



Anti-counterfeiting and Online Brand Enforcement: Global Guide

2023

**Brazil: Economic success matched by
jump in counterfeiting**

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Now in its 16th year, The Anticounterfeiting and Online Brand Enforcement: Global Guide combines the latest strategic analysis with practical, country-by-country exploration of the best protection around the world, enabling brand owners to stay one step ahead of the counterfeiters.

Generated: June 16, 2024

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Brazil: Economic success matched by jump in counterfeiting

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LEGAL FRAMEWORK

The growth of the Brazilian market and economy is paralleled by the increase in counterfeiting activities. The enforcement of IP rights involves planning, technology, intelligence, training and coordination, with support from a number of laws and treaties, as well as the relevant rules of the Federal Constitution, the Civil Code, the Criminal Code, the Civil Procedure Code, the Criminal Procedure Code and administrative statutory instruments.

The legal framework for anti-counterfeiting includes:

- the Industrial Property Law (9,279/96);
- the Copyright Law (9,610/98);
- the Software Law (9,609/98); and
- the Internet Law (12,965/14).

In addition, Brazil is a signatory to the main international IP instruments, such as:

- the Paris Convention for the Protection of Industrial Property (as revised in Stockholm in 1967);
- the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs);
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Washington Copyright Convention;
- the Universal Copyright Convention;
- the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations; and
- the Geneva Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of their Phonograms.

Regarding trademark and copyright practice, the following acts are considered violations of IP rights in both the civil and criminal spheres:

- trademark infringement;
- geographical indication infringement;
- unfair competition practices; and
- copyright and software violations.

Enforcement provisions allow rights holders to take civil action to prevent further infringement and to recover losses incurred from actual infringement and criminal actions, with a view to convicting the infringers and imposing the penalties established by law. However, in practice, prison sentences are not imposed on counterfeiters.

Lawsuits are usually heard by state courts, while the federal courts hear actions seeking to declare void an IP right issued by the Brazilian Patent and Trademark Office (BPTO).

In Brazil, the rights holder, the licensee and some associations (eg, copyright collecting associations) have legal standing to bring civil lawsuits for IP infringement.

BORDER MEASURES

The following instruments regulate border measures in Brazil:

- Article 198 of the Industrial Property Law;
- Articles 605 to 608 and 803 of the Customs Regulatory Act (Federal Decree 6,759/09);
- TRIPs; and
- certain other laws and rules.

Such regulations set forth the general guidelines for inspecting and retaining merchandise suspected of being counterfeit and establish the administrative procedures for final seizure and destruction.

Due to the great extent of the country's borders, imported merchandise is monitored by Customs through sampling processes.

Retentions are made ex officio or on the rights holder's request when there is prima facie evidence of violation. Thus, customs officers can hold for inquiry goods that are suspected of infringing trademarks and copyrights. Once the merchandise has been held, the rights holder or their trademark attorney is contacted to collect samples and state, by means of a formal declaration and within 10 business days, whether the goods are genuine. If they are genuine, the products are released to the importer.

If the goods are suspected of being counterfeit, in most states the rights holder can choose between the customs administrative procedure to suspend release of the goods or a judicial remedy. In the first case, a complaint based on a technical report must be presented before Customs, requesting the definitive seizure and destruction of the goods, and the importer is notified to enable them to respond. In the second case, the rights holder seeks to obtain a preliminary injunction requiring Customs to disclose the name and address of the importer – since this data is treated by the authorities as privileged and covered by tax privacy – and then files a lawsuit against the importer, requesting the seizure and destruction of the infringing merchandise. The importer is summoned to give a reply.

Due to a narrow interpretation of the law, some customs agencies require the right holder to file a lawsuit to seize the counterfeit goods. Others accept administrative requests. Right holders must be aware of such discrepancies and decide the best approach based on the agency through which the products have been imported. Some customs agencies interpret the law to mean that the lawsuit is mandatory and they release the goods if none is filed; others understand that the counterfeiting attested through the technical report presented by the right holder would be sufficient for the seizure of the suspected items and their destruction through the administrative tax procedure. The right holder would only file a lawsuit if they had a strategic interest in obtaining the importer's data, in addition to receiving compensation for damages, besides the order to abstain from the illicit act. In December 2013 the BPTO launched the National Trademark Owners Database. The database is a central database where authorities engaged in combating piracy (eg, the police, Customs and federal prosecutors) can access detailed information on trademarks that are targets for counterfeiting activities.

