

Major changes in the Brazilian IP system in the year 2022

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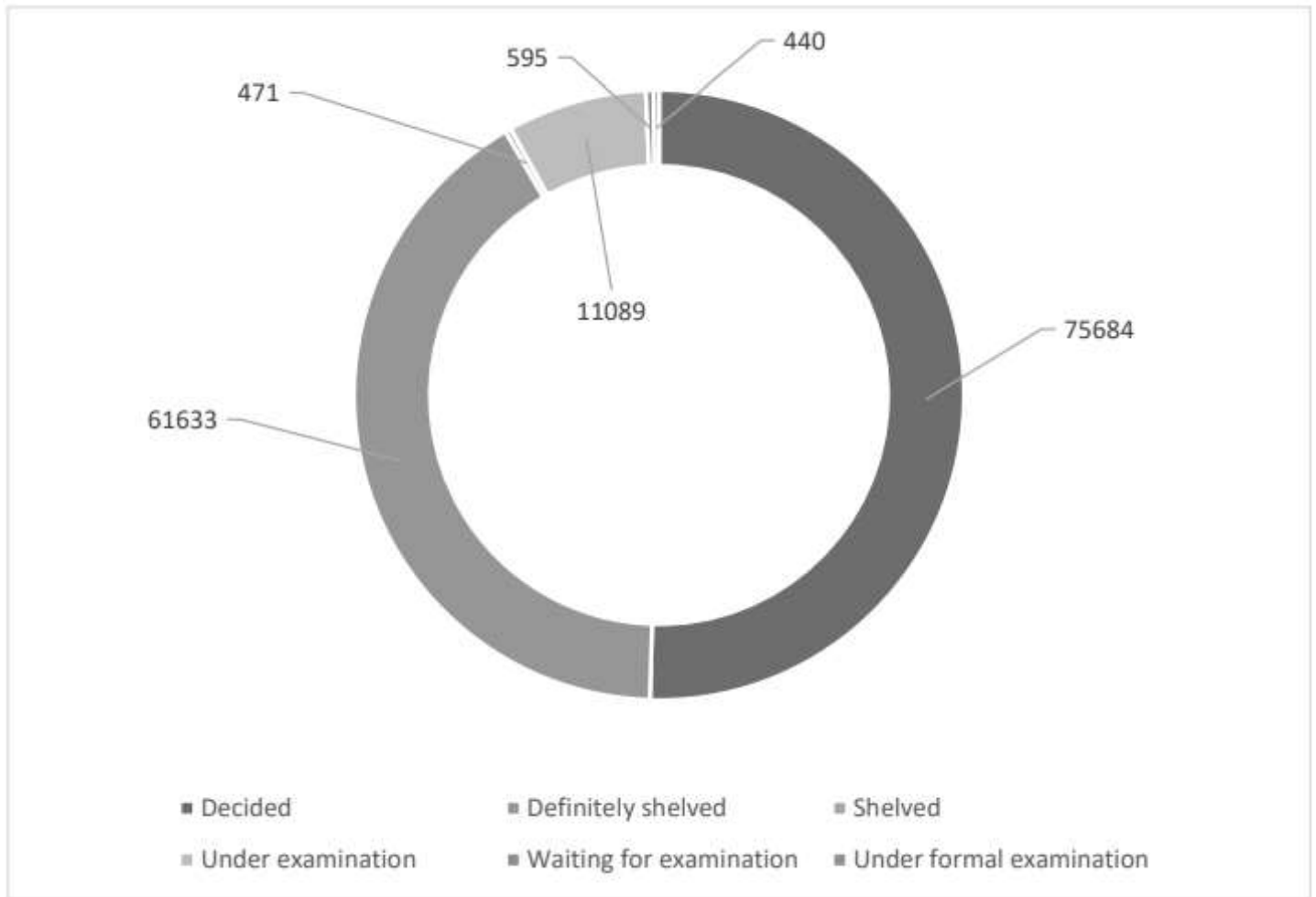
PATENTS

Updates on the Brazilian PTO Plan to Reduce the Backlog in Technical Examination

Triggered by the urgent need for improvements on the timeframe to analyze and decide on the patentability of the approximately 30,000 patent applications filed each year in Brazil, the Brazilian PTO implemented a project to reduce the patent backlog in August 2019. The objective was to reduce the number of pending patent applications in 80%, and the proposed goal was achieved in March 2022, around seven months ahead of the estimate.

