

Spain

The recent evolution of the IP legislation: a decade of change

Several years ago the Spanish industrial property regulations were adapted to international law and, in particular, the requirements of EU membership. The trademark, industrial design and patent regulations have all been reformed in recent years in order to bring them into line with the changes made to EU law. Spain is also a signatory to most of the international agreements that deal with IP law. This has influenced the content of its own regulations, which have been transformed in various ways over the past decade. The current Trademark Act, which was passed in 2002, replaced a text from 1988. The Industrial Designs Act was passed in 2003. The Patents Act 1986 has undergone several major amendments, mainly in 2002, 2004 and 2006. Also, in 2006 Spain implemented the EU regulations concerning the introduction of procedural mechanisms to reinforce the protection of industrial property rights.

The patentability of biotechnological inventions and the so-called Bolar clause are some of the new aspects included in Spanish regulations as part of the country's harmonisation with EU law. The in-depth review of the European Patent Convention in 2000, in force since December 2007, will bring new challenges.

From an administrative standpoint, the Spanish Patent and Trademark Office (SPTO) has been very active in recent years in its modernisation process and its attention to the needs of Spanish industry, in particular regarding supervisory services, process simplification and an electronic system for relations with citizens. In 2010 the EU Internal Market Services Directive (2006/123/EC) was adopted in Spain and, in relation to the SPTO's services, the requirements for the government to offer public services were streamlined. This further simplified administrative procedures and saved time and money, to the benefit of the public.

At a national level, reforms to the Unfair Competition Act have recently been implemented in order to transpose the EU Unfair Commercial Practices Directive (2005/29/EC) and the EU Misleading and Comparative Advertising Directive (2006/114/EC).

Industrial property in the Spanish courts

At the judicial level, the commercial courts still have far too heavy a caseload. These courts rule on many other matters as well as the infringement or revocation of industrial property rights. The rise in insolvency proceedings in recent years has increased the number of cases to be heard by the commercial courts to twice the number set by the General Council of the Judiciary. Therefore, despite the 2009 increase in the number of judges assigned to some jurisdictions, such as Barcelona and Madrid, there is still a significant current backlog in court proceedings.

The courts of Barcelona and Madrid, followed by Valencia and Bilbao, hear the highest number of industrial property cases each year. In Barcelona and Madrid, proceedings may take between 18 months and three years at first instance, depending on:

- the complexity of the case;
- the court's organisational capacity; and
- the backlog of work from previous years.

In Madrid, the constant movement of commercial court judges and officials has led to an unprecedented backlog in some courts and unacceptable delays. In Barcelona, there has been less mobility. Due to the courts' organisational system, in Barcelona the economic crisis has had less of an impact and has resulted in a smaller increase in the courts' caseload, despite this being proportionately much higher than that of Madrid.

The introduction of specialist commercial court judges at the end of 2004 and the establishment of specialist divisions in the main appeal courts, such as Barcelona (in 1993) and Madrid (in 2006), has allowed magistrates and senior judges to focus on specific legal areas in recent years. This has led to greater knowledge of the problems that arise and, in particular, greater awareness of the needs of the market and those that operate in it. In certain matters, such as patent law, this specialisation has been particularly important and has led to a higher level of understanding of disputed cases by

magistrates and senior judges in general. This is resulting in the creation of solid case law by the appeal courts.

With regard to the duration of cases, appeal judgments may take between one year and 18 months from the date of the first instance ruling.

As far as appeals to the Supreme Court (cassation) are concerned, it is important to note the considerable effort made by this body in recent years. This has significantly shortened the time it takes for a decision to be issued. Whereas in 2000 it could take eight years to lay down a judgment on an appeal to the Supreme Court, this time has now been halved. In 2010 the Supreme Court issued judgments on cases from 2006. This means that the court's judgments are closer to the needs of the parties that bring cases before the courts. However, it is still a far cry from the public's expectations of how long such a decision should take.

Infringements and revocation of patents in judicial disputes

The establishment of specialist appeal courts in Barcelona and Madrid has resulted in case law that is close to the interpretation of patent law in other EU member states, notably the United Kingdom and Germany. It is not unusual for the courts, particularly those in Barcelona, to issue judgments that cite decisions from those countries with regard to the extent of patent protection or infringement. The 28th Chamber of the Madrid Court of Appeal and the 15th Chamber of the Barcelona Court of Appeal lean towards the same line of interpretation as developed in other major EU member states based on the interpretation of Article 69 of the European Patent Convention. It is within this scope that Spanish patent regulations are applied.

With regard to the revocation of patent rights, the Barcelona courts have developed a trend of accepting decisions by the Board of Appeal of the European Patent Office. Their decisions are justified on this basis, sometimes to the detriment of the evidence presented in the proceedings. In this respect, the patent prosecution proceedings should be given careful consideration when analysing their validity.

A new aspect on which the Spanish courts will have to rule in the next few years concerns the possibility of amending the contents of claims during proceedings in which the validity of the patent is being challenged. Spanish domestic law does not allow a patent to be modified once it has been granted by the SPTO. This is a new issue that was included in the amendment of the European Patent Convention in 2000, which came into force in December 2007. The Spanish government has not yet taken a decision on this issue, nor has it

approved relevant procedural rules, so the courts must decide on the method and limits of its application and the validity of such amendment in relation to third parties.

