Technology Transfer in Brazil

1. What is Technology Transfer and why is it important?

The definition of technology transfer varies depending on the context and on the approach. Taking a more entrepreneurial approach, technology transfer refers to the ways and means through which companies, individuals and organizations acquire technology or know-how from third parties, whether such technology is IPR-protected or not.

In this sense, technology transfer plays a relevant role in the growth of companies. It allows EU SMEs to find a way to exchange or acquire high quality research and cutting-edge technology with outstanding research organisations. In the same way, companies which have created new technologies may find in this transfer an opportunity to recover the investment made, gain a higher reputation, royalties or the chance to have an economic impact on the marketplace.

Technology transfer also takes place via training and education. This is crucial for transfer of know-how. It includes training of university graduates, exchanges of qualified staff, joint research projects. This is as important as transfer via buying or licensing IP rights. Many Latin American countries have excellent research organisations, conducting high quality research which may be of interest to European SMEs. On the other hand, Latin American companies aiming to reach higher rates of productivity, reduce the technology gap or production costs often reach out to Europe to demand the latest technologies.

In order to promote this high-tech exchange, technological cooperation between Europe and Latin America has intensified over the past years. The European Commission has stimulated cooperation through various initiatives, such as: opening up the participation of entities from Latin American countries in the EU’s Framework Programs for R&D (mainly FP6, FP7 and Horizon 2020); establishing Enterprise Europe Network Contact points in the region (in Brazil, Chile, and Mexico); and, last but not least, through the so called ‘Missions for Growth’.

Between 2011 and 2017, the EC high-level representatives and EU industry representatives (including SMEs) visited several American countries (Chile, Brazil, Argentina, Uruguay, United States, Mexico, Colombia, Peru, Panama and Paraguay) to renew and ensure a strong political relation with the EU and to strengthen the cooperation in strategic fields, such as industrial innovation, raw materials, standards and market integration, SMEs, space, sustainable construction and tourism.
BRAZILIAN INNOVATION CONTEXT

Brazil is the Latin American country that invests the most in R&D and the only one that invests more than 1% of its GDP in R&D. The National Strategy for Science, Technology and Innovation (ENCTI) 2016-2022 has established the goal to increase this rate to 2% of GDP by 2022.

Furthermore, Brazil remains at the forefront of research in the field of agriculture, mainly due to the excellence of its research centres (principally, the Brazilian Agricultural Research Corporation), as well as in tropical and infectious diseases. It is also a world-class player in the fields of Information and Communication Technologies, Nanotechnologies and Energy, notably biofuels (it is the second world producer of liquid biofuels, after the US).

Source: European Union, 2017

2. Technology Transfer in Brazil

For decades, Brazil has been implementing a national development program, which entailed a high degree of governmental intervention in private affairs. The national IP legislation showed this level of interventionism that also translated into the strong role played by the Brazilian Patent and Trademark Office (INPI) on technology transfer. In fact, not only would INPI analyse the formal aspects of licences and contracts but it would also assess the terms and conditions agreed by the parties involved.

Nonetheless, in recent years, it must be noted that technology transfer regulation in Brazil has undergone major modifications and updates in order to expedite the registration procedure of agreements with INPI and respect the autonomous will of the parties involved.

In the latest regulation, implemented in 2017, INPI determined the IP agreements subject to registration:

- **IPRs licence**: this is an agreement in which the IPR owner (licensor) allows the licensee to use, distribute and/or manufacture products consisting of or including the IPR in exchange for a royalty (see Glossary), lump sum (a fixed amount of money) and/or another IPR (i.e. cross-licence agreement).
- **Assignment or sale of IPRs**: companies who want a quick recovery of their investments or lack the capacity or the intention to manufacture or commercialise the product may opt to sell the IPR.
- **Franchise agreement**: franchising is halfway between licensing IPRs (mainly trade marks) and creating subsidiaries. By authorising the use of brands, trade secrets (including know-how) or technology (patents) for its exploitation in Brazil, it also grants access to the business model to another party.
- **Know-how transfer**: according to INPI, this transfer can be performed in two ways:
  - **Technology supply agreement**: aims to supply knowledge and technology not protected by industrial property rights, or to provide technological information for the production of certain goods and services.
  - **Technical and scientific assistance service agreement or invoice**: aims to provide techniques, planning and programming methods, as well as research, studies and projects intended for rendering or executing specialised services adapted to the client’s main activities.

