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

The definition of Technology Transfer varies depending on the context and on the approach. Following a more business approach, Technology Transfer refers to the process of transferring scientific knowledge from one institution or company to another, for the purpose of further development and commercialisation.

In this sense, Technology Transfer plays a relevant role for 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 organizations. In the same way, companies which have created new technologies, may find in its transfer an opportunity to recover the investment made, obtain reputation, royalties or the opportunity to have an economic impact on the marketplace.

Many Latin American countries have excellent research organizations, 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 for demanding 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 México); 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 or Paraguay) to renew and ensure a strong political relation with the EU and strengthen the co-operation in strategic fields, such as industrial innovation, raw materials, standards and market integration, SMEs, space, sustainable construction and tourism.
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 as a 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 EMBRAPA’s research centres, 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 (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 intervention of the government in private affairs. The national IP legislation reflected this level of interventionism that also translated into the strong role played by the Brazilian Patent Office (INPI) on Technology Transfer. Indeed, not only would INPI analyse the formal aspects of licenses and contracts but 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.

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

- **IPRs license**: this is an agreement where 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-license 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 in exchange of a lump sum payment.

- **Franchise agreement**: Franchising is halfway between licensing IPRs (mainly Trademarks) and creating subsidiaries; by authorizing the use of brands, technology (patents, designs, know-how...) for its exploitation in Brazil, it grants access to the business model to another party.

  Know-how transference: According to INPI, this transference 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 specialized 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 in them – e.g. generally, Copyright licenses (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:

For this reason, once the IPRs are granted, you must have a proactive enforcement strategy. Make sure to monitor national markets to ensure that your rights are not being infringed and be ready to take legal actions.

(a) making the agreement enforceable against third parties;

(b) allowing the remittance of payments to the foreign party; and

(c) qualifying the licensee (or recipient) for tax deductions.
3. What should I take into account when transferring technology to Brazil?

When considering trading with technologies, it is essential to carefully plan the IP strategy. Identification and valuation of your IP assets, documentation, prioritization 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 License
(ii) Software License
(iii) Technology Supply Agreements
(iv) Technical Assistance Agreements
(v) IPRs Assignment

A. General Rules

As previously indicated, INPI is in charge of analysing and registering Technology Transfer in Brazil. The objective of this assessment 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 substantially 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.

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
- Terms of the Agreement

In particular, the following rules apply to all Technology Transfer Agreements:

Specifically, regarding remuneration in Technology Transfer agreements, as a general rule, it may be freely set out by the parties as long as it stays within what is considered as 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, ceilings 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 trademark 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 trademark or patent licensing, all related to the same product are not allowed. Hence, royalties should only be attributed to one concept, either trademark or patent license or the technology transfer.

Therefore, parties will need to choose only one of these assets to which the remuneration will apply, when they are all related to the same contractual products. For instance, if the licensor opts for receiving royalties for technology (know how) transfer, the patent and trademark licenses related to the same products will have to be royalty-free.

- From an Antitrust perspective, licenses granted to competitors or cross-licenses 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 in the past 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 recordal proceeding.

Because Antitrust Law may be quite complex, we strongly advise you to consult an expert on the subject before registering your agreement.

- According to INPI, the term of the agreement must be expressly stated in the clauses of the agreement. It is not possible to enter into a Technology Transfer agreement for an indefinite period.
B. Specific Rules

IPRs License Agreements

- All serial numbers of the patents/trademarks and patent/trademark applications at INPI must be listed in the agreement.

- Trademark applications cannot generate royalties. Consequently, the trademark has to be duly granted by INPI before remittance of any royalties for trademark licensing can take place.

- Patent applications cannot generate remittance of royalties until they mature into granted patents. However, as opposed to trademarks, royalties can be charged and credited in the licensee's financial statements, but only for payment once the patent is granted.

- The agreement's term may be freely stipulated by the parties, provided that it does not exceed the licensed Patent's/trademark's validity.

- Royalty remittances accrued from licensing of software does 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 to the licensee. The remittance of payments derived from acquisition or licensing of software should be made by means of an authorized commercial bank, with the presentation of the following documents:
  - copy of the software license agreement and
  - the corresponding invoice issued by the foreign company specifying the payments and the software.

LICENSE OF PHARMACEUTICAL, GMO AND BIOTECHNOLOGY PATENTS

When negotiating Patents related to pharmaceutical products and processes, be aware that this type of patent application is subject to a dual-assessment process, whereby the National Health Surveillance Agency (ANVISA) will analyze and check if there is a forbidden substance in it, while INPI will assess the patentability criteria.