Interim injunctions in IP rights infringement cases

It is common for an interim injunction petition to be submitted to the court examining an IP rights infringement case, and the courts are quite used to dealing with them. Generally speaking interim injunctions are subject to hearing the defendant. A hearing is held at which it can set out the arguments in its defence. The court then reaches its decision and notifies the parties. The time taken to issue a decision after receipt of the initial petition may vary; however, it can be estimated at four to six months from the date when the initial petition was submitted to the court.

In recent years, particularly since 2006, when Spain adopted the European IP Rights Enforcement Directive (2004/48/EC), the Spanish courts have been aware of the imminent risk of launching a product accused of infringement on the market. In this situation, particularly in fields such as pharmaceuticals, where a patentee knows about the authorisation of a competitor's medicine before it is launched on the market, this argument has led to a change in court practice when assessing the risks of a possible infringement.

It is not uncommon for *ex parte* interim injunctions to be issued, even in regard to patents, if the judge deems there to be sufficient circumstantial evidence that an infringement has been committed. In such cases interim injunctions are ordered without hearing the defendant. Once such an injunction has been ordered, the defendant must comply with it and can, when appropriate, file opposition proceedings against it.

If the defendant's sole defence is that the patent should be revoked, some judges consider that the presumption that the patent is valid must be upheld and that this cannot be disputed during interim injunction proceedings, but only in the main lawsuit. This logic, which has no basis in the IP legislation, may lead to the launch of a product on the market being prohibited until a judgment has been issued on the case, regardless of the prior assessment that could be obtained from the evidence submitted by the party challenging the validity of the right.

New bases for damages in industrial property cases

The amendment of the industrial property regulations in 2006 to incorporate the European IP Rights Enforcement Directive into Spanish law set new standards for the calculation of damages. Before the

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amendment, the rule was the objective assessment of damages based on the profits that either the defendant or the plaintiff would have earned by exploiting the patent, as the plaintiff chose. Alternatively, damages would be based on the royalties that would have been payable for a licence. Since the amendment of the regulations in 2006, compensation is payable for the economic damages caused by the infringement. In particular, the profits earned are taken into account in this. Thus, the new criteria set down in the industrial property regulations are not automatic (stemming from the profits obtained), but rather are subject to specific economic evidence (to determine the resulting economic losses).

Special features of pharmaceutical law

Particular aspects of some fields, such as pharmaceuticals, have a particular bearing on patent law and interfere with its application. The need to obtain marketing authorisation before launching a pharmaceutical product on the market is a specific aspect that does not exist in other industries, and means that the patent owner can find out its competitors' intentions before they actually begin their commercial business.

Moreover, the setting of reimbursement prices by the government for public healthcare and its funding of the pharmaceutical products included within the scope of public policy, and the setting of maximum reference prices that the government will pay for sales subject to the public reimbursement system, also have a significant impact on disputes that arise in this field.

Research conducted by the European Union in 2008 and 2009 on the pharmaceutical industry revealed certain practices, such as so-called 'patent linkage', among

exclusively administrative actions such as price setting, as well as the European Patent Office's lax attitude to patent granting procedures. This has led to a review of some of its practices, in particular regarding 'raising the bar' by the office, and dealing with abuse in form of excessive patent or divisional patent applications.

Reform of the Unfair Competition Act.

The amendments made to the Unfair Competition Act in order to harmonise it with EU regulations notably include categorising conduct that has an impact on consumers and users as unfair competition.

The new, objective scope of the regulations means they will apply to any unfair conduct committed before, during or after a commercial transaction or agreement, regardless of whether it is actually carried out.

The reference in the previous wording to the act's territorial scope of application has been removed – the previous Article 4, which stated that the law applied to unfair conduct that had or could have a significant impact on the Spanish market, has been deleted. Therefore, the applicable law is now set out in Article 6 of the Rome II Regulation (864/2007/EC).

With regard to advertising, the act now refers to the law on advertising and states that conduct considered illegal under that law must be deemed unfair competition. Further, the Unfair Competition Act includes a new chapter that encompasses all unfair commercial practices related to consumers and users.

From a procedural standpoint, the number of actions that can be brought has been increased. An action to have a judgment published has been separated from an action for damages, and is now categorised as an independent action. The law includes the possibility of requesting a rectifying statement when the impact of

breaking the law could last for a long period. Legal standing to file claims has also been extended: any affected person or company and, generally speaking, anyone who holds a subjective right or legitimate interest may file action. Associations, professional organisations or organisations that represent economic interests also have legal standing to file claims when their members' interests are affected, as have consumer and user associations that meet the requirements stipulated in

the General Consumer and User Protection Act, including those based in other EU member states.

As far as the statute of limitations is concerned, in all cases unfair competition action lapses three years after the conduct occurred.

Finally, Chapter V deals with the law on codes of conduct, and states that action may be brought against such codes if they infringe the provisions of the Unfair Competition Act.



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