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SUMMARY

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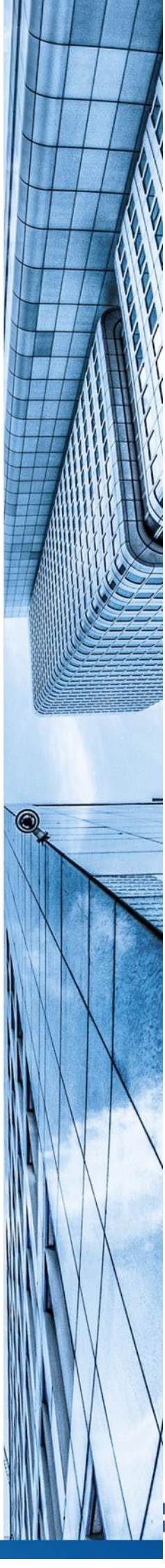

EXTENSION OF THE VALIDITY PERIOD OF PATENTS IS DECLARED UNCONSTITUTIONAL

On May 6, 2021, the Federal Supreme Court - STF, sitting *en banc*, in judgment of Direct Action for Unconstitutionality (ADI) 5,529/DF ("ADI"), decided that the minimum validity term of patents, set forth in Art. 40, sole paragraph of the Industrial Property Law n. 9,279/1996 ("LPI") is unconstitutional.

According to Art. 40, main section, of the LPI, patents of invention remain valid for 20 years, while those protecting utility models remain in force for 15 years, in both cases counted from the filing date of the application. The sole paragraph of that article, in turn, establishes that the validity period of a patent of invention cannot be less than 10 years and 7 years for utility models, counted from the date of grant.

In this scenario, if a patent application filed with the National Industrial Property Institute (INPI) takes more than 10 years or 7 years (for patents of invention and utility models, respectively) to be granted, the validity period after grant could be extended to satisfy the minimum intervals set forth in the sole paragraph of Art. 40.

However, according to the interpretation of the STF, the extension of the validity period of patents indicated in Art. 40 of the LPI is unconstitutional, for violating the principles of legal certainty, efficiency of the public administration, the economic system and the right to health.

In a follow-on judgment, on May 12, 2021 the STF, again sitting *en banc*, decided to modulate the effects of the decision on unconstitutionality in the ADI in question, conferring *ex nunc* effects. i.e., as of the publication of that modulation decision (May 14, 2021). Therefore, the validity periods of patents granted according to Art. 40, sole paragraph, of the LPI and still in effect have not been affected.

That modulation, however, is not applicable: (i) to patent applications at issue in lawsuits filed up to April 7, 2021 (date of granting a partial preliminary injunction in the ADI); and (ii) to patents covering pharmaceutical products and processes and equipment and/or materials used in health care whose validity period has been extended pursuant to Art. 40, sole paragraph, of the LPI. In these two cases, the declaration of unconstitutionality will operate with *ex tunc* effects, resulting in loss of the extensions, but respecting the general validity periods set forth in the main section of Art. 40.

More information can be found at the website of the STF (https://portal.stf.jus.br/). The entire content of the en banc decision had not yet been published on the closing date of this edition of the Newsletter.

SUPREME COURTS DECIDES TO MODULATE THE EFFECTS OF THE DECISION IN FAVOR OF EXCLUDING ICMS FROM THE BASE FOR CALCULATING PIS/COFINS

On May 13, 2021, the Federal Supreme Court - STF, sitting *en banc*, decided to modulate the effects of the ruling to exclude the (state-level) Tax on Circulation of Goods and Interstate Transportation and Communication Services (ICMS) from the base for calculating the (federal) contributions PIS and COFINS ("Theme 69"), established in the judgment of Extraordinary Appeal 57.476, classified as having general repercussion, on March 15, 2017.

According to the consolidated position of the Supreme Court regarding Theme 69, "[the] ICMS does not compose the calculation base for the incidence of PIS and COFINS."

The modulation of the effects of Theme 69 was decided in the judgment of the clarification motion filed by the Federal Government (through the National Revenue Attorney's Office –PGFN) regarding the decision in the extraordinary appeal in question. In that motion, the PGFN obtained a manifestation from the STF on the following topics:

(i) the moment from which the interpretation of Theme 69 will have retroactive effects; and

(ii) whether the amount of ICMS to be excluded from the base for calculating PIS/COFINS will be that indicated on the invoice or that effectively paid by the taxpayer.

With respect to topic "(i)" above, the STF decided that the ruling regarding Theme 69 will produce retroactive effects as of March 15, 2017, the date the case was classified as having general repercussion.

In other words, for lawsuits filed after March 15, 2017, the plaintiff will have the right to integral refund of the amount of PISCOFINS overpaid due to the inclusion of ICMS in the base for their calculation. In turn, regarding lawsuits filed before that date, the taxpayer will have the right to refund of the amounts overpaid only in the five years before prior to the filing date.

With respect to topic "(ii)" above, the STF has consolidated the position that the amount to be excluded from the base of calculating PIS/COFINS is the amount of ICMS indicated on the invoice.

More information, including the full content of the various rulings can be found at the website of the STF (https://www.portal.stf.jus.br).