As explained in the following section, some types of agreements are exempted from registration before INPI, as there is a presumption that there is no transfer of technology therein – e.g. generally, copyright licences (with some exceptions related to software agreements) and certain technical and scientific assistance services. However, most technology transfer agreements have to be registered with the Brazilian Patent and Trademark Office (INPI) for the following purposes:

(a) to make the agreement enforceable against third parties;
(b) to allow the remittance of payments to the foreign party; and
(c) to qualify the licensee (or recipient) for tax deductions.
3. What should I take into account when transferring technology to Brazil?

If you consider trade with technologies, it is essential to carefully plan the IP strategy. Identification and evaluation of your IP assets, documentation, prioritisation and registration of technologies of the company will be essential to succeed before negotiating or signing exploitation contracts.

Throughout this guide, general and specific information on technology transfer agreements will be provided, paying special attention to the following agreements:

(i) IPRs Licence
(ii) Software Licence
(iii) Technology Supply Agreements
(iv) Technical Assistance Agreements
(v) IPRs Assignment
(vi) Franchise Agreement

A. General Rules

As previously indicated, INPI is in charge of analysing and registering technology transfer in Brazil. The aim of this record is to ensure the validity of contracts against third parties, allowing the remittance of payments abroad and the tax deduction of payments.

After the entry into force of Normative Instruction No. 70, on 1 July 2017, INPI's scope of analysis on technology transfer agreements was significantly reduced. This Normative Act limits INPI's power to interfere in contractual aspects and stipulates that INPI shall no longer analyse the agreements in the light of tax and foreign exchange regulations. Moreover, INPI shall no longer inform or interfere with payment provisions established in the agreements submitted. The parties are now in charge of carefully assessing the details of their deal, in light of the applicable tax and foreign exchange controls. In the event of any irregular remittances, the parties may be subject to penalties. Because Tax Law may be quite complex, we strongly advise you to consult an expert on the subject before registering your agreement.

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For this reason, when contemplating technology transfer in Brazil, you must take into account that INPI will assess, among others, the following aspects of the agreement:

- Existing records
- Relationship between the contracting parties
- Subject matter of the deal
- Serial numbers of the IPRs registered with INPI
- Duration of the agreement

In particular, the following rules apply to all technology transfer agreements:

As a general rule, remuneration in technology transfer agreements may be freely set out by the parties as long as it stays within the price commonly applied in the specific field of activity and in the national and international market. Payments may be established as a percentage of the net sales or by means of a fixed amount based on each unit produced. Lump sum payments are also accepted.

However, when an international agreement involves related companies, if the licensor has control over the licensee’s voting capital or if the parties are under common control (even if indirect), fiscal deductibility will be limited when remitting royalties abroad. For patent licensing and technology supply agreements, limitations may vary from 1% to 5% of the net sale price of the contractual products, depending on the technological area involved (e.g. for automotive parts, the applicable percentage would be 5%). Regarding trade mark licensing, the maximum amount for agreements involving related parties is 1% over the net sales price of the contractual products, regardless of the field of technology involved.

In addition, based on Brazilian tax and foreign exchange regulations, payment of royalties that could arise from both technology supply and trade mark or patent licensing, all related to the same product are not allowed. Hence, royalties should only be attributed to one concept, either trade mark or patent licence or the technology transfer. Therefore, parties will need to choose only one of the assets to which the remuneration will apply, when they are related to the same contractual products. For instance, if the licensor opts to receive royalties for technology (know-how) transfer, the patent and trade mark licences related to the same products will have to be royalty-free.

