# Trends of Intellectual Property ADR in Brazil

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*"The beginning is always today."*
*Mary Shelley*

The beginning is a moment of action. It is the moment when the waiting is over. There is hope. Expectations. Ambition. Appetite. It is the moment of anticipation, which makes it the moment of thinking of the next moments. It is a phase to test the promises and to probe the apprehensions. It is also a moment when much work lies ahead.

This article is a small comment to Brazil's big beginning in mediation law and its impacts on intellectual property dispute resolution. Even though the use of administered and *ad hoc* mediation has been growing in the last few years, 2015 sets a new milestone. Brazilians are living the inception of widespread mediation and witnessing the birth and the first steps of ADR initiatives stemming from the legislature, private institutions and civil society, all of which represent great promises to the resolution of intellectual property disputes.

The current Brazilian zeitgeist is that of disillusion with traditional court litigation and of search for alternatives, which resulted in a boom of ADR enterprises. We shall address four main topics within this scenario: (i) which are the statutory reforms on ADR methods that recently took place in Brazil; (ii) which are the recent ADR initiatives by private institutions and civil society; (iii) how can mediation be a key tool in the resolution of intellectual property disputes in Brazil; and finally (iv) the challenges that shall emerge in connection to these legislative innovations and what is the role of legal professionals in this new scenario.

## 1. Recent statutory reforms on ADR methods

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Brazil is currently expanding and reinforcing its legal framework on ADR. Three main legislative measures evince this trend. First, the Brazilian Mediation Law[2] has been enacted on June 26, 2015. Second, the new Brazilian Code of Civil Procedure[3] provides for mediation as the initial stage of virtually every proceeding before state courts. Third, the Brazilian Arbitration Law[4] has been reformed by Law No. 13.129 on May 26, 2015. Fourth, on June 22, 2015 Decree No. 8.469[5] set up ADR rules to solve conflicts related to the collective management of author's rights and related rights. We shall address each of these three novelties in turn, beginning by the Code of Civil Procedure.

From the historical point of view it is relevant to mention that three bills on mediation were being processed by the Brazilian Congress at the same time: the new Code of Civil Procedure, Bill No. 517/2011 and Bill No. 7169/2014. The latter two were combined and enacted as the Mediation Law, which unfortunately collides with the Code of Civil Procedure in some matters. This demonstrates a significant demand for mediation and the lack of a rapid answer by the Congress (in addition to a considerable legislative disorganization).

The new Code of Civil Procedure favors ADR and encourages parties to work on a joint solution. In this sense Article 3(§3) provides that "conciliation, mediation and other methods of consensual solution of conflicts shall be encouraged by judges, lawyers, public defenders and prosecutors, including in the course of judicial proceedings". In addition, Articles 190 and 334 of the Code deserve a special comment.

Article 190 specifically provides for the so-called *procedural legal transaction*: whenever the litigation involves rights that can be transacted, the parties may adapt the procedure to fit the specifics of the case. The law expressly allows the parties to convene on the procedural calendar and on their own powers and procedural duties, before or during the proceeding. A report by a highly-qualified group of civil procedure experts asserts that the parties will also be able to convene on the following: unseizability of property, apportionment of legal

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[2] Law No. 13.140/2015, available in Portuguese at <http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2015/Lei/L13140.htm>. Access on August 30, 2015.

[3] Law No. 13.105/2015, available in Portuguese at <http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2015/Lei/L13105.htm>. Access on August 30, 2015.

[4] Law No. 9.307/1996, available in Portuguese at <http://www.planalto.gov.br/ccivil_03/leis/L9307.htm>. Access on August 30, 2015.

