provided for in Art. 65(2) entitles those member states which are developing countries further to delay the date of application as from the end of the first period which was provided for in Art. 6(1). Indeed, *the wording of Art. 65(2) also creates an option which should be actively exercised to be applicable.*

This assertion has been contested on the basis of a letter sent on March 14, 1996, to the Brazilian Diplomatic Delegation in Geneva by Adrian Otten, Director of the Intellectual Property and Investment Division of the World Trade Organization[5] on:

---

[5] Mr. Carlos Antonio da Rocha Paranhos
Minister-Counsellor
Deputy Permanent Representative of Brazil

> the question of whether eligibility for the transitional period available to developing countries under Article 65.2 is dependent on any formal notification of its invocation. The view that the Secretariat has expressed on this issue is that *there is no requirement in the TRIPS Agreement* on a *developing country Member to provide any formal notification of its intention to invoke this transition period.*

It should have been noted, however, that these transition periods are indeed automatic but only in the international sphere. The option a country has of postponing the date of applicability of the Agreement for a certain period exempts this country *vis-à-vis the other Members* from applying the Agreement during that period within which it will have to exercise its freedom of implementing the provisions of the Agreement under Art. 1 of TRIPS.

If Brazil opted to promulgate the TRIPS Agreement on December 30, 1994, determining its application and fulfillment, without making any disclaimer, it could do it not only as a matter of internal law (see above, Supreme Court decision on extraordinary appeal No. 80.004), but it was also exercising an option which was warranted by the Agreement.

From the absence of a provision, either in the Brazilian Law or in the Agreement, determining the postponement of the domestic applicability of TRIPS, the non-applicability of Art. 65(2) in Brazil was thus confirmed by the end of the first period which was provided for in Art. 65(1) (December 1995) as *the Brazilian Government had not claimed the benefits of Art. 65(2).* At least since January 1, 1996, therefore, the Agreement should be considered in force *and fully effective* even by those who believed that Art. 65(1) would have the automatic consequence of internally suspending the application of the Agreement after the whole text of the Agreement entered into force in Brazil, following the publication of the Legislative and Executive

---

Permanent Mission of Brazil
178 Ancienne Route
1218 Grand Saconnex

14 March 1996

Dear Mr. Paranhos,
Many thanks for your letter of 7 March concerning the question of whether eligibility for the transition period available to developing countries under Article 65.2 is dependent on any formal notification of its invocation. The view that the Secretariat has expressed on this issue is that there is no requirement in the TRIPS Agreement on a developing country Member to provide any formal notification of its intention to invoke this transition period.

At the meeting of the Council for TRIPS held on 22 February 1996, the Chairman informed the Council that the Secretariat had given the same response to the question posed by Chile in document IP/C/W/19. While not disputing the response given by the Secretariat, the representatives of the European Communities and of the United States expressed the hope that, for purposes of transparency, developing country Members would inform the Council of their intentions regarding the use they were planning to make of the transitional arrangements provided for in Article 65. The Chairman also said that he believed that the Council would appreciate any information that such Members were willing to share regarding their intentions.

Yours sincerely,
Adrian Otten
Director
Intellectual Property and Investment Division

Decrees.

This issue is now being discussed before the Brazilian courts as the Brazilian Patent Office has issued an internal opinion (Parecer DIRPA No.1/97) stating that, although TRIPS has been in force in Brazil since January 1, 1995, its substantive provisions will only apply internally after January 1, 2000. The first instance court decision and the two injunctions transcribed above are the first in a series of court decisions expected on the date of applicability of TRIPS in Brazil.

It is interesting to notice that some Latin American countries, and this seems to be the case of Mexico, have also simply put the whole text of TRIPS into force in their country and could equally have to face the same internal discussions in regard to the domestic applicability of TRIPS.

This is, however, an internal matter resulting from the way the Agreement was put into force in the domestic legislation of a specific country. In the international sphere, the Latin American countries are free to implement the application of TRIPS until January 1, 2000.