As established by the National Council for the Combating of Piracy Resolution 1/2011, the database assists public authorities in:

- obtaining samples, manuals and information on original products for the examination of seized counterfeiting goods by the police;
- accessing complaints and documents for the purposes of filing a police investigation or filing a report on raids aimed at curbing trade in counterfeit goods;
- obtaining technical opinions concerning the authenticity of retained or seized goods by public authorities; and
- making decisions on the detention of suspected counterfeit goods.

The Federal Revenue Service maintains the Brand Representatives' Contact List, a database that allows the customs authorities to contact the owner of the potentially infringed trademark. The project appears to overlap with the BPTO's National Trademark Owners Database but is in fact another tool with which to fight counterfeiting activities.

A general request for surveillance can be filed at the Customs General Management Office, but rights holders can also express their concerns and ask customs officials directly to carry out inspection and monitoring, training them about the features of their brands and products. Therefore, personal contact with and training of customs agents to identify infringing goods are possible and usually recommended.

CRIMINAL PROSECUTION

Lawsuits for trademark infringement are prosecuted before state courts and through private criminal prosecution brought by the rights holder. However, most acts of copyright infringement (except for software infringement) are prosecuted before state courts as public criminal actions.

While the penalty for trademark infringement ranges from imprisonment of three months to one year or a fine, the penalties for copyright infringement (where the violation has economic consequences) may vary from imprisonment of two to four years and a fine.

Before a criminal prosecution for trademark infringement is initiated, the illegal activity must be proved. Before filing a lawsuit seeking detention of the infringer, the rights holder must proceed with a preliminary criminal search and seizure action, where a court-appointed expert will seize and examine samples of the products. If infringement is confirmed, the expert's opinion is homologated by the criminal judge and the rights holder will have 30 days to file the criminal action.

In cases of copyright infringement, the public authorities can initiate the public criminal action ex officio or at the request of the rights holder. In both cases, the copyright owner may participate in the action as assistant to the public prosecutor.

The law also grants enforcement authorities the discretionary power to conduct police raids against piracy and counterfeiting activities since they are regarded as criminal offences. Raids are usually conducted in city areas where many street sellers or shops sell counterfeits, especially in places known to be important trade areas, responsible for the distribution of products in the Brazilian territory, in addition to areas famous for being regions dedicated to the manufacturing of these products.

Following the seizure of merchandise in raids, the products are analysed by police experts, a final report is prepared and the rights holder and/or the public authorities are required to file the subsequent criminal actions. Police and criminal actions are effective

enforcement remedies in many circumstances and the equipment and machinery used for the counterfeiting activity can also be seized and destroyed. An advantage of police raids is that they can be conducted against many infringers simultaneously, and even against infringers that have not previously been identified.

CIVIL ENFORCEMENT

The Industrial Property Law establishes that, independent of the criminal action, the aggrieved party may file a civil lawsuit, seeking interim injunctive relief and damages. Both the Industrial Property Law and the Civil Procedure Code allow the granting of ex parte preliminary restraining and/or search and seizure orders. To obtain injunctions of this nature, the following procedural requirements must be met by the rights holder:

- evidence of their right;
- substantial and unquestionable proof of infringement; and
- elements that may demonstrate a reasonable degree of risk of damage if the injunction is not granted.

In some enforcement circumstances, it is recommended to issue a cease-and-desist letter before going to court.

