

LATIN AMERICAN INTELLECTUAL PROPERTY REPORT 2005/2006¹.

Introduction.

The aim of this brief is to offer legal and business advisors a view over the most relevant trends that have taken place in the IP Latin American market during 2005, as well as to point out some insights for 2006.

Intellectual property (IP), in general, has attracted broad social attention in the past year and it is likely to spread further in the coming times. Latin America's GDP is expected to keep growing at an average rate of 3,8 in 2006² and IP has been recognized as a very important factor for reaching a "sustainable growing economic environment"³.

After assessing the most relevant information we have concluded that three general facts remain as the most important aspects to guide short, middle and long-term business plans related with intangible assets in this region:

- 1) As in the rest of the world, intangible assets are increasingly hallmark business factors to be protected before undertaking commercial activities, as seen by the growing rate of patent and trademark filings, even higher than those seen in some developed countries.
- 2) IP's effective legal protection in Latin America is likely to increase given the bilateral treaties and the ongoing negotiations covering IPR, which in most cases result in TRIP-plus protection.
- 3) The average cost of filing patents in 5 of the biggest Latin American countries is relatively very affordable, which gives incentives to seeking further IP protection.

¹ Copyright 2006, Moeller & Co. Author: Mariano Municoy, Argentinean attorney at Moeller & Co, LLM International Intellectual Property, Chicago-Kent College of Law (USA), with high honors.

² According to IPS, see www.e-ips.net.

³ According to "The Rio Declaration of 13 & 14 June 2005" issued in The Global Congress/Interpol Latin America Regional Forum on Combating Counterfeiting and Piracy".

In spite of such goods news, still there are many task to be performed and official decisions to be taken in order to enjoy optimal IP systems in Latin America.

Backlogs in local Patent and Trademark Offices; initiatives and improvements upon legal enforcement proceedings, particularly those to fight counterfeiting activities and fake products crossing domestic borders; as well as still further social awareness of the role to play by IPR in societies, are some of the issues to address. Likewise, effective public measures to insert the countries of the region into coming industries, such as nanotechnology, should be improved⁴.

However it seems that both IP owners and their advisors will have to keep up advocating in said direction for even better results to arise

Facts from which the path of IP in Latin America can be assessed.

1) IP filing in Latin America is soaring.

This fact follows a path that is widespread worldwide but we are surprised by the growing rate of patent filings in Latin America. Let us compare the U.S. that is the larger patent filing country to some countries in Latin America in order to prove this statement.

- Patent filings in the U.S. (PCT member)

2003 366.000 approximation.

2004 382.000 Idem.

2005 406,302⁵

growing rate of filings from 2004 to 2005: 6% app.

According to public and our own records, during the same period the following patent applications were filed in these Latin-American countries:⁶

⁴ Argentina has formally created a public organization to deal with nanotechnology according to Decree 380/05. It was funded with U\$S 10 millions but its operational activities remain unseen. Brazil and Costa Rica have also established similar public organizations that seem to be working more effectively.

- Patent filings in Argentina

2003	4893
2004	4957
2005	5641

growing rate of filings from 2004 to 2005: 12.1% app.

- Patent filings in Brazil (PCT member)⁷

2003	20,833
2004	17,703
2005	21,000 app.

growing rate of filings from 2004 to 2005: 15.7% app.

- Patent filings in Chile (PCT member)⁸

2003	2784
2004	3340
2005	3494

growing rate of filings from 2004 to 2005: 4.40% app.

2) Further IP protection in Latin America can be expected from the bilateral treaties and ongoing negotiations with the U.S.

⁵ Some of the numbers cited were taken from "Calendar Year Patent Statistics USA" by USPTO, which refers to utility and design patents. We want to thank to John Ambrogi, principal with Welsh & Katz, for the information provided.

⁶ Some of the numbers cited were taken from "Marcasur, N°19".

⁷ We want to thank to our colleagues at Advocatia Pietro Ariboni for the information provided, which refers only to patent of invention applications.

⁸ We want to thank to our colleague Fernando López from Johansson & Langlois for the information provided, which refers to patent of invention as well as design applications. The slower rate of patent filings might be the consequence of the delayed instrumentation of the new Chilean Industrial Property legislation of March 2005, which instead of entering in force with the regulation on September, it finally entered in force in December 2005.

Bilateral Investment Treaties (BIT) have been signed by most of the countries in the region and they have played an important role in assuring a fair treatment of foreign investment including those protected through intellectual property rights. Uruguay implemented domestically its treaty with the U.S. on November 28, 2005. Argentina has signed these kind of treaties with Germany, Spain, the U.S., and more than 50 other countries.

However, there is a new wave of bilateral treaties, called Free Trade Bilateral Agreements (FTA), which particularly deal with intellectual property rights such as patents, trade secret, test data protection, trademarks, copyrights and the like. These FTA treaties provide for higher levels of effective protection of intellectual property rights than previous BIT.

To date, the Chile-US treaty is the only one that resulted in higher IP protection in Latin America as the New Industrial Property Law entered in force in December 2005, whose reading we strongly recommend to all those interested in these issues⁹. Yet some provisions covered by the Treaty must be implemented in Chile, but without doubt it is a promissory beginning.

Most of these FTA treaties are currently under negotiations between the U.S. and each Latin American country or region such as CAN and CAFTA, but for the Mexico-Uruguay treaty signed in November 2003 that includes a whole chapter on IP¹⁰.