II. Term of Protection

In Brazil, patents are granted for a 15-year term as from filing date until May 14, 1997. Article 33 of the TRIPS Agreement, however, provides that patents should be granted for a 20-year term. Therefore, considering that TRIPS should be applicable in Brazil as from January 1, 1995, in view of the way in which it was enacted, there is a possibility of contesting in court the Patent Office's practice of attempting to obtain the extension of the patent for five more years. It is possible to contest the Patent Office's orientation in court by means of a writ of *mandamus* which must be submitted within 120 days of the publication of the issuance in the Official Gazette, or thereafter through a regular ordinary action. The advantage of the writ of *mandamus* is that it is a swifter procedure.

Besides, there is also a possibility of extending for five years the terms of patents issued before January 1, 1995, or January 1, 1996, but still in force, under the provisions of Art. 70(2) of TRIPS which should be applicable to all subject matter existing at the date of application thereof.

The first three paragraphs of Art. 70 of the TRIPS Agreement establish that:

> Article 70 - Protection of Existing Subject Matter
>
> 1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the member in question.
> 2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the member in question, and which is protected in that member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement....
> 3. There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the member in question has fallen into the public domain.

It has been said, therefore, that all patents which had not fallen into the public domain on the date TRIPS became internally applicable in the country had their term extended for five years (Art. 70(3)).

However, some, including the Brazilian Patent Office, have also said that under Art. 70(1), there can be no obligation to extend a patent term granted before the date of application of the Agreement.

This issue has been examined before in the WTO dispute settlement proceedings which the US initiated against Portugal, and resulted in Portugal agreeing to give the 20-year term to all patents in force on the date TRIPS became applicable in that country.

The Brazilian courts, therefore, will soon be required to settle the contrary positions being taken by patent holders and the Brazilian Patent Office. The injunction given in favor of American Cyanamid Company and against the Brazilian Patent Office (INPI) is the first court decision on this issue in Brazil.

However, unlike the discussions on the date of applicability of TRIPS in Brazil which are limited to the Brazilian domestic sphere, the refusal of a country to extend patent terms under Art. 70(2) of TRIPS is a matter that may be brought before the WTO for settlement after January 1, 2000, when the international obligation to apply TRIPS is enforceable in regard to the Latin American countries.

Gustavo Starling Leonardos [*]

[*] Attorney-at-Law, Rio de Janeiro, Brazil.

Brazil: Preliminary Injunction Against INPI Extending American Cyanamid's Patents' Term

On August 26, 1997, the Ninth Federal Court, Rio de Janeiro, considered the existence of the necessary requirements for granting a preliminary injunction, namely, *periculum in mora* evidenced by the expiration of the term of the patents PI 8103449-0 and PI 8704215-0 without the plaintiff having had a chance to exercise its rights -, and the *fumus boni iuris* in the face of the existence of the cited patents and of the TRIPS Agreement, effective and applicable in Brazil since January 1, 1995, the provisions of which therefore must cover the patents that were in force at that time and those granted thereafter, extending their term to 20 years. The Court granted a preliminary order to consider patents PI 8103449 0 and PI 8704215-0 in effect until the final ruling on the main action No. 97.21814-7 is passed.

Brazil: Preliminary Injunction Enforcing American Cyanamid's Extended Patents Against DDIV, Herbitecnica and Makhteshim

On August 26, 1997, the Ninth Federal Court, Rio de Janeiro, considered the possible violation of patents PI 8103449-0 and PI 8704215-0, which had their term of validity extended by means of the preliminary measure granted in Case No. 97.75908-3, and that the granting of the sanitary registration by the Department of Vegetal Inspection and Defense (DDIV), in favor of the second and third defendants, would violate these patents. Considering also the provisions contained in Art. 209, first paragraph, of the new Intellectual Property Law (Law 9279 dated May 14, 1996), and having been presented with adequate proof that the violation of the extended patents would cause irreversible or hard-to-repair damage, and there being no danger in reversing the hereby granted measure, the Court granted a preliminary injunction, so that the first defendant must stop the registration proceedings for the products Imazetapyr and Imazaquin initiated by Herbitecnica Industria de Defensivos S.A., requested under the trademarks “Vezir Tecnico," “Topgan Tecnico," “Vezir and Topgan," and so that the second and third defendants refrain from importing, producing, exporting, selling or offering for sale products obtained in accordance with the mentioned patents, until the final ruling on this case and on Case No. 97.21814-4 is handed down.

Brazilian decisions kindly submitted by Gustavo Starling Leonardos, Attorney-at-Law, Rio de Janeiro.