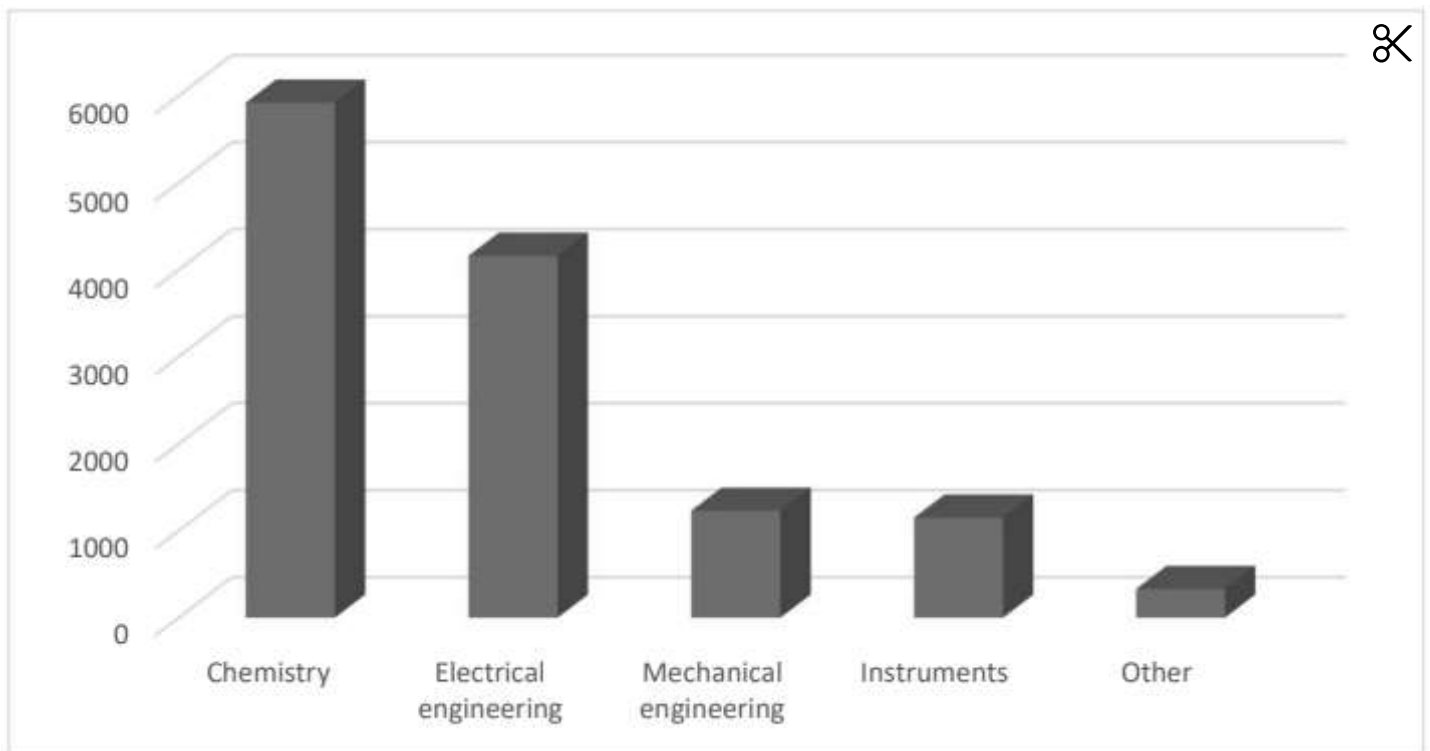
By using the examination already carried out by foreign patent offices, Brazilian Examiners saved reasonable time to perform the analysis on the merits of patent applications, thus enabling a significant and efficient reduction in the number of pending applications while maintaining the possibility of an independent decision in Brazil despite the one issued abroad. This new type of Office Action, named Preliminary Office Action, brought agility to prosecution in addition to being efficient in eliminating applications in which applicants were no longer interested.

According to data available on the BPTO's website, among the 149,912 patent applications pending technical examination on August 1, 2019 (backlog project start date), a total of 137,788 applications were examined in 3.5 years, thus reducing the backlog by approximately 92%. In addition, among the 12,565 patent applications still pending, 11,089 are already under analysis, as can be seen in the following chart:



Upon analyzing the above chart, it is possible to notice that a relevant number of patent applications were definitely shelved, which confirms the efficiency of adopting preliminary Office Actions as a means of reducing the backlog. Otherwise, Brazilian Examiners would have spent considerable time performing prior art searches and issuing a first technical opinion for nearly 62,000 applications that would subsequently be abandoned.

