



Global Patent Prosecution Newsletter

A U.S. Perspective on Global Strategy

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An Update on Brazilian Patent Law – Emergency Backlog/Fast-Track Options and Enforcement Issues

We are delighted to have as contributors to the November Global Patent Prosecution newsletter, Ricardo Nunes and Andre Venturini from our Brazilian associate, Daniel IP & Legal Strategy. With the proposed emergency backlog measures likely coming into effect in the near future, there is a need to strategically prepare for both issuance of your and your competitors patents. Ricardo and Andre provide excellent insight into the backlog issue in Brazil, options for dealing with it including fast-track prosecution, and information regarding patent enforcement.

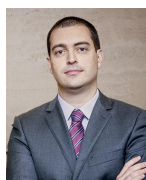
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Proposed Emergency Patent Grant Measures in Brazil

By: Ricardo Nunes and Andre Venturini

The Brazilian Government may soon launch an emergency measure to eliminate the Patent Office's backlog by automatically granting 231,000 pending non-pharmaceutical applications. The proposed rules for implementing the [new measure were available for public comments](#) until August 31, 2017. However, the Patent Office has already mentioned, during recent meetings, that proposals made by local associations that add complexity to the process, like the possibility of amending the claims prior to grant or of requesting substantive examination after grant, would probably be disregarded.

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Statistics on the Backlog Problem and "Fast-Track" Options in Brazil

By: Andre Venturini

The recent proposal of automatically granting pending applications without examination is nothing but a desperate measure against a problem that has been haunting applicants and practitioners for decades. Apart from the average 11.2 year backlog at the Brazilian PTO ("BRPTO"), very little information is known on this topic. While going deeper into the backlog is a complex task, requiring a scientific approach, provided below are some statistics that may be sufficient to provide a clearer insight into the problem and how to overcome it.

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Enforcing Patents in Brazil: An Injunction Paradise?

By: Ricardo Nunes

In the Americas, Brazil is the second largest country in both GDP and population, and the third in territorial extension. Although the amount of patent litigation in Brazil is rather small in comparison to the U.S., patent infringement actions are common and an effective measure against infringers, because preliminary injunctions are widely available. This makes the Brazilian jurisdiction very attractive as an additional battlefield in worldwide patent disputes.

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Proposed Emergency Patent Grant Measures in Brazil

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While it is still difficult to know the exact details and timing for this measure, companies may soon need to deploy a strategy with a timeframe as short as 90 days to take full advantage of the new system. Applicants will need to minimize potential risks by both using the proposed opt-out system for selected applications and filing pre-grant oppositions against competitors. Below is our advice on how to deal with the emergency measure.

Patents finally granted

While the automatic grant measure is spurring controversy, the Patent Office has implied that there is really no other viable option to deal with the backlog problem in the short term. For certain types of applications, such as ones covering technology with a shorter life-cycle, we advise applicants to make the most use of this emergency measure.

What to do:

- **Anticipate filings.** The emergency measure should cover all pending applications filed before the measure becomes effective. Considering it is hard to foresee when this measure will be published and implemented, consider filing national stage applications in Brazil before the 30-month deadline or claiming Paris Convention priorities prior to the 12-month deadline;
- **Pay attention to the claims initially filed.** As mentioned above, it is likely that the Patent Office will simply disregard any amendments made after an application is filed, that is, patents will be granted based on the original claims filed in Brazil. It is therefore important to guarantee that the original claims provide the desired

- coverage;
- **Make sure all annuities are duly paid.** As currently drafted, the measure does not include applications with outstanding annuity payments.

Opt-out-clause

The enforcement of patents granted without examination can be trickier, as the likelihood of obtaining injunctive relief should be lower. Moreover, objections as to the validity of this measure and to the patents granted under this measure might be raised in Courts. The measure as currently drafted includes an "opt-out" clause according to which applicants may request that a given application is not automatically granted, i.e., that the application undergoes regular substantive examination.