[5] Available in Portuguese at <http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2015/Decreto/D8469.htm>. Access on August 31, 2015.

costs, dismissal of party-appointed experts and presentation of oral arguments, among others. According to this same report, the parties may even agree on duties or sanctions to follow their own breach of the obligations convened among themselves.[6]

By its turn, Article 334 of the Code sets forth that a conciliation and mediation hearing shall precede all litigation proceedings, except if neither party wishes to conciliate or if the rights in question cannot be transacted. The pessimistic doctrine presages that this Article will be the demise of the Brazilian Judiciary Branch, as supposedly, in the absence of a sufficient quantity of qualified mediators, suits would accumulate to the point of paralyzing dispute resolution. However, this is a precipitated judgment that must be carefully considered.

By its turn, the Mediation Law rules extrajudicial and judicial mediation. The law innovates by officially supporting dispute resolution that is not administered by the state itself. Even though the existence of this law was not strictly necessary, since extrajudicial mediation was already practiced in Brazil to some degree, its enactment vastly contributes to encourage entities and individuals to resort to mediation as a means of solving their conflicts. This phenomenon did indeed occur in other countries, such as Argentina.

Article 9 of the Mediation Law sets forth that any competent person who is trusted by the parties and has been trained in mediation can act as an extrajudicial mediator. On the other hand, judicial mediators do not need to be accepted by the parties (Article 25), must have graduated from college at least two years before the mediation, and must have taken a training course for mediators (Article 11). Moreover, the parties to an extrajudicial mediation do not need to be represented by lawyers (Article 10), unlike the parties to a judicial mediation.

The Mediation Law also promotes mediation between state entities and private parties, as well as between different state entities. This is a very positive initiative – although we are not really optimistic about that – since the state is one of the major litigators in the country and takes a very long time to pay its debts.

Last but not least, it is also noteworthy that Article 30 provides that, as a rule, mediation proceedings are confidential unless the parties agree otherwise. This is in contrast with the Brazilian Arbitration Law, in which the default rule is non-confidentiality – although its text provides for the 'discretion' of the

[6] Carta do Rio. Rio de Janeiro, 25-27 April 2014. III Encontro do Fórum Permanente de Processualistas Civis. *Revista de Processo*, volume 233, pages 295-325, July 2014.

arbitrators (art. 13, §6º) –, and the parties virtually always and in general agree to keep the proceeding confidential.

As mentioned above, the Brazilian Arbitration Law was also recently reformed to incorporate pro-arbitration case law and to solve recurring issues on which there was no consensus. Among the latter were objective arbitrability matters such as the conditions under which labor and consumer disputes could be submitted to arbitration.[7]

Other relevant reforms to the Arbitration Law were made. An official means of communication between arbitrators and state courts was created: the arbitral letter (*carta arbitral*), which shall ease the enforcement by judges of the orders issued by arbitrators. In addition, the participation of state entities in arbitrations was expressly allowed (though it was never prohibited), upon the condition that the disputes are not solved *ex aequo et bono* and are not confidential.

All in all, this reform was well received by the Brazilian arbitral community and is expected to add value to the long-standing success of arbitration in Brazil, which has been remarkable for the last 19 years.

Finally, Decree No. 8.469, enacted on June 22, 2015, sets forth questionable 'arbitration and mediation' rules for disputes regarding the collective management of author's rights and related rights, which proceedings shall be conducted under the Brazilian Ministry of Culture. These rules are lengthy and over-detail the arbitration and mediation proceedings, leaving considerably little room for the parties to mold them according to their needs.

## 2. Recent ADR initiatives from private institutions and civil society

In the last decades there has been an expansion of ADR rules and institutions specialized in intellectual property. Such is the case of the Japan Intellectual Property Arbitration Center,[8] created in March 1998; the Mandatory Arbitration Rules on Reference and Generic Drugs,[9] created in Portugal by ARBITRARE around 2011; the AAA Supplementary Rules for the Resolution of

[7] These provisions were vetoed by the Office of the President and the Brazilian Congress shall decide next whether to lift this veto or not.
[8] Website: <http://www.ip-adr.gr.jp/eng/>. Access on August 30, 2015.
[9] Available in Portuguese at: <https://www.arbitrare.pt/sub_regulamentos.php?id=48>. Access on August 30, 2015.

