



**FEDERAL PUBLIC SERVICE
MINISTRY OF ECONOMY
BRAZILIAN NATIONAL INSTITUTE OF INDUSTRIAL PROPERTY
DIRECTORATE FOR PATENTS, COMPUTER PROGRAMS AND TOPOGRAPHIES OF INTEGRATED CIRCUITS**

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**Note C. 9089
Inputs for the preparation of documents to the 34th Session of the
Standing Committee on the Law of Patents¹**

Brazil

Draft reference document on the exception regarding the exhaustion of patent rights

In Brazil, the treatment of the exception regarding the exhaustion of patent rights is contemplated in articles 42, 43 (IV), 68, 184 and 185 of Law No. 9,279, of May 14, 1996 (IPL – Industrial Property Law). According to Brazilian legislation, the exhaustion of patent rights, in general, takes effect when the product is offered for sale on the market for the first time by the patentee or by third part having the consent to do so, determining that the buyer may do whatever he wants with such patent protected product, regardless of the preferences set by the patentee. In this context, after the first sale of the patented product, the buyer is supported by the patrimonial right, characterizing the doctrine of the "first sale". However, such legal provision has its limitations defined in the Brazilian Legal Framework (IPL), which takes into account the rules established under TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights).

It is important to mention that during the negotiation process of the TRIPS Agreement, the theme of exhaustion of rights was the subject of intense debate and discussions. The final decision was to allow countries to have the freedom to establish the internal rules to deal with this subject, as the flexibility in this very important point would enable the continuation of the necessary steps for the signature of the Agreement. In practice, this means that Members are not obliged to restrict their exhaustion policies to the limits of the national territory, being able to determine that it also occurs when the product or service was legally placed on the market for the first time outside the national territory. In this sense, according to the TRIPS Agreement, the principle of exhaustion of rights can be established by Members in three ways: national, international and regional. Thus, during the process of elaborating the Brazilian IP Law, the Legislator identified that the most ap-

¹ The answers to this Note have been provided on behalf of Brazil by Brazilian National Institute of Industrial Property (INPI).



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appropriate doctrine to be adopted in Brazil is the national exhaustion of rights, in view of the maturity of the patent system at that time.

In this sense, the patentee in Brazil may exercise his rights, considering the concept of territoriality of the Brazilian State. In the context of exhaustion, the right of the patentee ends when the product or service is made available in the national territory. However, even if this particular product is placed on the foreign market, such a product cannot be parallel imported without authorization from the patentee.

In addition to the issue related to the adopted doctrine, it is worth mentioning that for the application of the legal mechanisms of the exception to the exhaustion of patent rights, the actors responsible for such an assessment must take into account two extremely relevant topics.

The first deals with the issue of parallel importing, which considers that the patentee can prevent the importation of the product covered by patent protection without his consent. In Brazil, parallel importing can occur in two situations:

- When there is a specific market situation, when the patentee accomplishes the product importation and places the product on the domestic market, allowing third parties to be authorized to carry out parallel importing.
- The second possibility arises from the compulsory license in the following cases: (i) abuse of rights or economic power and (ii) national emergency or public interest.

Still in the scenario of evaluating the exhaustion of rights, the issue of infringement by contribution (use of the patent in an indirect way) should be addressed. In this scenario, this concept tends to consider elements that can contribute to patent infringement by third parties. In order to clarify the Brazilian view on this topic, an example will be presented.

- Example: In the case of a patent referring to a certain fan, if a third party, in a store, sells the parts separately without authorization from the patentee, allowing the assembly of the fan, such procedure would be qualified as an infringement.



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The articles set out in the Brazilian IP L related to the topic of exhaustion of patents rights is presented in the chart below.

Description of IPL Articles
<p>Article 42 - A patent confers on its proprietor the right to prevent third parties from manufacturing, using, offering for sale, selling or importing for such purposes without his consent:</p> <p>I – a product that is the subject of a patent;</p> <p>II – a process, or product directly obtained by a patented process.</p> <p>§ 1º The patentee is further guaranteed the right to prevent third parties from contributing to the practice by other parties of the acts referred to in this article.</p> <p>§ 2º The rights in a process patent will be violated, insofar as item II is concerned, when the holder or owner of a product fails to prove, through specific judicial ruling, that it was obtained by a manufacturing process different from that protected by the patent.</p>
<p>Article 43 - The provisions of the previous article do not apply:</p> <p>I – to acts practised by unauthorised third parties privately and without commercial ends, provided they do not result in prejudice to the economic interests of the patentee;</p> <p>II – to acts practised by unauthorised third parties for experimental purposes, related to studies or to scientific or technological research;</p> <p>III – to the preparation of a medicine according to a medical prescription for individual cases, executed by a qualified professional, as well as to a medicine thus prepared;</p> <p>IV - to a product manufactured in accordance with a process or product patent that has been placed on the internal market directly by the patentee or with his consent;</p> <p>V – to third parties who, in the case of patents related to living matter, use, without economic ends, the patented product as the initial source of variation or propagation for obtaining other products; and</p> <p>VI – to third parties who, in the case of patents related to living matter, use, place in circulation or commercialise a patented product that has been introduced lawfully onto the market by the patentee or his licensee, provided that the patented product is not used for commercial multiplication or propagation of the living matter in question. [...]</p>
<p>Article 68 - A patentee will be subject to have his patent licensed compulsorily if he exercises the rights resulting therefrom in an abusive manner or by means of it practices abuse of economic power that is proven under the terms of the law by an administrative or court decision.</p> <p>§ 1º The following may also result in a compulsory license:</p>



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I - the non-exploitation of the subject matter of the patent in the territory of Brazil, by lack of manufacture or incomplete manufacture of the product or, furthermore, by lack of complete use of a patented process, except in the case of non-exploitation due to economic unfeasibility, when importation will be admitted; or

II - commercialisation that does not meet the needs of the market. [...]

Article 184 - A crime is committed against a patent of invention or a utility model patent by he who:

I - exports, sells, exhibits or offers for sale, maintains in stock, hides or receives, with a view to use for economic purposes, a product manufactured in violation of a patent of invention or of a utility model patent, or that is obtained by a patented means or process; or

II - imports a product that is the subject matter of a patent of invention or of a utility model patent or is obtained by a means or process patented in this country, for the purposes mentioned in the previous item, and that has not been placed on the external market directly by the proprietor or with his consent.

Penalty - detention of 1 (one) to 3 (three) months, or a fine.

Article 185 - Supplying a component of a patented product, or material or equipment for carrying out a patented process, provided that the final application of the component, material or equipment necessarily leads to the exploitation of the subject matter of the patent.

Penalty - detention of 1 (one) to 3 (three) months or a fine.