What to do:

- We advise applicants to make use of this opt-out clause at least for a few particularly important applications. Since most pending applications will be automatically granted, the backlog should be substantially reduced, meaning applications that make use of the opt-out system would be examined faster. As currently drafted, applicants are provided 90 days to make use of the opt-out alternative, counting from the acceptance of an application into the automatic grant procedure.

Competitors

The measure also provides competitors with the possibility of removing third parties' applications from the automatic grant system by submitting pre-grant oppositions.

What to do:

- **Analyze your competitor's portfolios and submit pre-grant oppositions.** According to our proprietary data-mining software, filing a pre-grant opposition reduces the chances of an application being granted by nearly a half. More importantly, by filing a pre-grant opposition, you remove an application from the automatic grant program.

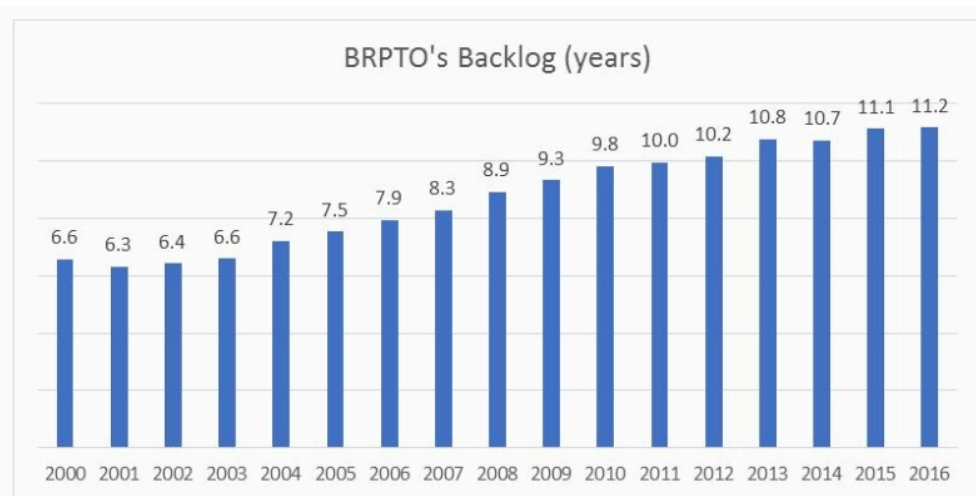
As explained above, adopting the right strategy will allow companies the ability to take advantage of the automatic grant system while reducing potential risks. Applicants should also consider use of the opt-out provision and actively target competitors' applications when developing a portfolio strategy in Brazil.

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Statistics on the Backlog Problem and "Fast-Track" Options in Brazil

