

Spain

IP rights in a time of economic uncertainty

The growing economic crisis was a major concern during the Spanish general election campaign in early 2008. There was fierce debate as to how severe the problems were, whether the crisis was caused by the international situation and whether local aspects could worsen the Spanish recession. Following the general election on March 9 2008, the Socialist Party remained in power.

The uncertainty in the financial markets has had a dramatic impact on lending and has held back the over-exhausted model of real estate expansion. This has led to a slowdown in construction and the real estate market, one of the main pillars of Spanish economic growth in recent decades. In turn, there has been a spike in bankruptcy cases, in terms of both number and of the size of the assets involved. The courts that hear bankruptcy cases also have jurisdiction over IP and unfair competition cases, thus progress of such cases is being slowed down. This chapter looks at the implications of the slowdown.

The need to diversify investments and help the economy recover has led the current government to focus economic policy on research, development and innovation, and on encouraging companies to differentiate themselves in terms of the products and services that they offer. The creation of a Ministry of Science and Innovation, independent of the Ministries of Industry and Education, is a clear sign of the executive's desire to place greater importance on investing in research and development in national policies concerning the competitiveness of Spanish public and private bodies.

Moreover, the Spanish government is enacting legislation to achieve this economic policy. For example, it is laying the regulatory foundations to grant subsidies for scientific research, development and technological innovation projects, and to grant public aid for patent applications.

On May 23 2008 Dr Alberto Casado Cerviño was appointed the new director of the Spanish Patent and

Trademark Office. He has an outstanding reputation in this field: he trained at the Spanish office, was vice president of the Office of Harmonisation for the Internal Market and has held positions at the European Patent Office and the World Intellectual Property Organisation.

Overloading of the commercial courts

The commercial courts, which have been in operation since September 1 2004, have exclusive competence to hear commercial lawsuits, including cases concerning IP rights and competition law. They also have exclusive jurisdiction to hear all other commercial cases and thus cover unfair competition, bankruptcy, corporate disputes, transport and insurance law, as well as maritime law. These cases form the main core of the courts' activity.

Barcelona and Madrid, the two cities with the highest number of commercial cases, have a total of 15 commercial courts between them (eight in Madrid and seven in Barcelona). These courts are currently overloaded due to the exponential growth in such cases and the backlog of cases which has appeared since they were set up in 2004. In comparison, Madrid has 89 courts of first instance and Barcelona 58 – these courts hear cases concerning private law.

A case concerning IP rights that is not too complex at first instance may last between 18 months and two years in Madrid and one year to 18 months in Barcelona. If the judgment is appealed, the appeal courts in Barcelona and Madrid take around one year to rule on the case. On top of this, the Supreme Court takes an average of six years to rule on appeals (although not all IP cases can be appealed to the Supreme Court, so this channel is only occasionally used).

The overloading of the commercial courts does not just make court proceedings take longer – in some cases it also affects the quality of court rulings. This can have serious consequences for the party whose claims are rejected at first instance.

Interim injunctions concerning IP matters have also been affected by the overloading of the commercial courts which are responsible for hearing them at first instance. An interim injunction case may last from six months to one year at first instance, plus a similar length of time at second instance. Cases such as those involving the drugs venlafaxine and olanzapine in Madrid and Barcelona are perfect examples of this situation.

In 2008 the Spanish government set up a new commercial court in Madrid and another in Barcelona (increasing their number from seven to eight and six to seven, respectively). However, this step was clearly insufficient to overcome the current overloading of the courts.

Consolidation of patent case law

On a more positive note, in recent years Spanish patent case law has consolidated the main principles of the legal interpretation of patent rights. In particular, the specialist chamber of the Barcelona High Court has pioneered the implementation of such principles, which has brought about greater certainty regarding the extent of protection and the infringement of patent rights. However, this court's recent judgments have shown a sophistication that requires painstaking analysis before issuing a legal opinion and necessitates the exhaustive and precise preparation of any legal proceedings, especially those concerning complex matters.

Since 2006 one chamber of the Madrid Appeal Court has specialised in commercial matters, particularly industrial property. This has also led that jurisdiction to establish case law with firm foundations and has contributed to improving legal analysis of these matters. The court's doctrine is free of conditioning factors arising from previous rulings.

Recent well-known cases, reported in specialist journals, have concerned pharmaceutical products such as venlafaxine, itraconazole and losartan. Controversy arose regarding atorvastatin when the Barcelona Appeal Court, unlike its UK, Dutch, German and Austrian counterparts, decided to maintain the basic patent's validity to the detriment of the generic drug companies. Other cases have not won so much media coverage, but nevertheless have strengthened the interpretation of patents and thus aided the handling of legal questions in first-instance proceedings in the commercial courts.