- From an antitrust perspective, licences granted to competitors or cross-licences might be problematic if accompanied by price restrictions or certain output limitations. In this sense, INPI used to have authority to detect aspects in agreements which could potentially violate antitrust rules, due to a cooperation agreement concluded with CADE (Administrative Economic Protection Counsel). Although such cooperation agreement has expired (which entails a loss of authority from INPI in these matters), INPI may still make some comments regarding this aspect during the registering proceeding.

B. Specific Rules

IPRs Licence Agreements

- All serial numbers of the patents/trade marks and patent/trade mark applications at INPI must be listed in the agreement.
- Trade mark applications cannot generate royalties. Consequently, the trade mark has to be duly granted by INPI before remittance of any royalties for trade mark licensing can take place.
- Patent applications cannot generate remittance of royalties until they mature into granted patents. However, as opposed to trade marks, royalties can be charged and credited in the licensee's financial statements only for payment, once the patent is granted.
- The term of the agreement may be freely stipulated by the parties, provided that it does not exceed the licensed validity of the patent/trade mark.
As a consequence of this interpretation, after the termination of an agreement where “confidential business or technical information” has been transferred, the licensee can continue to use the technology and, subsequently, clauses stipulating return of know-how or prohibiting the local party from using the technology after expiration of the agreement are not accepted.

For more detailed information on what is and how to protect your know-how in Brazil, check out our recently updated guide “Trade Secrets in Brazil”.

• Based on Brazilian tax and foreign exchange regulations, the remuneration stipulated in technology supply agreements can only be deducted during the first 5 years following the introduction of the new technology. Renewal for another 5 years is possible if the parties can demonstrate that the technology was not completely transferred to the licensee or that the agreement is essential to the maintenance of the competitiveness of the Brazilian company. Therefore, 10 years is the maximum term for deductibility purposes of Technology Supply Agreements.

**Technical Assistance Service Agreements**

• EU SMEs which provide/receive advice or technical assistance on specific matters (i.e. to resolve a technical problem) to/from a Brazilian company, shall be dealing with Technical Assistance Services (TAS).

By ‘technical assistance agreements’ we understand the rendering of specific services by technicians of a foreign company to a local one, be it locally or abroad. In this sense, agreements related to the engineering and technical fields are generally subject to registration with INPI. In order to be exempted from registration, technical assistance services have to be: (i) rendered abroad; (ii) without the presence of technicians of the Brazilian company; and (iii) should not generate any technical reports and/or written technical documents. As a general rule, the parties may freely set out the payments as long as they stay within the price commonly practiced in the specific field and in the national and international market. However, remuneration due under the agreement cannot be based on a percentage of sales as INPI only accepts that payments take place based on man/hour or man/day fees.

In addition, the parties are required to present a schedule of services, listing the tasks that are to be accomplished, the number of technicians required to accomplish the task, the man/hour or man/day cost for each technician involved and the total cost of the service, among other information.

Nevertheless, in agreements involving related companies (such as parent and subsidiaries and companies under common control), payments are limited by the corresponding limitation of fiscal deductibility specified by Regulation no. 436/58, which vary between 1% to 5% of the net sales price depending on the field of technology involved. Under a technical assistance agreement, this means that the total amount to be paid in connection with services related to a specific product (calculated based on the applicable man/day or man/hour rates) cannot exceed the maximum percentage (1% to 5%) of the net sales price of the

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**Software Licence Agreements**

- Software is protected through copyright under Brazilian Copyright Law. Consequently, licences of software are not, as a general rule, subject to registration with INPI, as they are not supposed to involve technology transfer.

- In this sense, only those licences of software that include transfer of the source code and full documentation of the licensee have to be registered with INPI, as they grant the licensee the right to use the software and access the related technology in the source code.