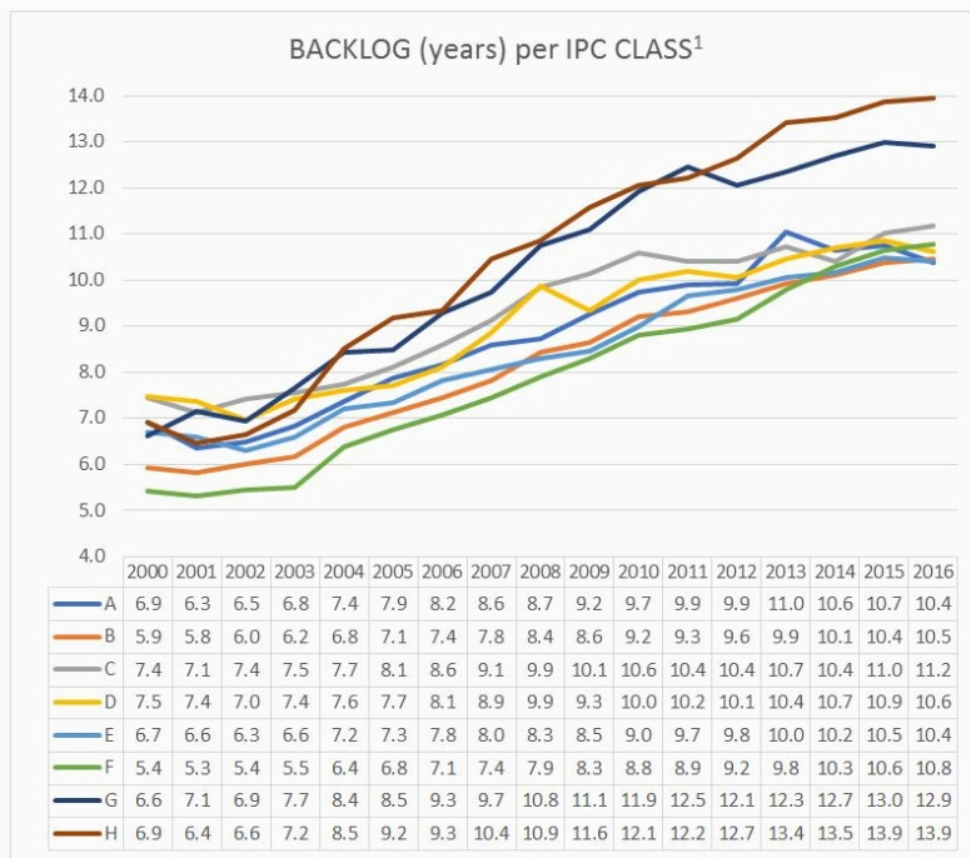
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The recent proposal of automatically granting pending applications without examination is nothing but a desperate measure against a problem that has been haunting applicants and practitioners for decades. Apart from the average 11.2 year backlog at the Brazilian PTO ("BRPTO"), very little information is known on this topic. While going deeper into the backlog is a complex task, requiring a scientific approach, provided below are some statistics that may be sufficient to provide a clearer insight into the problem and how to overcome it.



An analysis of the past 17 years, shows that an examination backlog was already a major problem in the beginning of the last decade. And the fact that the backlog has kept growing, almost twice as large 17 years later, evidences that no measure implemented by the BRPTO has been successful.

There is a widespread feeling among Brazilian patent practitioners that the backlog affects distinct technical fields in different ways. The numbers below not only confirm the general feeling, but also show that the extent of the impact might be higher than imagined.



[1]

The Brazilian Patent Statute establishes a “de facto” automatic extension in the term of validity of a patent in cases where the BRPTO takes more than a decade to examine the application. This is done in an attempt to reduce the harm suffered by applicants due to unreasonable delays. Accordingly, patent protection is granted for 20 years counting from the filing date or 10 years counting from the date of grant, whichever is longer.

Since 2014, this provision has been triggered in all IPC classes. However, while this automatic extension is of great use for technologies with a long life-cycle, it is virtually useless for others with much shorter life-cycles, such as certain technologies in the telecom/software industry because these technologies tend to become obsolete much faster. As seen above however, these industries are precisely the ones that suffer with the largest backlog, (see IPC classes G and H).

The above statistics beg the question of whether any fast-track examination possibility exist in Brazil. There are indeed some possibilities and the BRPTO’s Rules set forth conditions where an application would be entitled to fast-track examination. For non-Brazilian applicants, the conditions can be formally divided in three groups. **Group 1:** (i) applications related to the treatment of cancer, AIDS or neglected diseases; (ii) individual applicants who are 60 years or older; (iii) individual applicants with any mental or physical disability; and (iv) applications with at least one independent claim being infringed in Brazil; **Group 2:** applications covering green technologies (available since April 2012); and **Group 3:** (i) PPH program with the JPO for applications covering machinery and IT related technologies (available since March 2017); and (ii) PPH program with the USPTO for applications covering oil & gas related technologies (available since December 2015).

The numbers below show how the fast-track option for these Groups have performed in the past years, measured in view of the average number of years between acceptance of a request for fast-track examination and the decision granting patent protection.



