

Report Q 157

in the name of the Brazilian Group
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The Relationship between Technical Standards and Patent Rights

1. Basis for technical standards

1.1 *What types of national and international standards exist in your country? By whom are these standards set up? Are there de jure and/or de facto standards?*

In Brazil, national standards are those established by ABNT (Brazilian Association of Technical Norms), a private, non-profit organization officially recognized by the government as being the only national forum for standardization. ABNT has the role of the National Standard Body of Brazil, and is responsible for all voluntary, consensus-based standards. These standards can be based on international or regional standards, or they can be equivalent to ISO and IEC standards (adoption in full). Brazilian standards are de jure.

1.2 *Who is the addressee of the standards and in which technical field do standards apply? Are the Groups aware of any standards which explicitly refer to patents?*

Brazilian standards aim the satisfaction of the Brazilian society needs (Government, industry, academy, labs, etc.). The standards cover the following fields:

- Generalities, infrastructures and sciences;
- Health, safety and environment;
- Engineering technologies;
- Electronics, information technology and telecommunications;
- Transport and distribution of goods;
- Agriculture and food technology;
- Materials technologies;
- Construction; and
- Special technologies.

1.3 *What is the legal effect of standards? Are they enforceable? If so, how are they enforced? The Groups are invited to distinguish between the types of standards involved according to question 1.1 above.*

The standards are of voluntary use, but they become compulsory when their use is required in official documents such as Technical Regulations (compulsory standards) established by law or decree.

2. Possible conflicts between technical standards and IPR

2.1 What possible conflicts do the Groups see with regard to the relationship between patents and standards?

Technical standards are established to be used by the community in the related area. Thus, such standards deal with a technology supposed to be placed in the public domain. A possible conflict may arise if the technology described in the technical standard is patented. Such conflict might lead to the granting of a voluntary or a compulsory license.

2.2 Which issues do the Groups find relevant with regard to confidentiality, concerning namely the relations between the parties involved in setting up a specific standard or the preservation of confidentiality? Should there be rules for the handling of information obtained during the period of setting up a standard? Likewise, should there be rules for the filing of patent applications during said period? If so, what should the rules be?

Yes, there should be rules for the handling of information obtained during a joint effort to set up a standard. The filing of a patent application during such joint efforts is ruled by the Patent Law (# 9.279/96). The applicant is presumed to be the inventor. However, this presumption is not absolute and admits contrary evidence (section 6, paragraph 1 of Brazilian Patent Law).

If the invention was created by two or more persons, none of them can exclude the other from the respective ownership. Each co-inventor can file the patent application, but the name of the co-inventors cannot be omitted (section 6, paragraph 3 of Brazilian Patent Law).

Any technical innovation introduced in a licensed patent belongs to whom has developed it (the licensee) and can be protected as an invention or an utility model. The holder of the original patent has a preferential right to be granted a license regarding such patentable innovation (section 63 of Law # 9.279/96).

2.3 Are there any issues with regard to the territorial aspect (scope of protection and application of the standard)? What differences do the Groups see with regard to patents of members of the standardization organization and of non-members?

The patents owned by a member or a non-member of one standardization have the same nature in terms of extent and rights. If a member accepts that his/her patent is used by the other members, there will be a mutual consent license. A non-member owner is surely entitled to grant licenses too.

2.4 Are there rules for patent pools or discrimination against non-members which might constitute a conflict?

There is no specific rule. However, the freedom of association is protected by the Constitution. Anyone is allowed to join or leave an association and share rights with

another chosen person or organization. An organization can establish some requirements to accept new members. Provided that a person fulfill such requirements, his/her entry cannot be denied, otherwise there would be an unfair discrimination. If a patent holder grants a license of use to his/her pairs in a given organization, he/she is not obliged to grant the same rights to a non-member.

3. IPR policies, conflict resolution means

3.1 How and by whom should the relevant or "essential" IP rights be determined? Should the members of the respective organization be required to reveal their relevant IP rights? What should be the consequences if a member does not reveal an IP right? How does this affect the disclosure of new inventions or technologies?