Thus, IP protection in Latin America is very likely to increase in the short and medium term as the bilateral treaties between the U.S. and: Colombia, Ecuador, Panama, Peru and those in the CAFTA region (comprising El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica, Dominican Republic) start to enter in force.

These bilateral agreements contain provisions requiring their parties to ratify or accede to very important treaties such us¹¹:

⁹ It is available at our website, www.e-moeller.com.

¹⁰ We want to thank to Gustavo Fischer, managing partner of Fischer Abogados, for the outstanding information provided.

¹¹ The deadlines for signing countries to enter into each international treaty vary among those treaties.

- The Patent Cooperation Treaty (1979) for those countries who are not already members,
- The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1980),
- The International Convention for the Protection of New Varieties of Plants (UPOV Convention of 1991)
- The WIPO Copyright Treaty (1996),
- The WIPO Performance and Phonograms Treaty (1996),

Reasonable efforts to ratify or accede to the following agreements is required regarding:

- The Patent Law Treaty (2000),
- The Trademark Law Treaty (1994),
- The Hague Agreement Concerning the International Registration of Industrial Designs (1999),
- The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989),

A full report on the most relevant features of each of these bilateral treaties will be delivered in future communications, although we would be delighted to provide all of those interested with the specific information they may need in advance. For now we would like to highlight some of the outstanding provision that are to improve IP in this region such as patent term extension, test data protection, registration of certification and sound trademarks as well as denominations of origin and geographical indications.

3) Average costs to protect IP in the region are kept relatively low, which enhances its access to small business and companies from around the globe.

This fact may be very important for foreign companies assessing whether to enter Latin American markets, although it is just one of the many to be taken into account¹².

¹² For useful information on this regard we recommend to visit www.e-ips.net.

Let us take the example of the average cost of filing a single US patent that, as it is widely known, may cost between U\$S 7,500 and U\$S 10,000 using a well-recognized but by no means a top U.S. law firm. This price responds to the steadily demand that such services have had in that country by local and foreign companies requiring effective protection over their intangible assets, which has stimulated outstanding IP legal services offered by the multiple top law firms operating in that country.

For these and other indirect reasons, that amount is much higher than the average cost of filing for patent protection in, at least, 5 of the biggest countries in Latin America like Argentina, Brazil, Chile, Costa Rica and Mexico.¹³

Of course that difference reflects the different legal protection obtained in both regions, as it was pointed out at the beginning of this brief, but we believe that derived from this and the prior facts stated above, faster and stronger IP protection may be increasingly seen in Latin America, whose need for investments and access to intensive goods in capital and knowledge is very well known.

Conclusions

Last year was very important for all of those involved in the Latin American IP community, but still we are expecting further developments in the near future including higher levels of legal certainty regarding patentability in certain industries like biotechnology, pharmaceuticals (for instance the patentability of second uses¹⁴) and agrochemicals (let us remember the ongoing legal battle between Monsanto and the Argentinean government, which is

¹³ This is according to Moeller & Co.'s schedule of fees for its flexible system of consolidated IP services offered throughout the region.

¹⁴ In July 2005, the Andean Court of Justice (the supranational court of the Andean Community which includes Bolivia, Colombia, Ecuador, Peru and Venezuela) ruled on this very important matter. Eli Lilly & Co. brought the case against the Colombian Patent office because the latter had rejected a patent application claiming a particular combination of certain compounds that were in the public domain given that people skilled in the arte already knew them. The Court stated that said patent application should not be rejected "per se" and recognized that i) not all of the element comprising the composition should be new, ii) that even all of them could be known but not their combination, and iii) that the analysis should focus on whether said combination results in a new subject matter or in a new procedure which was not known nor obvious taking into account the particular prior art.

currently under litigation in Europe). Improvements on the regulation of generics pharmaceutical products are also required¹⁵. Finally, trade dress protection¹⁶ and further devices to fight counterfeit goods including customs measures such as those enacted in Venezuela and the ones still semi-implemented in Argentina¹⁷, as well as higher-effective sanctions for infringing activities, are expected soon too.

These expectations are based not only on the improvements to be brought by bilateral treaties but also on the rising importance of IPR for local communities, as most of them require large investments to keep up their rates of economic growth and social development.

We will continue monitoring said developments and will be delighted to properly inform all of those interested about them. Please visit www.e-moeller.com where you will find the relevant information. For further questions, please do not hesitate to contact us at mail@e-moeller.com.

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¹⁵ This is a hot issue in the region, which must be handled in most possible ways, i.e.: not only through sanitary regulations but also through any other available measure. For instance, on September 8 2005, the Court of Appeals of Sao Pablo, Brazil, upheld a decision that granted an injunction against the generic producer EMS SA who had to modify the labels of its products, as they were too similar to the trade dress of the pioneering product owned by subsidiaries of Boehringer Ingelheim.

¹⁶ Restaurant trade dress protection was recognized in Peru last year.

¹⁷ Venezuela enacted a new criminal law protecting IP owners from counterfeiting activities in December 2005. Regarding Argentina, although the Custom Code was modified in 2005 to avoid the entrance of counterfeiting goods (check our website for its text), the proposal to establish a registration system of trademarks within the Argentinean Customs is still pending and expected for to enter in force during 2006.