- Royalty remittances accrued from licensing of software do not need prior registration with any governmental authorities, including the Central Bank, unless the agreement involves the transfer of the source code and full documentation of the licensee. The remittance of payments derived from acquisition or licensing of software should be made by means of an authorised commercial bank, with the submission of the following documents:
  - copy of the software licence agreement and
  - the corresponding invoice issued by the foreign company specifying the payments and the software.

**Software Protection in Brazil**

Even though software programs in Brazil receive the same protection as literary works under the Copyright Law and Neighbouring Rights, they must be registered before the INPI. Moreover, and depending on the case, a software can also be protected via patenting (also known as “Computer-implemented Inventions”) and as a trade secret.

For further information, check out our guide “Software Protection in Brazil”.

**Technology Supply Agreements**

- Since the Brazilian Industrial Property Law does not deal with unpatented technology, know-how is not considered as a proprietary right by INPI. Therefore, INPI has been adopting a restrictive approach for several years and they do not provide appropriate protection to unpatented technology involved in licensing agreements.
applicable product. In case the services that must be rendered under the technical assistance agreement are related to products subject to other IPR Licence or Technology Transfer Agreements, it is the remuneration stipulated in both agreements that should not exceed the limitation mentioned above.

- On the other hand, consulting services are generally not subject to registration with INPI, as they are usually included in the category of "professional services". This category is related to the technical-legal, financial, economic, administrative, accounting and marketing fields, the main activities of which do not involve technology transfer. INPI clarifies which TAS are not subject to registration by providing a list of services excluded from the scope of technology transfer, such as: acquisition of goods, including logistics services; services performed abroad without the presence of technicians from the Brazilian company that do not end up in any document or report; certification and homologation of quality; financial, commercial, legal and procurement consultancy, among others. For further information, please do not hesitate to contact our Helpline.

IPRs Assignment Agreements

- Please note that the registration of assignment agreements with INPI is compulsory for the following purposes:
  (a) to make the agreement enforceable against third parties;
  (b) to allow the remittance of payments to the foreign party; and
  (c) to qualify for tax deductions for the Brazilian company.

- Although Brazilian regulations do not require the use of specific draft assignments, please note that the serial numbers of all IPRs have to be listed in the agreements. Furthermore, INPI adopts strict rules regarding agreements presented for registration and, for this reason, we strongly recommend a prior analysis of the agreements by a local attorney.

- Additionally, please note that INPI has different departments responsible for the registration of each of the IPRs (for example: trade marks, industrial designs and patents). For this reason, in addition to the above-mentioned registration with INPI’s Contracts Department (if remunerated), the assignment of any IPR duly registered with INPI must also be registered directly with each of the respective competent department (for instance, INPI’s Patent Department for patents, Trade Mark Department for trade marks, etc.). Only by doing so will the assignee (new owner) be able to take all appropriate measures before the INPI in order to keep the IPRs valid.

Franchise Agreement

- The agreement must list all serial numbers of patents/trade marks and patent/trade mark applications. The agreement must determine conditions of exclusivity and sub-franchising, with or without service supply, as well as any other aspects deemed necessary for the franchisee’s full comprehension. Moreover, the Franchise Offer Circular must be submitted at the INPI along with the Franchise Agreement.

- As regards the remuneration, the agreement usually stipulates a franchise fee (a fixed amount paid at the beginning of the negotiation), a royalty rate (percentage of net sales), advertising fee (percentage of sales), in addition to other fees.

- The agreement’s term may be freely stipulated by the parties, provided that it does not exceed the licenced validity of the patent/trade mark.

FRANCHISE NEW REGULATION (LAW 13.966/19)

On 26 March, 2020 new rules for franchising activity in Brazil will begin to apply. The aim is to increase the degree of transparency between the franchisor and the franchisees.