Since the standard is being set up by an organization with such purpose, the organization will be entitled to determine the relevant technology to be used on the standardization. Members can be required to share his/her IP rights by granting a license of use, although they are not obliged to. A refusal to the granting of such license does not affect the patent rights, but may end the membership in certain circumstances.

3.2 Can the owner of an IP right which has been detected as relevant be forced to let it be used for standardization? If so, should this be done by way of licensing? Can the owner deny the use of the IP right?

No one is obliged to grant licenses regarding his/her patent rights and thus the owner can prevent the use of his/her patent by third parties. A compulsory license is only admitted under specific circumstances, such as:

- non-exploitation of the patent in the country, whenever such exploitation is economically viable (section 68, item I, of Brazilian Patent Law);
- an exploitation that does not meet the market needs (section 68, item II);
- link of dependence between two patents, being the new one a substantial progress in comparison to the earlier one, which holder does not agree to grant a license (section 70);
- national emergency or public interest (section 71).

3.3 What should be the consequences of such a denial for the standardization process? Can the membership or the participation in the standardization process be made subject to an undertaking to grant licenses or to make the technology protected by IP rights otherwise available?

The standardization process cannot use a patented technology if no license was granted for such purpose. The organization shall endeavor to find out alternative solutions.

3.4 In which way and by whom should conflicts between a member and the organization or between members be resolved? The Groups are invited to give their comments on the pros and cons of internal arbitration proceedings on the one hand and of national court proceedings on the other hand, as far as particular conflicts with regard to standards and patents are concerned.

Brazil admits both ad hoc and institutional arbitration. Thus, an organization can act as a center of resolution of conflicts between its members, with their consent. Arbitration

normally insure faster and more technical solutions. However, the compliance of Brazilian Arbitration Law (Law 9,307/96) with Federal Constitution is being challenged in the Federal Supreme Court. In contrast, Court proceedings usually take many years and Judges are generally not familiar with IP issues.

4. License policies, royalties

4.1 Who determines the conditions of a license agreement? What are reasonable royalties? How and by whom can the non-discriminatory character of conditions be defined? Is there any impact, and if yes, which impact does Art. 31 TRIPS have on this type of licenses?

Since the license is a mutual consent agreement, its conditions shall be defined by the involved parties. Case-law has established that 5% of the profits received by the licensee is a reasonable royalty. Section 31 of TRIPS is suitable in case of compulsory license.

4.2 Do the Groups see general principles for license conditions? The Groups are invited to submit factual comments on the licensing policy involved in standards, i.e. in comparison to the policies for amicable license agreements.

The general principles for license are the ones established in the Patent Law. The Brazilian Group would temporarily refrain from comments on the licensing policy involved in standards, since the subject is incipient in Brazil and is currently under examination.

4.3 What are the consequences if an agreement cannot be reached between the patent holder and the licensee? How should royalties finally be determined?

The royalties shall be established in the license agreement. If the parties do not agree with the royalty rate, there will be no voluntary license. The patent holder is not obliged to grant licenses against payment of royalty rates which it considers unsatisfactory. In the specific cases in which a compulsory license is possible (see item 3.2 above), or when the patent holder makes a public offer of license, the royalties will be assessed by the Brazilian PTO (sections 65 and 73, paragraph 4, of Brazilian Patent Law).

4.4 What is the legal quality of the undertaking to grant licenses (e.g. third party beneficiary)? Are the rights of a member or of a third party to challenge the validity of the patent affected in any way by this undertaking? Does the patent holder retain the right to enforce the patent against third parties or the member and, if so, under which conditions?

The patent holder has the right to grant non-exclusive licenses. The validity of the patent is not affected by such licenses. The supervening undertaking to grant licenses cannot be considered as a resign of rights and does not affect the novelty of the patent, established at the moment of filing. The patent rights can be enforced against whoever is found in infringement.

5. Conclusion

Since the subject is complex and very incipient in Brazil, the Brazilian Group will keep his conclusions for further analysis.