

Counterfeiting Practices in Brazil and Parallel Importation

As recently published by the Brazilian newsletter *Diário Do Comércio*, the Federal Revenue Office of Brazil confiscated approximately US\$800 million in illegal products in 2018. This total represents an increase of approximately US\$180 million in confiscated products since 2017, demonstrating that Brazilian Customs and Border Protection (“Customs”) is making strides in combatting counterfeiting. It is of upmost importance that illegal products be barred from entering the country because they are directly responsible for aggravating several preexisting issues in Brazil, such as:



Illegal piracy activity, which impedes the creation of 1.5 million jobs¹ per year, according to the Industrial National Confederation.



Tax evasion, which generates a loss of approximately US\$30 billion² per year, according to the Brazilian Association in Combating Counterfeit.



Piracy, which creates unlawful competition and is an obstacle for investors entering every sector of the Brazilian economy.

Another Proposed Solution

Although it is undeniable that the Federal Revenue Office has been achieving results, the number of counterfeit goods that make their way into Brazil is still growing fast. However, the Chamber of Deputies has been discussing several measures that could help address the issue. One of these measures lies within Bill 333/99, which aims to increase fines for those who practice acts that violate intellectual property rights. The proposed bill has been in discussion for almost 20 years, and there is still no prediction on whether it will indeed be passed.

Meanwhile, companies must do everything they can to assist the Federal Revenue Office in stopping the entrance of these illegal products. All of the customs authorities in Brazil are open to receiving companies' relevant information about their products and blocking any illegal copying attempts.

Hence, it is highly recommended for companies to seek IP protection by investing in training sessions with Customs, staff and distributors as well as creating tools to distinguish genuine from counterfeit goods and providing such information to Customs.

In this sense, it is advisable that all IP title holders make use of Brazil's National Directory to Combat Counterfeiting (“NDCC”), created in 2014 by the Brazilian Patent and Trademark Office (“BPTO”) in partnership with the National Council for Combating Piracy and Intellectual Property Crimes. The system described below is available at all Brazilian ports and airports entering the country and is accessible by authorities.

It is a fairly simple process for a company to request registration on the NDCC and, thus, provide relevant documentation to help authorities distinguish genuine from counterfeit goods. No fees are charged, and the only documents that must be provided are a power of attorney and the certificates of registration related to companies intellectual property rights.

Concerning best practices for combatting counterfeiting, we highlight the below options in two different scenarios:

1) BORDER ENFORCEMENT MEASURES (PRODUCT NOT YET IN BRAZILIAN MARKET)

Customs authorities in Brazil are reportedly doing their best to prevent illegal items from entering the national territory. These authorities can monitor and seek *ex officio* seizure of infringing products that are imported or exported, under guidance from Law No. 6.759/2009. According to this law, once the authorities have identified a suspected counterfeit shipment, they must notify the IP holders and temporarily seize the goods. In turn, the company must show evidence that legal actions were taken within 10 business days so that Customs authorities can maintain the seized goods. This term can be renewed for another 10 business days should the IP holder provide legitimate justification. It is important to note that Customs suffers from a considerable lack of resources, which is why it is important for the IP holder to assist by providing relevant information and working closely with the appropriate agency.

2) WHEN COUNTERFEIT GOODS ARE ALREADY IN THE BRAZILIAN MARKET

In this scenario, companies can adopt extrajudicial measures so as to warn counterfeiters of the illegality and try to reach a settlement avoiding a lawsuit. All companies are advised to take such measures only after gathering enough evidence (purchase of product, among others) since there is a high risk that the counterfeiter can run away from the original address and obstruct the enforcement of companies' IP rights. In the event a company takes this step with no positive results, it can file a civil and/or criminal infringement lawsuit aimed at search and seizure and cease the illegal use of the determined third party's IP rights. Certainly, companies can evaluate the risks of sending an extrajudicial letter first or decide on filing a lawsuit as a first step.

3) PARALLEL IMPORTATION

In the case of parallel importation, we are dealing with the importation of genuine goods as opposed to counterfeit goods. Parallel importation occurs when a company imports genuine goods from another country without obtaining permission from the owner of the IP rights in relation to those goods. This practice constitutes a parasitic and illegal infringement of IP law. Brazilian authorities are well aware of the practice and are implementing policies to prevent it, which is why the Customs measures available for combatting counterfeiting are also applicable in cases of parallel importation. Nevertheless, companies worried about protecting their assets can take some precautions, such as having an exclusive distributor in Brazil and/or making sure that every licensing agreement regarding the exclusive use of the IP right in question is recorded before the BPTO. This record is extremely important, because it makes the agreement enforceable against third parties—not to mention that, without it, courts may consider parallel importation to be legal, since the agreement is between two private parties. It is also important to

maintain a good relationship with border authorities, including participating in training sessions, in order to be easily notified of non-authorized goods entering the country.

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¹ Source: <http://www.brasil.gov.br/noticias/seguranca-e-justica/2018/12/pirataria-causa-prejuizo-anual-de-r-115-bilhoes>.

² Source: <https://dcomercio.com.br/categoria/brasil/brasil-perde-r-130-bilhoes-para-o-contrabando>.

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