

The Role Of Brazilian Universities In The Innovation Production Of The Country

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According to the Brazilian Ministry of Education, there are approximately 2,400 higher education institutions in Brazil (based on a survey made in 2016), but only 20 Brazilian universities—all of which are public institutions—were listed in the 1,000 best universities world ranking (2018/2019), published by the Center for World University Ranking (CWUR).

Nowadays, the role of universities goes beyond the traditional education of their students, being their importance in the innovation production of the country indisputable, throughout the development and exploitation of the academic research in order to benefit the society as a whole. For such purpose, the results and projects created within the universities must meet the demands of the market, so that knowledge can be actually converted into new solutions, products and services.

Brazilian universities—especially public universities—are actively investing in scientific production and intellectual property. However, the supply of the resulting IP rights (by means of licensing, technology transfer and cooperation agreements, for instance) to the industry are still in early stages, if compared with developed countries, such as the United States, UK and South Korea. As a matter of fact, Brazilian universities negotiates only a small portion of the intellectual property developed and protected by them with the industrial sector.

One of the best ways to increase the innovation capacity of a country is through the collaboration between universities and industry. In this sense, the Brazilian government has been encouraging universities to improve innovation activities by means of new policies and legislations designed to promote and maintain university-industry interactions.

Until 2004, intellectual property rights were mainly regulated by Law no. 9,279, dated May 14, 1996 (the Industrial Property Law), which does not deal specifically with IP rights owned by universities. In general terms, Articles 88 to 93 of the Industrial Property Law may affect agreements executed by universities, as they establish, among other things, that (i) any invention made by an employee shall belong exclusively to the employer, when it is a result of an employment agreement involving research activities; and (ii) the employer (titleholder of the technology) may grant to the employee (author of the invention or improvement), a participation in the economic gains resulting from the exploitation of the technology, according to the policies of the relevant company. Therefore, as a general rule, such provisions shall apply to inventions made by researchers employed by universities.

In order to foster innovation in Brazil, Law no. 10,973 (the Innovation Law) was enacted, on December 2, 2004, with aims to promote the development of scientific and technological activities in the country. More recently, the Brazilian government enacted Constitutional Amendment no. 85/2015, and Law no. 13,243/2016, which modified eight federal laws directly or indirectly related to innovation, including the Innovation Law, and established new rules for public contracts related to science, technology and innovation.

Among other aspects, the Innovation Law encourages the researchers to file patents, and promotes the execution of techno-

logical and scientific cooperation agreements and licensing contracts between universities, companies and the government.

Further, based on Article 2, V, of the Innovation Law, public universities which conduct research and development activities falls within the definition of Scientific and Technological Institution (ICT), which leads to the application of such law to any intellectual property agreements executed by public universities.

Article 9 of the Innovation Law sets forth that the ICTs are allowed to enter into partnership agreements with public and private institutions to carry out joint scientific and technological research activities, as well as to develop technology, products, services or processes. The referred legislation also mention that (i) the parties shall specify, in a specific legal instrument, the main conditions regarding ownership of the intellectual property rights developed, as well as the applicable participation in the results of exploitation of the rights resulting from the partnership, ensuring that the parties have the right to exploitation, licensing and transfer of technology; (ii) the referred intellectual property rights and participation in the results shall be guaranteed to the parties under the agreement, but, in principle, the ICTs may assign to the private company all intellectual property rights in consideration of financial or non-financial compensation, provided that it is economically measurable; and (iii) the creator of the relevant invention or improvements must receive a participation corresponding to at least 5 percent and up to one-third of the economic gains earned by the ICT, resulting from all related technology transfer or licensing agreements.

The Innovation Law has also established the creation of Technological Innovation Centers (in Portuguese, Núcleo de Inovação Tecnológica—NIT) by all ICTs (and, consequently, public universities). In practice, the NITs are actually technology transfer offices. The main responsibilities of the NITs consist in seeking marketing opportunities, managing the intellectual property rights developed by the universities and negotiating contracts between the universities and the industry.

It is also important to mention that, as a general rule, Article 37, item XXI of the Brazilian Federal Constitution states that public bidding procedures must be followed by all public entities so as to ensure equal conditions to all potential suppliers. However, depending on the particularities of the case, the bidding process may be waived (for example, in case the agreement involves the license of a patent owned by a private company, which is not comparable to any other patent granted in Brazil), based on the provisions of the Innovation Law and Law no. 8,666/1993.

Moreover, in case any intellectual property agreement executed between Brazilian universities, and foreign companies establish the remittance of royalties overseas for the license of patents, industrial designs or trademarks, or any remuneration for technology (know-how) transfer, such agreement will be subject to recordal at the National Institute of Industrial Property (INPI) and registration with the Brazilian Central Bank (BACEN).

We highlight that the recordal of industrial property agreements (involving patent, industrial design and trademark license, technology transfer or technical assistance services, for instance)

at the INPI is indispensable for (a) making the agreement effective against third parties; (b) permitting the remittance of payments to the foreign party; and (c) qualifying licensee/recipient for tax deductions.

In this sense, the INPI adopts several restrictive understandings regarding any agreements submitted for recordal purposes, especially in view of certain Brazilian tax and foreign exchange regulations. For instance, since our Industrial Property Law does not deal effectively with unpatented technology, know-how is not considered by the INPI as a proprietary right.

Therefore, the INPI has been adopting for several years a restrictive understanding and does not treat unpatented technology as a proper matter for licensing. It considers that transfer of know-how is subject of disclosure and acquisition of rights and that, after termination of the agreement, the recipient can continue to use the technology.

Consequently, clauses stipulating return of know-how or prohibiting the local party from using the technology after expiration of the agreement are usually not accepted by the INPI. When the agreement does not mandatorily need to be submitted to the INPI for recordal, the parties may opt for establishing the license of know-how in the agreement.

However, if the parties decide to discuss the enforceability of provisions that are not in accordance with the INPI's requirements in Courts, there is a chance that the judge may consider that the INPI's restrictions shall apply, even if such agreement is not recorded at this Institute, since Brazilian law does not effectively deal with many aspects related to unpatented technology transfer agreements (especially those related to the return of know-how after expiration of the agreement and ownership of improvements made to unpatented technologies) and, conse-

quently, the judicial decision could be analogically based on the INPI's regulations and requirements.

In addition, it is important to mention that Brazilian tax legislation foresees certain tax incentives for companies that invest in research, development and innovation activities. For example, as a general rule, some expenses related to such activities made by a Brazilian company are, in principle, subject to a tax deduction benefit.

In practice, Brazilian universities are very focused on protecting the intellectual property rights created by them—which actually may involve a very bureaucratic and time consuming process, especially in the case of patents. However, it is important that they continue working together with private companies and the government, in order to try to find ways to enable universities to supply all their knowledge and technological innovations to the industry.

In our opinion, although there are some aspects that still need to be modified in order to increase university-industry interactions (such as more investments in the NITs' infrastructure and personnel, so that they may be able to fully perform their roles), the innovation production in Brazil certainly had significant improvements during past decades, especially in view of the changes in the Brazilian legislation and the government efforts to foster innovation. ■

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