



The importance of recording technology transfer agreements with the BPTO (Brazilian patent and trademark office)

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On June 15, 2022, our partner Pablo Torquato spoke before the Japanese Chamber of Commerce and Industry of Brazil about the importance of recording technology transfer agreements with the Brazilian Patent and Trademark Office (“INPI”), especially about the legal particularities and the INPI's internal guidelines that involve this recordal.

According to Article 211 of the Brazilian Federal IP Law #9.279/96, the INPI is the agency responsible for the recordal of certain industrial property and technology transfer agreements.

“Art. 211. The INPI will record agreements that involve technology transfer, franchise agreements and the like so that they may produce effects in relation to third parties.”

The recordal has three important purposes: (i) to produce effects in relation to third parties; (ii) to allow tax deductibility for the licensee of amounts paid as royalties and technical assistance; and (iii) to legitimize remittances of royalties abroad.

On a particular note, recordals are performed by the INPI's Contracts Directorate on an entirely separate procedure and not through the patent and trademark directorates like other agencies around the world.

Certain agreements involving the licensing of industrial property rights, such as trademarks, patents, industrial designs and topography of integrated circuits, know-how technology transfer, technical assistance services and franchising can be recorded.

There are also several particularities that the parties must observe while negotiating agreements that require recordal with the INPI, such as:

- The agreements can be recorded, at most, for the term of validity of the IP rights, and require, from time to time, the renewal of the registration certificate adapted to the IP rights object of that agreement;
- In the case of Technology Transfer/Know-How agreements, such agreements are recorded for a maximum of 5 years, renewable for another 5 years with the parties explaining why such technology was not transferred during the initial 5-year period;
- Royalties of (i) Patent or Industrial Design are retroactive to the start date of the license recordal; and (ii) Trademark: it can only be charged from the date of granting the Trademark registration;
- In all cases, the tax deduction and remittance of royalties can only be computed from the date of filing the request for recordal with the INPI;
- INPI rules and formalities for recording agreements including signatures and initials, complete specification of the IP rights object of the agreement, legalizations, etc.;

- In the case of Technical Assistance Services, the INPI requires a breakdown of the number of hours/days worked by each technician, daily rate (rate/hour or day) by type of technician and the total value of the service provided, even if estimated.

One of the most important purposes of the recordal of agreements is to allow the foreign remittance of royalties' expenses for the exploitation of patents, use of trademarks, technology transfer (know-how) and technical assistance, which must also follow the rules of Ordinance 436/58 and articles 363/365 of IRS Tax RIR/18.

Finally, IP rights owners must be aware of local applicable law and INPI's regulations, especially considering that there is a list of agreements exempt from recordal as they do not characterize technology transfer by law, like consultancy agreements and software related agreements.

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