

CAN BRAZIL BEAT THE PATENT BACKLOG?

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The Brazilian Patent and Trademark Office (INPI) has built up a tremendous patent backlog that is hampering the functioning of the patent system. Recent official data shows that a patent application would take 11 years before reaching a final decision. The prospect is bleak: IT inventions may take more than 14 years to get examined. In a rapidly changing field such as this, protracted examination renders most patents unusable.

It is unsurprising that there is a growing consensus that problems causing the backlog (such as a lack of examiners and lack of financial autonomy) are detrimental to the Brazilian economy. The "Global Innovation Index 2017" report ranks Brazil at number 69, behind all the other BRICS (Brazil, Russia, India, China and South Africa) countries.

The INPI is currently staffed with 326 examiners and, as of June 2017, 231,184 patent applications were pending a first instance decision. In the present scenario, the backlog of 349,089 applications would not be resolved until 2029. Seeking to reduce the examination timeframe, the INPI has launched a few fast-track programmes, in particular green patents, pharmaceutical inventions, patent prosecution highway (PPH), science and technology (S&T) institutions, and small and medium enterprises (SMEs), but none of those programmes has achieved a significant backlog reduction.

A radical proposal

More recently, however, the Brazilian government has seemingly shifted strategy and issued a public consultation on a radical proposal that would introduce a streamlined granting procedure. According to the proposal, most pending applications would simply be allowed as they had been published or had their national phase entry notified, without having their patentability requirements examined. Instead, patents would be granted with a general disclaimer calling attention to non-patentable subject matter.

Should the government move forward with this proposal, eligible applications would have their admission published, receiving notice of allowance within the following 90 days. Applicants may request that their application be subjected to substantive examination, and third parties may bring oppositions within the said period. In both cases, the corresponding application would be returned to the regular examination queue. The INPI proposal would not include certificates of addition, divisional applications, or pharmaceutical invention applications.

The rationale of the patent system is to provide incentives to innovation and technological development beneficial to the country's economy. The legal framework strikes a fair balance between public and private interests by providing safeguards and drawing boundaries that would prevent patent rights from being used abusively, such as inventions falling short of the patentability requirements: they withhold technology that is otherwise part of the public domain, granting monopolies that run counter to the very purposes of the patent system.

According to the INPI, the simplified granting procedure is aimed at

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applications that do not affect the competitive environment, and it is up to society to distinguish those that have economic value by bringing pre-grant oppositions.

However, the marketing benefits arising from patents may not be immediate and depend on various factors and scenarios, such as tax legalisation, regulatory standards, appropriation of costs, and project financing. We must also consider the intrinsic features of patents, such as reputation, goodwill, and technology complexity, tied to their strength and validity, to determine their economic value.

The Brazilian government's proposal is already causing controversy. On the one hand, the INPI argues that once the backlog is cleared, applications might be prosecuted within 24 months as of the examination request. On the other hand, most practitioners believe that patents granted under this procedure will be vulnerable to invalidity challenge at the INPI (post-grant opposition) and federal courts (invalidity claim).

This kind of procedural granting system just defers examination to litigation, shifting costs to post-grant phase. The INPI and the judiciary will have to absorb such 'hollow' patents that never went to examination; patentees and third parties will have no certainty of the validity and enforceability of these patents. In the past two years, the INPI has ruled on 154 post-grant oppositions, the average decision timeframe being 39 months. Judiciary statistics indicate that five patent invalidity claims went to full trial from 2013 to 2017, while 56 other disputes are waiting for a judgment. As the volume of invalidity challenges is expected to increase substantially at both levels, one can only wonder whether the INPI and the judiciary will be able to cope with this additional workload. ■

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