With regards to Genetically Modified Organisms (GMO) and biotech related Patents, they would need certification approval by the National Technical Commission of Biosafety (CTNBio).

Software License Agreements

- Software is protected through copyright under Brazilian Copyright Law. Consequently, licenses 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 licenses of software that include transfer of the source code and full documentation to the licensee have to be registered with INPI, as they grant to the licensee the right to use the software and access to the related technology contained in the source code.

SOFTWARE PROTECTION IN BRAZIL

Software programs in Brazil receive the same protection as literary works under the Copyright Law and related provisions. Nonetheless, and depending on the case, software itself can also be protected via a Patent (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 by INPI as a proprietary right. Therefore, INPI has been adopting over several years a restrictive approach and does not provide appropriate protection to unpatented technology involved in licensing agreements.

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”.

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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 insofar 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 ceiling 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 applicable product. In case the services to be rendered under the technical assistance agreement are related to products subject to other IPRs License or Technology Transfer Agreements, it is the remuneration stipulated in both agreements that should not exceed the ceiling 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, account 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) making the agreement enforceable against third parties;
  (b) permitting the remittance of payments to the foreign party; and
  (c) qualifying 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: trademarks, 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 the respective competent department (for instance, INPI’s Patent Department for patents, trademark dept for trademarks, etc).
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 (in Portuguese “Guia de Recolhimento da União”);

(iii) Power of Attorney on behalf of any of the parties, notarized and legalized (by Apostille or at the Brazilian Consulate, as applicable), when applicable;

(iv) A simple translation of all documents written in a foreign language to Portuguese;

(v) Official forms filled out by assignee/licensee; and

(vi) By-laws, social contract or articles of association of the assignee/licensee, and last modification of the corporate object of 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, € 600). Should the agreement involve licensing of more than 15 trademarks or patents, INPI charges an additional fee of R$ 185 (approximately € 45) for each additional trademark or patent licensed.

Among other necessary formalities required by INPI, all agreements have to be executed by the parties and two witnesses. The initials of the parties and witnesses 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 execution of the agreement. The signature of the foreign party will need to be notarized and legalized (by Apostille or at the Brazilian Consulate, as applicable). If the representative is an attorney, a notarized and legalized (by Apostille or at the Brazilian Consulate, as applicable) version of the power of attorney will also be required.

According to the Law, INPI shall reach a decision within 30 days from the application date. However, experience shows that the entire registration process takes from 2 to 5 months, since INPI issues multiple office actions requiring clarifications and/or additional documents before delivering a decision. As of the issuance of the Normative Act no. 70/2017 and the Resolution no. 199/2017, the time this process takes should be reduced. Nevertheless, as of today, it is still not possible to establish a new timeframe for registration processes before INPI.

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.

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 licenses; and

- Tax on Financial Operations (IOF Tax): charged at 0.38%.

If the agreement involves rendering of services as well as software licenses, 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, Trademarks, or Copyrighted works), to the legal owner of those rights. In most cases, royalties are calculated as a percentage of revenue or profit realised from the exploitation of the IP asset.

7. Links of interest & additional information

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

Check our related Factsheets:

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

Software Protection in Brazil: http://www.latinamerica-ipr-helpdesk.eu/content/software-protection-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

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


National Health Surveillance Agency: http://portal.anvisa.gov.br/
MANAGE YOUR INTELLECTUAL PROPERTY IN LATIN AMERICA

ABOUT LATIN AMERICA IPR SME HELPDESK:
The Latin America IPR SME Helpdesk offers free of charge, first-line support on IP and IP rights matters to facilitate the expansion of European SMEs (EU SMEs and SMEs from the Associated countries) already established at, or working with entities in Latin America as well as those potentially interested in establishing commercial and R&D activities and ventures in these countries.

SERVICES
Helpline: Ask our experts any IP related questions in Latin America! We provide professional IP advice – customized, straightforward, and free of charge. Our Experts will answer your question within three working days.

Newsletter: Keep track of the latest news on IP in Latin America relevant to your business.

Multi-lingual Webportal: Browse our multilingual web portal for a broad range of information and training materials on IP in Latin America in English, Spanish, Portuguese, French and German.

Training: Attend our trainings (online and on-site) and learn more about the key aspects of IPR protection and enforcement issues for doing business in Latin America.

For more information please contact the Helpdesk:
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