As shown above, in comparison to the regular backlog, the waiting time is drastically reduced when one of the fast-track routes is used. Because the PPH Programs (Group 3) were implemented most recently, and there is still only a small number of applications were filed so far, they are the most effective pathway into a faster examination.

While the backlog is still a major problem, it affects all competitors in a particular industry in the same manner. However, dealing with the backlog in a strategic way, either by taking advantage of an extended term of protection or making use of the fast-track examination procedures, can be a decisive tool toward beating competition in Brazil.

[1] IPC Classes: A – Human Necessities; B – Performing Operations, Transporting; C – Chemistry, Metallurgy; D – Textiles, Paper; E – Fixed Constructions; F – Mechanical Engineering, Lighting, Heating, Weapons, Blasting; G – Physics; H - Electricity

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Brazil has a truly independent judicial system, and judges are doing their best to enforce the rule of law. Different from other BRIC countries, there is no bias against foreign companies in Brazil. A great number of infringement actions initiated against local companies are filed by foreign entities, and their chances of prevailing are essentially the same as any other plaintiff.

In comparison to the U.S., the standards for obtaining injunctive relief in Brazil are much lower than one might expect. For instance, there is no need to give notice to the defendant and the parties are allowed to have *ex parte*, in-chambers meetings with judges. Plaintiffs are often able to obtain preliminary injunctive relief even before defendants are served with a summons. In certain venues, like the State of Rio de Janeiro, for example, plaintiffs are able to obtain injunctions more often than not, generally in about 69% of cases.

Moreover, obtaining preliminary injunctive relief is possible even if the asserted patents cover standard essential technology, as occurred in *Vringo v. ZTE* and *Ericsson v. TCT*: in both cases, defendants were prevented from manufacturing, using, selling, offering and importing the infringing goods in Brazil. A preliminary injunction may also include search and seizure measures or many other evidence-gathering requests presented by plaintiffs.

Hence, there is nothing similar to the *eBay v. MercExchange* case in Brazil. NPEs or patent assertion entities are equally capable of obtaining preliminary *ex parte* injunctive relief. The fact that the plaintiff merely licenses its patents does not bar the granting of preliminary injunction. A few courts have taken into consideration the fact that the patent only covers a small component of the infringing product when deciding certain requests for preliminary injunctions, but most judges simply ignore this issue.

Generally, in order to obtain injunctive relief, the plaintiff must present sufficient documentary evidence to establish (i) the likelihood of eventually prevailing on the merits and (ii) that the result sought with the lawsuit could be frustrated or harmed if an injunction is not granted (*i.e.*, the plaintiff must establish that granting the PI is an urgent matter). Alternative possibilities of obtaining preliminary injunctions occur when the plaintiff is able to establish that the defendant is presenting defenses and objections in an abusive way, that the defendant is trying to delay the proceedings, or

the defendant is not able to create reasonable doubt regarding the facts alleged by the plaintiff.

Additionally, in order to maximize the chances of obtaining an injunction, it is usual for plaintiffs to present several technical opinions from local and foreign experts, typically professors teaching at renowned universities, in support of their arguments. Such opinions are well regarded by judges when deciding the requests for injunctions because they usually provide them with enough grounds to grant the request.

As a general rule, foreign plaintiffs are required to post a small bond at the beginning of the suit in order to secure the payment of court costs and other expenses to the defendant in case the plaintiff eventually loses the case, unless the Brazilian subsidiary joins the litigation as a co-plaintiff. This requirement, however, is unrelated to the granting of a preliminary injunction, as paying a bond is not a legal requirement for obtaining injunctive relief. Finally, upon a finding of infringement, a permanent injunction is the typical remedy, in addition to damages.

In a nutshell, the lower standards for obtaining injunctive relief makes the Brazilian jurisdiction a very favorable battleground to enforce patent rights in global litigation. This favorable standard represents a substantial risk for multinational companies that are often sued for patent infringement, but also an opportunity for non-practicing entities.

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