The Franchise Offer Circular must be delivered by the franchisor to the candidates ten days before the agreement is executed. The new law contains a more extensive list (compared to what the previous law required) with minimum and mandatory information that must be included in the Circular, such as: the company’s summary history; complete list of franchisees and sub-franchisees, and also those who left the franchising in the last 24 months; information on territorial action policy and competition rules between the franchisees; complete status of related intellectual property rights; among others.

The new law also makes it clear that there is no consumer relationship between the franchisor and the franchisees, which has often been controversial in the past.

Another major change in the new law is the fact that if the forum of choice is indicated in the international franchise agreement, the parties must maintain a legal representative duly qualified and domiciled in the country of the defined forum, with powers to represent them administratively and judicially. International franchise agreements will be written originally in Portuguese or have a certified translation in Portuguese, charged to the franchisor.
4. Registering a Technology Transfer Agreement in Brazil

The following documents should be submitted to request registration of Technology Transfer Agreements with INPI:

(i) a digital copy of the agreement or invoice, complying with all formalities required for acts performed abroad, when applicable;
(ii) payment of the federal tax liability payment form (“Guia de Recolhimento da União” in Portuguese);
(iii) power of attorney on behalf of any of the parties, notarised and legalised (by apostille or at the Brazilian Consulate, as applicable), when applicable;
(iv) a simple translation of all documents written in a foreign language into Portuguese;
(v) by-laws, social contract or articles of association of the assignee/licensee, and last modification of the corporate object of the assignee/licensee.

Currently, agreements can only be submitted before INPI for registration purposes through the online platform (“e-contratos”). INPI’s official fees are currently of R$ 2,250.00 (which correspond to, approximately, € 500). Should the agreement involve licensing of more than 15 trade marks or patents, INPI charges an additional fee of R$ 185 (approximately € 45) for each additional trade mark or patent licenced.

Among other necessary formalities required by INPI, all agreements have to be executed by the parties and two witnesses. The initials of the parties have to be placed on each page of the agreement (including the attachments). Proper identification of the parties and witnesses is required, as well as the place and date of completion of the agreement. The signature of the foreign party will need to be notarised and legalised (by apostille or at the Brazilian Consulate, as applicable). If the representative is an attorney, a notarised and legalised version of the power of attorney will also be required (by apostille or at the Brazilian Consulate, as applicable).

According to the law, INPI shall reach a decision within 30 days from the date of the application. As an average, INPI is now issuing decisions in a shorter period than that established by law. However, in case of divergence of documents submitted and/or lack of fulfilment of any requirements, INPI will issue an official action. If this official action is properly implemented, the entire registration process will take from 3 to 4 months.

After the Certificate of Recordal issued by INPI is obtained, the agreement will need registration with the Brazilian Central Bank, in order to enable the remittance of payments. No official fees are presently charged by the Central Bank. This procedure is rather simple and may be concluded in approximately 2 days.

It is important to highlight that the certificate’s date will be the date the agreement was filed at the INPI. In this sense, any payments due before that date (even if it is stipulated in the agreement) will not be remitted abroad.

5. Taxation

The following taxes apply on payments made under any type of technology transfer agreements (take into account that the following information is provided as a reference. For a more tailor-made advice, please contact our Helpline):

☑ Withholding tax at the rate of 15%: unless otherwise agreed by the parties, this tax is borne by the licensor (supplier) and withheld from the payments to be paid by the licensee (receiving party);
☑ Contribution for the Intervention in the Economic Domain (CIDE) at the rate of 10% applied on cross-border payments of royalties paid to a foreign beneficiary and usually a burden for the Brazilian payer (licensee). CIDE does not apply on software licences; and
☑ Tax on Financial Operations (IOF Tax): charged at 0.38%.