However, despite the excellent result obtained by the BPTO so far, some technological areas still have a significant delay in the examination of patent applications. The following chart shows the current situation by technical area:



Currently, the areas most affected by the delay in granting patents in Brazil are chemistry, electrical engineering and mechanical engineering. The chemistry area alone, which includes patent applications in the pharmaceutical and biotechnology areas, accounts for approximately 46% of the current backlog. Some reasons can be pointed out to justify this scenario, such as the complexity and extent of patent applications related to biotechnology, pharmacy, electronics and telecommunications, as well as the shortage of Examiners in the referred technical areas.

Therefore, based on the current scenario, there has been a drastic evolution in terms of efficiency, engagement, and modernization of the BPTO, aiming at reaching high levels of excellence observed in foreign offices whose patent systems are considered as a reference in quality and agility in the examination of patent applications. On the other hand, several shortcomings need to be urgently remedied, for example, regarding the harmonization of timeframe between the different technical divisions. In order to achieve this balance, financial efforts would need to be concentrated on solving the specific problems of each division, as the examined subject matters differ in complexity and scope. A solution that seems effective in the short term would be to provide financial autonomy to the BPTO, since it is a surplus autarchy, but which makes very little use of the collected revenue. Regarding this point, it should be noted that a public civil lawsuit proposed by the Brazilian IP Association (ABPI) is already being prosecuted requesting that the autarchy be able to manage its revenue. The decision issued by Judge Caroline Tauk provided that, for a period of 90 days, the BPTO would present a report pointing out its structural and budgetary needs, as well as a plan of activities to meet the listed needs. It is expected that the result of this lawsuit will be positive for the BPTO and, consequently, for the entire Brazilian innovation ecosystem, stimulating an innovative environment compatible with countries with a high level of technological development.

The BPTO Fast-Track Patent Application Prosecution Program

Along with the Brazilian PTO's plan to reduce the patent examination backlog, various ways of fast-tracking patent prosecution have been launched in Brazil in recent years, thus expanding the possibilities of having a patent granted faster in the country. The PTO has classified the types of accelerated prosecution in 4 main groups, as follows: (1) applicant-based; (2) situation-based; (3) technology-based; (4) cooperation-based.

Group (1) makes it possible to prioritize the examination of patent applications due to the condition of the applicant, namely: micro and/or small companies, startups, Scientific, Technological and Innovation Institutions, as well as elderly people, people with physical or mental disabilities, or with serious illnesses. Group (2) comprises patent applications that are in situations considered urgent or strategic, such as, for example, inventions whose object is reproduced by third parties without authorization, and patent applications whose grant is a condition for obtaining financial resources, or that include technologies available in the market. Group (3) covers patent applications claiming protection for green technologies, technologies related to the treatment of Covid-19 and other specific diseases, such as cancer, AIDS and neglected diseases. Finally, group (4) mainly refers to bilateral agreements between the BPTO and foreign countries under a PPH (Patent Prosecution Highway) agreement, whose main objective is to take advantage of the technical examination carried out in the partner country. Currently, Brazil has PPH agreements with more than 20 (twenty) countries/regions, such as some territories recognized worldwide for a high-quality technical examination, like the United States, Japan and Europe.

Figures available on the BPTO website show that the use of fast-track programs in Brazil has been increasing every year. Over the last 5 years, 6,217 fast-track requests were filed and 4,544 were decided by the Brazilian PTO, which corresponds to 73% of the requests. The average time between the request and the decision on the merits of the invention is 303 days, i.e., less than a year, which is an excellent timeframe if compared to the average 6.7 years considering regular examination.

When it comes to fast-track requests submitted in 2022, the most popular way of expediting prosecution in Brazil is by using PPH agreements with other countries. Almost 50% of the total requests are based on PPH and the average time between the request and the decision on the merits of the invention decreases to 162 days. The reduced time to have a final decision in addition to the use of PPH agreements in other jurisdictions seem to be the main reason for the applicants to choose this fast-track type as the most preferred.

Contentious

Patent Term Adjustment (PTA) cases

Since the outcome of “ADI 5529”, when the Brazilian Supreme Court abolished sole paragraph of article 40 of the Brazilian IP law that guaranteed a minimum term of 10 years and 7 years for patents of invention and utility models, respectively, many patent holders have filed lawsuits, in Brazil, seeking to adjust their patent term (called “PTA” lawsuits), claiming that the unjustifiable BPTO delay caused an irreparable harm by reducing the term of their patents and, therefore, the nuisance should be compensated and counterbalanced in court.