Right holders may use a variety of judicial procedures to protect their intellectual property, from lawsuits with damage claims arising from the proven violation to preparatory lawsuits to obtain proof of the violation (for example to identify sellers of counterfeit products that use famous online marketplaces to trade their illegal products) to obtaining judicial authorisation to conduct search and seizure at establishments manufacturing counterfeit products, and to conduct preliminary inspections on computers, servers and related devices in the search for illegal licences. Finally, the violation of any IP right creates an obligation to pay damages. To this end, the Industrial Property Law rules that the damages will be calculated based on the most favourable criterion to the injured party, as follows:

- the benefits that would have been gained by the injured party if the violation had not occurred;
- the benefits gained by the party that violated the rights; or
- the remuneration that the violator would have paid to the rights holder for a licence that would have permitted them to exploit the rights legally.

Punitive damages can also be claimed but are seldom granted.

The civil compensation procedures are often slow and time-consuming, and their success depends on the evidence of damages, the circumstances and the defendant's financial situation.

TAX ENFORCEMENT

In addition to Customs inspecting products entering the Brazilian territory, the Federal Revenue Service also carries out enforcement measures, resulting in the removal of tons of counterfeit products from the Brazilian market.

Upon the presentation of a complaint from the rights holder with substantial and unquestionable proof of the irregularity (tax crimes and crimes against intellectual property)

of the products, the Federal Revenue Service will seize the irregular products, and, at the end of the fiscal procedure, these items will be sent for destruction, and those responsible will be penalised.

If the rights holders are interested, they can, on conclusion of the fiscal procedure, obtain the identification of the offenders responsible for selling the irregular products and file a civil enforcement action to recover part of the losses or even a criminal conviction.

The Federal Revenue Service has played an important anti-counterfeiting role. A recent example was Operation Krampus, which took place in November 2022 and resulted in the seizure of 2,000 tons of counterfeit products.

ANTI-COUNTERFEITING ONLINE

In 2014, the Congress enacted Law 12965/2014, known as the Brazilian Civil Rights Framework for the Internet. The law aims to establish principles, guarantees, rights and obligations concerning the use of the Internet in Brazil, as well as to provide guidelines for the public administration on the matter.

Brazil has no specific statute dealing exclusively with online IP infringement, but the legal framework – including the Internet Law – provides an enforcement system against online counterfeiting activities. Case law dealing with online infringement has held that Brazil has jurisdiction over disputes arising from facts occurring or having effect within Brazilian borders. Online infringements are litigated before civil and criminal state courts. Only IP rights validity claims and specific international online infringements fall under federal jurisdiction and must be litigated before a federal court.

The complaint must present evidence of the infringed right, the facts and the connection between these and the defendant (eg, website administrator or internet service provider (ISP)). Identification of the party that is responsible for the alleged infringement, although not mandatory, is recommended and generally necessary for the execution of future enforcement measures.

PREVENTIVE MEASURES/STRATEGIES

Besides registering trademarks, certain preventive measures should be taken to enhance the chances of success of an anti-counterfeiting campaign.

Under Brazilian law, the use of local legal counsel is mandatory when a complaint is filed before the courts. The chosen counsel should be experienced in IP matters, as well as civil, police and customs remedies. The use of investigators is important, as in Brazil the burden of proving the infringement lies with the plaintiff in both criminal and civil cases and the defendant is always entitled to withhold from the plaintiff any self-incriminatory evidence.

Whenever possible, the use of authentication technology (eg, security labels and authentication checking devices) to fight counterfeiting is helpful, and investment in these new technologies is increasing in Brazil. Continuous monitoring of possible counterfeiters is a basic necessity, and sellers of the original goods should be taught how to identify counterfeit goods, receive incentives to do so, report infringements and receive feedback.

With the significant increase in the sale of counterfeit products over the Internet, monitoring online marketplaces and platforms has become a key preventive measure.

In addition, cooperation with official anti-counterfeiting agencies and financial services companies is indispensable to implement and maintain a successful anti-counterfeiting programme. Cooperation can include exchanging investigative information, providing in-person training and collaborating on the logistical organisation of major raids. The dialogue with the competent authorities must not stop; if the rights holder so desires, such dialogue can be conducted through alliances or associations dedicated to fighting counterfeiting formed by companies with similar activities.



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