

Spain

Decisions, decisions: the courts lead the way in developing IP rights

After two decades of ongoing law reforms, the Spanish courts are now applying a mature legal IP regime. The modern IP law has resulted in specialised and semi-specialised courts and appeal courts, with the latter mainly located in Barcelona, Valencia, Bilbao and Madrid. This has allowed the Supreme Court, which is continuously trying to reduce the time taken to rule on appeals, to issue some landmark decisions over the past year. The result has been better comprehension of the economic issues involved in different cases. This chapter looks at some key aspects of IP law involved in recent developments in Spain.

‘Profits’ means just profits, not gross profits

If the court considers that infringement has taken place, damages will be awarded subject to evidence being submitted during the proceedings. According to the IP legislation, the compensation for damages payable to the rights holder must be calculated in accordance with one of the following criteria, at the plaintiff’s discretion:

- the negative economic consequences, including the profits that the proprietor could foreseeably have obtained from exploiting the IP rights if there had been no competition by the infringing party, the profits obtained by the latter party from exploiting the patented invention and, if any, the moral damages caused to the rights holder; or
- the amount that the infringing party would have paid to the proprietor for a licence allowing it to exploit the patent legally.

If the plaintiff chooses the first option, it should be decided whether the profits (of either the plaintiff or the defendant) must be considered as gross, or which profits should be used to calculate the compensation. This option specifies that damages are payable for negative economic consequences. The way in which profits must be calculated depends on each product and the parties involved in the proceedings, as not all exploitation affects a company’s business in the same way.

In this way, in some cases the courts have found that the damages caused by an infringing party should not be calculated based on its gross profits. The important question when determining damages is what the real profits would have been as a consequence of an objective analysis of the negative economic consequences of the infringement.

Spain and the European patent

Spain and Italy have both rejected the European Union’s proposal to create a future European patent. But why have they opposed a plan that is intended to simplify the European patent system and reduce the costs of protecting inventions?

In fact, Spain and Italy are not objecting to a common European patent system, but merely to a proposal that discriminates against certain languages. According to the proposal, French, German and English would be accepted as the languages used to apply for and obtain a European patent. Spain has proposed that if the inclusion of Spanish as a fourth official language is not possible for economic reasons, then English should be the only official language applicable. In fact, as language is a crucial element in the interpretation of patents, the fact that patent infringement can be prosecuted only in English would benefit the whole European Union, since the vast majority of companies understand English, but not French or German.

Defending language in this way is not a 19th century battle, but rather a need to remove artificial barriers within the EU territory. Language could be one such obstacle. The use of a single language, such as English, would allow for consideration of how a patent could affect a specific sector and interpretation of the patent according to how it was discussed during its prosecution. In addition, it should make it easier to understand a patent’s scope and limitations, which is vital in decisions related to research and development.

Unfortunately, the inflexible stance of Germany and France again demonstrates the lack of consensus within

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the European Union. Equally important independent European countries, such as Spain and Italy, have taken a tough position on the subject and are defending EU-wide industry against the attempts of some countries to impose their domestic interests.

This discussion has detracted from other issues that will arise, such as the substantive law on patents (which until now has not been subject to EU harmonisation) or the judicial system (there are different cultures in this respect and certain countries have difficulties in accepting the jurisdiction of others). The European Court of Justice has already objected to the establishment of a single court, whose decisions would not be subject to further appeal. In this respect, it seems that the common views adopted when the EU trademark and design systems were approved should be the same for patents. However, it appears that certain countries are uncomfortable with this solution.

Supreme Court confirms validity of protocol questions to analyse equivalents

In a judgment of May 10 2011, for the first time the Supreme Court confirmed the British protocol questions as a valid test to analyse patent infringement according to the doctrine of equivalents.

The protocol questions are guidelines developed by UK case law (more useful in some cases than in others) for applying Article 1 of the Protocol on Interpretation of Article 69 of the European Patent Convention (EPC) to the doctrine of equivalents. As stated in the House of Lords decision in *Improver Corporation v Remington Consumer Products Ltd*, if the issue to be determined is whether a certain feature involved in an alleged infringement, which fell outside the primary, literal or contextual meaning of a descriptive word or phrase in the claim, was nevertheless properly interpreted within its language, the court should find an answer to the following three questions:

- Does the variant have a material effect on the way the invention works? If so, the variant is outside the claim.
- If not, would this (ie, that the variant had no material effect) have been obvious on the date of publication of the patent to a reader skilled in the art? If not, the variant is outside the claim.
- If so, would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If so, the variant is outside the claim.

The Supreme Court considered that according to the EPC, the scope of a patent extends to the equivalent use of the invention, which takes place “when the patented invention is used with means that are not expressly stated in the claims, but contains essential features of the patented invention”. In so doing, the Supreme Court recognised the use of the protocol questions in a judgment of January 17 2008 by the Barcelona Appeal Court, which was upheld by the Supreme Court in its May 10 2011 judgment.