On November 16, 2022, Hon. Justice Luiz Fux, in Constitutional Claim no. 56.378 filed by *Bristol Myers Squibb Holdings Ireland* against the BPTO had granted a preliminary injunction ordering the Brasília Court of Appeals to re-examine an Interlocutory Appeal previously dismissed based on “ADI 5529”. According to Justice Fux, the decision issued on the grounds of “ADI 5529” does not prohibit the punctual patent term extension, but only the automatic extension set forth in the extinct sole paragraph of article 40 of the Brazilian Industrial Property Act. However, just after, the decision was submitted to a Panel of other Justices and Justice Dias Tóffoli, then in charge of the “ADI 5529” as a Rapporteur, suspended the judgment on November 18, 2022, in order to better analyze the matter.

Once the judgment continued, on December 19, 2022, most of the Justices decided that the injunction previously granted by Justice Fux should be revoked, prevailing the decision of Justice Dias Toffoli, who considered that BMS’s claims were not compatible with the decision of ADI 5529, which had revoked the sole paragraph of article 40 of the Brazilian IP Act.

According to Justice Toffoli, the term of any patent should be predictable, and its extension should be analyzed in the light of objective criteria established by law, without making the extension conditional solely on the BPTO delay in examining a certain patent application.

The Supreme Court decision rendered in the end of 2022 may affect the outcome of several other pending PTA lawsuits, within the next months, as it will undermine the grant of extension terms for patents, pending a case-by-case analysis by the federal courts.

Rio de Janeiro Court of Appeals – IP Specialized chambers expected in 2023

In October 2022, the President of the Rio de Janeiro State Court, Hon. Justice Henrique Carlos de Andrade Figueira, along with the Presidents of each Civil Chamber, defined that as of February 23, 2023, the Civil Chambers of the Rio de Janeiro Court of Appeals will start working on two different fronts - Private Law and Public Law.

Of the 28 existing Civil Chambers, 22 will address Private Law matters and the remaining 6 will address Public Law matters. Also, by that time, the Court of Appeals will count on 2 new Chambers that will specialize exclusively in corporate matters, including IP. The new organization of the Appellate Court of Rio de Janeiro aligns with the existing lower court structure – which counts on 7 trial courts specializing in IP related issues as well as in judicial recovery and bankruptcy.

According to Hon. Justice Henrique Figueira, “the changes will provide speed and quality of judgments in specialized matters” – and there could be no different conclusion. Until now, judges from the Rio de Janeiro Court of Appeals are bound to examine the most different type of lawsuits in the same Civil Chamber, which directly impacts not only the speed of the lawsuit’s timeline, but also the quality of the decisions that are issued in each case.

The Rio de Janeiro State Court will not be the first one to have both specialized instances - since the São Paulo State Court already counts with corporate specialized chambers.

The expectations with the upcoming implementation of this project as of the beginning of 2023 are even higher for the ones who work in the Intellectual Property area, as attorneys are familiar with the advantages of having both instances of the Judiciary specialized in IP matters.

From greater predictability and legal certainty to faster decisions, this new framework is designed to bring many benefits and advantages, especially for Intellectual Property holders.

SEP: Increased enforcement in the Rio de Janeiro State Court and patent invalidation lawsuits as a response

Following the previous years, SEP enforcement is still booming in Brazil. In lawsuits mainly filed with the Rio de Janeiro State Courts, Plaintiffs - divided into NPEs (*non-practicing entities*) and implementers - have been seeking the Judiciary to obtain preliminary injunctions in order to determine that Defendants cease the commercialization of their products, which are allegedly infringing a specific patent declared by its owner as being essential to a certain standard.

Although there is still not a broad case law formed with the Brazilian legal system, it is building on a trend among lower court Judges (at least of the lawsuits whose files are available to public access) to grant preliminary injunctions with two different types of scope, based upon a slight difference in wording and interpretation. One of them, considered more aggressive, determines the cessation of all economic exploitation of the alleged infringing product in the country. On the other hand, the second type of preliminary injunction orders the

Defendant to stop exploiting the patented technology (and not *expressly* the product itself), under a daily fine that will be executed retroactively and only if the technical evidence phase concludes for the existence of the patent infringement, in the future.

Such injunctions are not permanent, but rendered on a preliminary basis, able of being reanalyzed and/or revoked during the course of the lawsuit main proceeding: most of them are still being challenged by the counterparties with the Courts.

In December 2022, the Superior Court of Justice for the first time decided a SEP-related-discussion case on a preliminary injunction basis. According to what was disclosed in the media (since the lawsuit's files are kept confidential), the 4th Panel of Judges partially reestablished the effects of a preliminary injunction requested by Ericsson against Apple before the Rio de Janeiro State Court, and ordered Apple to pay USD 3,00 per unit of device sold in Brazil, under penalty of being restrained from commercializing the alleged infringing products in the country during the course of the main lawsuit.

