

Written by
Bob Stembridge

Brazil: a shining star among BRIC nations

Recent research undertaken by Thomson Reuters shows that Brazil has taken a major step forward with regards to both intellectual property and innovation, writes Bob Stembridge

Ten years ago Goldman Sach's Jim O'Neil coined the term BRIC to describe a rising group of nations, (Brazil, Russia, India and China) that are reshaping the globe. Today they continue to grow their economies but also face challenges internally and externally. Among these rising stars, Brazil shines brightly for its hyper-growth market, leadership in IP enforcement and thriving innovation boom. A rapidly expanding middle class and complex IP infrastructure has created opportunities in Brazil to better prepare the nation as a serious competitive contender in the international market.

According to the Brazilian higher education institution, Getulio Vargas Foundation, over the past eight years, almost 40 million Brazilian citizens have emerged out of poverty into the middle class. The transformation is creating an economic boom that is attractive to both local and multinational corporations seeking financial rewards. With a \$1.9 trillion economy and the world's fifth largest in terms of GDP, Brazil is expected to grow an average of 4.2% between now and 2015.

To navigate the market effectively, it is important for corporations to implement a successful IP strategy that will enable innovation and brand expansion in Brazil. To better understand the underlying factors that allow a business to thrive, Thomson Reuters conducted a comprehensive analysis on patent activity, scientific literature output and trademark registrations in this burgeoning nation.

Brazil has more than a 200 year history in IP protection and innovation. It was a founding member of the Paris Convention, one of the world's first intellectual property treaties, and later went on to establish a union to protect industrial property. Today the government continues to do a great deal to nurture innovation among corporations. These include tax incentives for R&D,

government grants, government sponsored equity investment and instantaneous depreciation for R&D investments.

The impact of these factors can be seen in the increase in unique inventions in patent applications and granted patents in Brazil, which has grown by 64% in the last nine years. Filed mostly by Brazilian organisations, top patent assignees include industries and most note worthy universities, which make up 27% of the top patent holders.

Electrolux and Whirlpool rank in the top 10 patent filers among multinational manufacturing firms. In fact, Whirlpool's brand Multibras has taken nearly 85% of the market share in Brazil. Steven J Kuel, Chief Technology Officer at Whirlpool Corporation, states: "Brazil has been doing fantastically for the last five years; it's been the real quiet giant among emerging market countries."

Despite the great progress being made in Brazil, the country has its challenges. The Brazilian patent office has one of the lowest patent grant rates in the world. This is a critical metric to note, as quality is held in the highest esteem from one of the oldest and most developed patent offices on the planet. This metric, along with the current surge in patent applications, has contributed to a backlog of over 150,000 applications, with a current conversion time of eight to 10 years for approval.

Another key factor to consider in the quality of innovation is the output of scientific publications coming from Brazil. Influential research and inventions are often cited in peer reviewed journals and demonstrate the forward strides innovation is making. Taking a look at the Thomson Reuters Science Citation Index, in 2008, the country was the 13th largest producer of scientific literature in the world. This places Brazil at the forefront of scientific research, on par with Switzerland, Sweden, Holland and Russia.

Companies are not just innovating in Brazil; they are also investing in brand expansion and protection. The country has seen an enormous upswing in trademark filings as companies are investing heavily in the growth of the middle class. Trademark

filing has seen almost a 200% increase in the last two years. The majority of these filings are being done by Brazilian companies followed by US and Europe. Top industry categories include consumer products, pharmaceuticals and news/entertainment brands.

Corporations that seek to protect their brands through trademarks will encounter challenges as the process can be long due to volume. Foreign brand owners must also be diligent about the widespread cultural differences among the people and the various regions of this large country. Brazil's unique trademark laws require a shift in strategy for foreign firms as a first-to-file system will not necessarily protect brand marks that are filed in other regions of the world. In addition, in order for a trademark to be recognised in Brazil, the applicant must be engaged in that particular field of business. This prevents trademark squatters from snapping up trademarks from well known brands for big profit.

In many ways, Brazil is a nation that is thriving in opportunity and growth. As an emerging country, the Brazilian market is easy to understand and economically, very similar to the US 40 years ago. Additionally, there is a concerted effort underway to analyse and improve some of the imperfections in its IP protection processes. No wonder it is an attractive country for multinational and local corporations to engage in inventive activity, as it continues to present significant opportunities with less risk than some of its BRIC counterparts.

Bob Stembridge is a customer relations manager with the IP Solutions Business of Thomson Reuters

To gain further insight on key considerations for creating a successful IP strategy in the expanding Brazilian market, read the Thomson Reuters report: *The Grown-Up BRIC* at www.ip.thomsonreuters.com