Patent Disputes,[10] version of 2006, and many others. Brazil is not on the sidelines of this trend, which can be illustrated by many recent initiatives regarding the resolution of intellectual property disputes through ADR.

First, the Brazilian Association of Intellectual Property (ABPI)[11] created a Dispute Resolution Centre[12] in April 2011. This Centre features rules of arbitration, mediation and domain name dispute resolution.[13] More than 60 domain name disputes have been solved by the Centre since its foundation. In addition, the ABPI has recently partnered with the Brazilian Franchising Association (ABF)[14] in order to promote the resolution of franchising disputes through arbitration and mediation. In many of these disputes intellectual property issues are the main or secondary sources of conflict.

Second, the Brazilian Patent and Trademark Office (INPI)[15] had partnered with the World Intellectual Property Organization (WIPO) in 2014 in order to draft mediation rules that would apply to proceedings before the INPI, mainly for trademarks' disputes. Nevertheless, there has been no news on the use of such center neither of the procedure carry out by the INPI.

Furthermore, other entities have contributed to the study and promotion of intellectual property ADR and ADR in general.

The Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce created on September 2010 a specific committee focused on domain name dispute resolution, the Committee on Domain Registration Disputes (CCRD-CAM/CCBC),[16] which has its own specific rules. It also created a Commission on Intellectual Property, Technology Contracts and Innovation.

One interesting initiative sprouted from civil society's demand for mediation: the Mediation Pact.[17] Under this Pact many companies committed to encourage consensual methods of conflict resolution, such as mediation and

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[10] Available at: <https://www.adr.org/aaa/faces/aoe/commercial/intellectualpropertylicensing>. Access on August 30, 2015.
[11] In Portuguese, *Associação Brasileira de Propriedade Intelectual*.
[12] The website of the Centre is the following: <http://www.csd-abpi.org.br/>. Access on August 23, 2015.
[13] Website: <http://www.csd-abpi.org.br/>. Access on August 31, 2015.
[14] In Portuguese, *Associação Brasileira de Franchising.*
[15] In Portuguese, *Instituto Nacional da Propriedade Industrial.*
[16] In Portuguese, *Comitê de Controvérsias sobre Registro de Domínio do Centro de Arbitragem e Mediação da Câmara de Comércio Brasil-Canadá*. The website of this Committee is the following: <http://ccbc.org.br/Materia/1062/registro-de-dom%C3%ADnio>. Access on August 30, 2015.
[17] The Mediation Pact is available in Portuguese only at <http://s.conjur.com.br/dl/pacto-mediacao1.pdf>. Access on August 23, 2015.

conciliation, before resorting to state courts. The Pact was launched on November 11, 2014 by the Federation and the Centre of the Industries of the State of São Paulo (FIESP and CIESP).[18]

In addition, the Brazilian Arbitration Committee (CBAr)[19] has a study group focused on the resolution of intellectual property disputes through arbitration and mediation. This group has promoted the study of this theme, organized a specialized publication about it[20] and assisted the drafting of the INPI-WIPO mediation rules. It is currently conducting an empirical research on the solution of intellectual property disputes through administered arbitration.

These are some of the most relevant initiatives in the effervescent development of intellectual property ADR in Brazil in recent times.

## 3. Mediation as a key tool for the resolution of intellectual property disputes

In the era of Information Society economic assets no longer derive mainly from the industry, but from knowledge, creations and new technologies.[21] As a result intellectual property plays today a key role in economic growth,[22] especially in developing countries such as Brazil.

In this context it is of the utmost importance not only to have a well-structured legal framework for the protection of intangible assets, but also to count on suitable dispute resolution mechanisms. This is particularly relevant insofar as right holders cannot afford the imbalance between the dynamic business environment and the slow dispute resolution by Brazilian state courts.

Intellectual property disputes may not be fundamentally distinct from other disputes in general. However, they have specific characteristics that must be taken into account, especially if we consider the various types of intangible assets comprehended by this segment of law.