After such decision, though, both parties reached a global agreement regarding Ericsson's SEPs portfolio, ending disputes not only in Brazil, but worldwide.

Although the Judiciary is still not used to this type of discussion if compared to US and German Courts, the constant increase of these lawsuits in the Rio de Janeiro venue, particularly during 2022 has been leading Judges to a better comprehension of the matter. There is still a long way to go, though, and the specialization of the chambers of the Rio de Janeiro Court of Appeals proposed to start in early 2023 gives hope to the IP attorneys and practitioners.

Trademarks

Position Marks

It is well known that, historically, the Brazilian TM Office has leaned towards a more conservative position, which has led many trademark owners to settle matters or seek protection in Court.

However, the Brazilian trademark system has been going through impactful changes in the last few years, resulting from long-standing discussions, studies and a need to harmonize our trademark matters with other countries.

One important step taken by the Brazilian TM Office, in the past year, was the acceptance of Position Mark registrations, now the only non-traditional mark available for registration in the country, besides Three-dimensional Marks.

The long-awaited news was confirmed by the publication of Ordinance No. 37/2021, in September 2021, also formalized by Ordinance No.8/2022, which deals with the receipt and processing of trademark applications, petitions and guidelines.

Before that, applicants filed Figurative or Three-dimensional Marks as a way to try to obtain some kind of formal protection for their Position Marks, so, with this in mind, the Brazilian TM Office provided the opportunity for applicants to request a category change in the form of presentation of the marks, which would eventually be re-published in the Official Gazette.

Until recently, however, technical obstacles involving the filing, petitioning and examination of Position Marks were still being resolved by the Office. A year later, in November 2022, Ordinance n.71/2022 was finally published confirming that all issues have been solved and, as of consequence a) there are now specific filing

forms for the Position Mark category; b) Position Marks Applications are following the regular course of publication and c) Examiners can proceed normally with the examinations.

It is expected that, in 2023, the Brazilian TM Office will start issuing office actions, approvals and refusals involving Position Mark applications, consolidating this non-traditional sign in our system.

Secondary Meaning

An ongoing theme of studies and discussions by trademark practitioners, examiners, jurists, has also been the acquired distinctiveness of a mark - Secondary Meaning - as it is not formally acknowledged by the Brazilian TM Office.

However, recent statements by the Office's Trademark Director, at a seminar held by the Brazilian Bar Association, indicate that such scenario may be about to change or, at least, there is an active effort to make this happen in the future.

For many years, the Office's efforts were focused on tackling the examination backlog, prioritizing the efficiency of the proceedings and, for this reason, other matters were put aside. But the recent implementation of the Madrid Protocol helped minimize the backlog issue, which allowed the Brazilian TM Office to actively deal with other matters.

According to the Director, the Brazilian TM Office is in a turning point when it comes to Secondary Meaning and there are already group studies to evaluate the legal and practical aspects of it, as well as to conduct an international benchmarking, including with USPTO, EUIPO, Comunidad Andina, Instituto Mexicano de la Propiedad Industrial (IMPI), IP Australia.

The group studies have already reached some preliminary conclusions about the legislation, method of evaluation and examination proceeding, and are waiting for final approvals. Some of them are the following:

1 – There should be legislative amendment so that the Secondary Meaning is expressly provided for by the Brazilian IP Law.

2 – Following guidelines from other jurisdictions, the Brazilian TM Office should consider as evidence to prove the Secondary Meaning: a) Consumer perception survey; b) Sales amount; c) Intensity of use / Prolonged use in the market; d) Consumer testimonials; e) Acknowledgment from trade associations and professionals in the area; f) Analysis of the way the sign is conveyed to the public; g) Advertising investments to promote the sign in the market (effectiveness); h) Geographic extent covered by the signal.

3 – In principle, it is proposed that the Secondary Meaning recognition request be made only upon refusal of the application, by means of an Appeal based on acquired distinctiveness.

Along those lines, the next steps to be taken by the Brazilian TM Office are a) A regulatory impact analysis; b) Guidelines on the best method of evidencing secondary meaning; c) Draft of the regulation; and d) Public consultation.

It is expected that the BPTO will publish the new Trademark Guidelines in the second half of 2023, already addressing Secondary Meaning.

Montauray Pimenta, Machado & Vieira de Mello - Gabriela Salerno, Ana Paula Affonso Brito, Clarissa Jaegger, Stephany Nicole Santos Araújo and Maria Eduarda de Oliveira Borrelli Junqueira