Copyright and digital copy: changes ahead

During 2011 significant regulatory change took place regarding intellectual property in the digital field when the so-called ‘Sinde Law’ was published (the informal name for a section of the Sustainable Economy Act 2/2011, which affects IP rights) and the consolidation of judicial decisions issued by the courts.

The Sinde Law amended certain IP laws regulating the information society in order to ensure quick proceedings to stop a service being offered online if it infringes IP rights and to take the required measures to remove infringing content from the Internet.

In three recent judgments the Barcelona Provincial Court adopted criteria relating to the protection of

copyrights in the digital environment and fees for private copies.

In the first judgment, issued at the beginning of 2011, the owner of a website was ordered to pay compensation to the Spanish General Authors and Publishers Association (SGAE) because the website allowed users to download or listen to music files directly. Regarding the peer-to-peer (P2P) website, the court ruled that a party is deemed to carry out copying and public communication acts “when it has a music or film file included in a shared folder of files that anyone can access by means of a P2P customer programme”, whereas “the owner of the website that provides the link, in addition to the prior selection of the files, cannot be considered to carry out these actions directly, even though it indirectly contributes to this infringement of IP rights used for public communication”.

Shortly afterwards, the same court acquitted the owner of a website on the same grounds. In regard to the website, it stated that: “when the user of the website clicks on a link, the latter runs a customer program, which users install in their computers (eg, eMule), and begins downloading the files from the computers where the work is made available. During this download process, the data does not pass through the server where the internet link is hosted; therefore the user downloading it does not receive the data from the website, but directly from the computer where the file is hosted. Therefore there is no participation in the transfer that could be deemed as a kind of re-transfer.” In this respect, the court considered that it had been proven that the defendant’s website copied nothing, since it merely provided a link.

Finally, in regard to fees for private copies, a fee can be levied automatically on equipment that can reproduce or copy works protected by copyright. In another judgment issued at the start of 2011, the Barcelona Provincial Court ruled in favour of a computer shop being exempt from paying the digital fee claimed by SGAE merely for the sale of such data storage devices. The judgment referred to doctrine in which it was determined that the digital fee had to be paid only by private individuals. The court considered the possibility of discrimination in applying the fee in a new way, depending on whether the party making the copy was a private individual (the fee payer) or a company or professional (eg, a lawyer, auditor, engineer, or architect). In the latter case, the different use of equipment did not require the payment of a fee. In the case mentioned above, the defendant was exempted from payment since it was impossible to calculate which part of the material sold could be used for private purposes by the purchaser.

Supreme Court confirms validity of Bolar exemption

The Bolar exemption was introduced in the European Union in 2004 and involves consideration of the actions carried out to obtain marketing authorisation for a medicine as actions that do not infringe the patent for that medicine. It was implemented in Spain in July 2006. In a common position adopted on September 29 2003, the EU authorities considered that “regarding the applications submitted and authorisation granted, the Council considers that, due to being of an administrative nature, such actions do not infringe the protection of a patent”.

The Bolar exemption was implemented in Spain as a special clause for experimental use by stating that patent rights would not extend to “any actions undertaken for experimental purposes referring to the object of a patented invention, in particular studies and trials conducted to obtain authorisation for generic medicines in Spain or abroad, and the resulting practical requirements, including preparing, obtaining and using the active ingredient for such purposes”.

In a June 2010 decision the Supreme Court explained that EU law had introduced the Bolar exemption, and that “after the expiration of the period for adaptation of internal law to the directive, the jurisdictional bodies in member states must abstain, as far as possible, from interpreting their internal law in such a manner that could seriously compromise achieving the objective sought by the directive”.

The application of EU law in Spain – in this case in regard to specific patent aspects affecting pharmaceutical products – has undergone a swift evolution as a result of the European Commission changing its approach. Before 2000, the commission was against the Bolar exemption, but began to favour its implementation in 2001. After being adopted and implemented in Spain in 2006, it took four years before the Supreme Court had the chance to make a reference to the exemption in a case that began in 2002, before the Bolar exemption was included in EU legal texts.

Validity of pharmaceutical product claims included in patents before 1992

Pharmaceuticals could not be patented in Spain until October 7 1992. However, several patentees disregarded this prohibition, which was expressly contained in Spain’s reservation to the EPC, and obtained European patents including product claims for Spain. For example, this occurred in relation to atorvastatin and olanzapine.

Certain decisions issued by the Barcelona and Madrid Courts of Appeal in 2006 and 2008 recognised the validity of such claims in spite of the prohibition,

mainly based on the application of the principles included in the Agreement on Trade-Related Aspects of IP Rights and conferring on this law preferential status over domestic law, as well as direct effect. On May 10 2011 the Supreme Court upheld this approach by dismissing an appeal filed against a judgment rendered by the Barcelona Appeal Court in the *Olanzapine* case.

Although other cases are pending before the Supreme Court, this recent decision has discouraged generic companies from having any expectations about the guarantees referred to in the laws from 1986 and 1992, which for several years allowed alternative technologies to be developed in Spain in order to obtain pharmaceutical products.



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