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[18] In Portuguese, *Federação das Indústrias do Estado de São Paulo* and *Centro das Indústrias do Estado de São Paulo*.
[19] In Portuguese, *Comitê Brasileiro de Arbitragem*.
[20] *Revista Brasileira de Arbitragem*, Special Edition on Arbitration and Mediation of Intellectual Property Disputes, September 2014.
[21] CASTELLS, Manuel. *A sociedade em rede*. Volume 1. 6th edition. São Paulo: Paz e Terra, 1999, pages 43 and 568.
[22] YONG-D'HERVÉ, Daphne; JAIYA, Guriqbal Singh. *Making intellectual property work for business:* a handbook for chambers of commerce and business associations setting up intellectual property services. ICC and WIPO. ICC Publications, 2001, page 6.

One of these particular characteristics, as mentioned above, is the need to solve disputes quickly (it is worth reminding that new technologies become obsolete from one year to another or even earlier), a need satisfied by ADR. Confidentiality is also key to preserve the parties' image, an intangible asset as hard to protect as intellectual property rights.

Intellectual property disputes are further favored by procedural flexibility inasmuch as the technical difficulties of producing evidence may require substantial dedication on the part of the mediator. The possibility of appointing mediators who are experts on the subject matter of the conflict might be another benefit.[23]

Another particularity of intellectual property disputes is the fact that creations are a product of human effort, and the creator (never an entity, but a person) is usually very connected to the object of the conflict. In this case mediation can be a more adequate means of dispute resolution to address these concerns.

At the end of the day, ADR offers routes that are not only attractive to solve intellectual property disputes, but may be fundamental to the preservation of business relationships or the company's survival.

## 4. Challenges that lie ahead and the role of legal professionals

The beginning is the moment to face new challenges.

The Code of Civil Procedure and the Brazilian Mediation Law set very challenging goals to be achieved. Even though the legislature has finally done its part by supporting and promoting ADR, the effectiveness of legal rules does not depend upon their existence, but upon their incorporation into daily and the Brazilian culture.

It is now urgent to create the conditions for an upsurge of the habit of consensus. This is a feat in a community living in a compensation culture and used to resort to state courts to have their rights upheld. Brazilians in general have a significant contempt for politicians, a blatant disbelief in equal punishment for the

[23] For in depth discussion on this particular point, see: MAZZONETTO, Nathalia. As disputas da propriedade intelectual (PI) e o uso da mediação -A escolha do mediador: as particularidades de um mediador especialista. Há o mediador ideal? - As recorrentes experiências na área da Propriedade Intelectual, *in Revista de arbitragem e mediação*, v. 11, n. 42, p. 279–297, jul./set., 2014, São Paulo, Revista dos Tribunais, 2014.

rich and the poor, are tired of corruption scandals followed by impunity, are used to being mistreated as consumers, and are watching an attempted growth of what is being called the *moral damage industry* – all of which institutionally undermine dialogue, good-faith and trust.

Legal professionals must be agents of change. They must set the example by promoting and resorting to ADR and divulging the benefits that derive from it. Superior courts must play their role in directing and safeguarding the application of the new ADR rules.

The instruction, training and qualification of mediators and mediation lawyers in a short period of time is a massive challenge. The inclusion of mediation and ADR as subjects in the syllabus of law schools is an important step that will yield many results in the short run and it can be said that we are already being successful in international competitions and moots abroad when it comes to mediation role plays.

Lawyers must overcome the preconceived idea that there is less profit in mediating. In-house council must open their company's eyes to the economic gains deriving from mediation. Litigators must metamorphose into another stage or risk becoming an obsolete, limited and incomplete professional.

We cannot ignore the need and possible use of other means (sometimes and depending on the case and situation, litigation or other adversarial procedures are necessary), but those means shall be combined with other possible solutions.

In time everyone must become aware that mediation culture provides for gains in time, money, well-being, health, peace of mind and, mainly, 'moving forward', and this (evolution), when it comes to intellectual property, is a key word. In terms of dispute resolution, that is as good as it gets.