Compensation following 2006 amendments to the Patent, Trademark and Industrial Design Acts

The Patent, Trademark and Industrial Design Acts stipulate that when calculating compensation for damages, the following will be taken into account:

- the negative economic consequences, including the profits the patentee would foreseeably have earned from the use of the patented invention had there been no competition from the infringer and the profits that the latter earned from exploiting the patented invention; or
- the amount that the infringer would have had to pay the patentee for granting a licence that would have allowed it to carry out its use in accordance with the law.

This method of calculating compensation for damages, which was implemented in June 2006, resulted from the implementation of the EU IP Rights Enforcement Directive. Prior to this amendment, the law stipulated that the loss of profit would be set according to any of the following criteria:

- the profits the patentee would foreseeably have earned from exploiting the patented invention had there been no competition from the infringer;
- the profits that the latter earned by using the patented invention; and
- the price that the infringer would have had to pay the patentee to be granted a licence to exploit the invention legally.

Doubt therefore arises from the merging of the first two formerly available options into a single option and the fact that the applicable rule is no longer restricted to setting criteria for determining the lost profit; instead, these criteria now refer to compensation for damages. This has led to some claims for compensation consisting of the sum of the profits that the patentee would foreseeably have earned from exploiting the patented invention and the profits earned by the infringer. Thus, the infringer would be bound to pay not only the profits it earned as compensation, but also those that the invention's proprietor would have earned had the infringement not taken place. This option should obviously be rejected as it would lead to the unjust enrichment of the proprietor of the exclusive right, since it would be receiving an amount based on the same circumstances.

The articles in the acts that deal with this matter should be interpreted in light of the EU directive which they implement. The directive clearly seeks to impose objective compensation while taking into account both the profits that the patentee would foreseeably have earned from exploiting the invention and the profits that the latter has obtained from exploiting the patented invention. The patentee is obviously not entitled to add together the two forms of compensation; instead, they

should be used together so that the compensation is as objective as possible.

Hence, the infringer will have to pay compensation based neither on all the profits it has earned, nor on everything the patentee would foreseeably have sold. It may have to pay more in compensation than it earned in profits, or even less. According to the wording of the act, it is not a matter of taking into account a single consequence to calculate the compensation for damages. The key factor is the damage that the exploitation of the disputed embodiment has caused to the patentee. For example, it makes no sense for the infringer to pay only the profits that it earned as compensation when its competition in the market has also caused a reduction in the profits that the patentee would have earned had there been no infringement, as a result of a fall in the product's sale price. Nor would it make sense for the infringer to pay all the profits it earned in compensation if the patentee would have sold less than the infringer had there been no competition.

Unlike the situation prior to the amendment, the new acts allow not just one circumstance but rather several to be taken into account, so that compensation is in line with the actual negative economic consequences of the infringement.

Furthermore, compensation for damages may also include:

- moral damages;
- profits earned through the commercial exploitation of items of which the patented object is an essential part;
- damage implied by loss of prestige in the patented invention caused by the infringer through a defective embodiment or unsuitable presentation of it in the market; or
- the investigative costs incurred in unearthing reasonable proof that an infringement had been committed.

Controversy over pharmaceutical product patents continues

As mentioned in the Spain chapter of *IP Value 2008*, in recent years the issue of patentability of pharmaceutical products has arisen in Spain and other

countries. Until October 7 1992 such products could not be patented in Spain. Therefore, patents that are due to expire before October 7 2012 are affected by this prohibition. Nonetheless, owners of patent rights claim that the lifting of the prohibition had retroactive effect, based on the World Trade Organisation Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

This situation affects several kinds of patent, which can be split into two groups:

- patents filed before October 7 1992 and granted without pharmaceutical product claims; and
- patents filed prior to that date and granted with product claims.

Regarding the former, as the Spain chapter of *IP Value 2008* mentioned, a Spanish Patent and Trademark Office communication of June 2007 stressed that it is not possible to vary the contents of European patents that have already been granted in order to extend protection to pharmaceutical products. The main appeal courts in Barcelona and Madrid have not yet ruled on this matter, although it is expected to be resolved towards the end of 2008.

With regard to the second group of patents, the specialist chamber of the Barcelona High Court, which has focused on IP matters since 1993, has laid down court judgments affirming that patents that grant protection to pharmaceutical products are not null and void; rather, under the TRIPs Agreement they must be given full effect. It remains to be seen whether this stance is confirmed by the cases to be decided over the coming months. Although these judgments have been appealed to the Supreme Court, it is unlikely to issue its rulings in the next few years.

Major economic interests underlie this matter, since some of the patents affected by this situation concern market-leading drugs such as atorvastatin and olanzapine.

Finally, as far as the pharmaceutical industry is concerned, the European Commission has undertaken a sector enquiry into the abuse of patents in the pharmaceutical industry; the results may affect this type of court proceeding in future. The final conclusions are expected in Spring 2009.

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