If the agreement involves rendering of services as well as software licences, the payments made thereunder will be subject to the following taxes:

☑ Import contributions at the combined tax rate of 9.25%. These contributions are levied on the import and are a tax burden for the licensee; and
☑ Municipal Tax on Rendering of Services at the rate of 5% (in the case of São Paulo). The Brazilian licensee (receiving party) is responsible for withholding this tax.
6. Glossary

Royalty: A payment made from whoever wishes to make use of an IPR (e.g. patents, trade marks, or copyrighted works), to the legal owner of those rights. In most cases, royalties are calculated as a percentage of revenue or profit obtained from the exploitation of the IP asset.

7. Links of Interest & Additional Information

Find out more about IPR in Brazil. Visit the Latin America IP SME Helpdesk website: www.latinamerica-ipr-helpdesk.eu

Check out our related Factsheets:

Brazil Country Factsheet:
http://www.latinamerica-ipr-helpdesk.eu/content/brazil-ip-country-factsheet

Software Protection in Brazil:

Trade Secrets in Brazil
http://www.latinamerica-ipr-helpdesk.eu/content/trade-secrets-brazil-0

How to conduct a patent search: the basics:
http://www.latinamerica-ipr-helpdesk.eu/content/how-conduct-patent-search-basics

Identifying your IP assets:
http://www.latinamerica-ipr-helpdesk.eu/content/identifying-your-intellectual-property-assets-0

Introduction to IP valuation
http://www.latinamerica-ipr-helpdesk.eu/content/introduction-ip-valuation

How to accelerate your patent in Brazil:
http://www.latinamerica-ipr-helpdesk.eu/content/how-accelerate-your-patent-brazil

Links of Interest:

Instituto Nacional de Propriedade Industrial INPI – National Institute for Industrial Property:
http://www.inpi.gov.br

Resolution Nº 199, July 2017 (INPI’s examination directive for technology transfer):

Frequently asked questions on Technology Transfer (INPI):
http://www.inpi.gov.br/servicos/perguntas-frequentes-paginas-internas/perguntas-frequentes-transferencia-de-tecnologia#por-que_fazer

Roadmap for EU - Brazil S&T cooperation (European Commission):

Innovation and Regional Specialisation in Latin America. JRC Technical reports.

Law No. 9.279 of May 14, 1996 (Law on Industrial Property)

Law No. 9.610 of February 19, 1998 (Law on Copyright and Neighbouring Rights)

National Technical Commission of Biosafety
http://ctnbio.mctic.gov.br/inicio

National Health Surveillance Agency
http://portal.anvisa.gov.br/
The Latin America IPR SME Helpdesk offers multilingual services (English, French, German, Spanish and Portuguese¹), with free information and first-line legal advice on IP related subjects, as well as training, webinars and publications, especially designed for EU SMEs.

HELPLINE First-line advisory service on IP protection and enforcement for EU SMEs working or planning to operate in Latin America.

TRAINING Targeted trainings and webinars on IP protection and enforcement for EU SMEs (including sector-specific approaches).

IP CONTENT State-of-the-art publications (factsheets, learning modules, videos, IP glossary, infographics, case studies and newsletters) on the protection and enforcement of IP in Latin America – specifically addressing IP matters from the SME business needs point of view.

AWARENESS RAISING EVENTS Participation in events attended by EU SMEs to increase the awareness of IP and of the visibility of the services provided by the Helpdesk.

IP ANALYSIS Analysis of IP challenges faced by EU SMEs in the target markets.

IP DIAGNOSTIC TOOLKIT Toolkit for self-evaluation of the IP-status of the user in terms of IP knowledge and management.

IP COST TOOL Online tool that allows the user to pre-evaluate the costs related to IP management in every Latin American country covered by the Helpdesk.

¹The language offer will depend on the specific service and experts’ availability.

If you have any queries on how to protect your Intellectual Property in Latin America contact our Helpdesk service:

helpline@latinamerica-ipr-helpdesk.eu
+34 96 590 9684
Working Hours: Monday – Friday 9:00 – 16:30 (CEST)

If you want more information on additional free services offered by the Helpdesk contact the coordination team:

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