DIFFERENT SYSTEMS (THAN UPC): SPAIN

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Hoyng Monegier Spain

MANAGING INTELLECTUAL PROPERTY
EUROPEAN PATENT REFORM FORUM 2015
- **Different systems: Poland & Spain.**
- Context of IP litigation in Spain
- Will the decision to join/opt out of the UPC be changed?
- Looking to the future: new Spanish Patent Act?
- Challenges and opportunities for patent owners using a system outside the UPC.
1986: Spain joins the EPO / adheres to the EPC. No patentability of chemical and pharmaceutical products as such until 7 October 1992 ex Art. 167(2)(a).

Art. 65 EPC (Translation of the European patent):

“(1) **Any Contracting State may**, if the European patent as granted, amended or limited by the European Patent Office is not drawn up in one of its official languages, **prescribe that the proprietor of the patent shall supply** to its central industrial property office a **translation of the patent as granted, amended or limited in one of its official languages** at his option or, where that State has prescribed the use of one specific official language, in that language. The period for supplying the translation shall end **three months after the date on which the mention of the grant, maintenance in amended form or limitation of the European patent is published in the European Patent Bulletin**, unless the State concerned prescribes a longer period.

(2) Any Contracting State which has adopted provisions pursuant to paragraph 1 **may prescribe** that the **proprietor of the patent must pay all or part of the costs of publication of such translation** within a period laid down by that State.

(3) Any Contracting State **may prescribe that in the event of failure** to observe the provisions adopted in accordance with paragraphs 1 and 2, the European patent shall be deemed to be void ab initio in that State.”
19 of 38 EPC Contracting States (status: 1 September 2013) enacted provisions under Arts. 65(1) and (2) EPC requiring a translation of the whole patent specification: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Ireland, Italy, Malta, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, **Spain** and Turkey.

- All these States require a translation of the whole EP patent specification.
The Agreement on the application of Article 65 of the European Patent Convention of 17 October 2000 (OJ EPO 2001, 549; “London Agreement”) aims at reducing the costs relating to the translation of European patents, by the EPC Contracting States waiving, entirely or largely, the requirement for such translation.

- Contracting States with an official language in common with one of the EPO official languages.— Total dispensation.

- Contracting States without an official language in common with one of the EPO official languages.— Dispensation where the EP is granted in the EPO official language prescribed by that State, or translated into that language and supplied under the conditions provided for in Art. 65(1) EPC. These States may however require that a translation of the claims into one of their official languages be supplied.

- **Spain has not adhered to the London Agreement.**
Creation and operation of Commercial Courts (Juzgados de lo Mercantil) since 1 September 2004.

Exclusive competence on IP & unfair competition matters was for the first time attributed to certain first instance courts, which were differentiated from existing courts dealing in first instance with civil litigation matters (Juzgados de Primera Instancia).

Also exclusive competence on some non-IP related matters: bankruptcy & insolvencies, advertising, company law and law on cooperatives, transport, maritime law, general contract conditions, mortgage registry entries and antitrust law.

Only partial or relative specialization of Commercial Courts, dealing with a considerable amount of cases and different areas of law (e.g., as from 2008 most of Commercial Courts became overburdened by insolvency proceedings due to the economic crisis).

In Appeal already special allocation in certain Sections of Provincial Courts of Appeals of Barcelona (15th) and Madrid (28th).
A BIT OF BACKGROUND:
COURT PATENT LITIGATION SYSTEM IN SPAIN

- Long-standing demand among IP practitioners for Courts to become more specialized.

- Greater patent specialization was boosted by Commercial Courts in Barcelona by means of an Agreement endorsed by the General Council of the Judiciary on 23 November 2011: only 3 of the existing 10 Commercial Courts of Barcelona shall hear patent disputes. Effective since 1 January 2012.
  - Until then the only *de facto* specialized patent court in Spain used to be Section 15 of the Court of Appeals of Barcelona where almost all (and certainly the most relevant) patent cases had been heard.

- Similar proposal for patent specialization raised by Commercial Courts in Madrid (patent competence to be assigned to 4 of 12, proposed March 2015). Adoption expected before end 2015.
# FIGURES & STATISTICS: IMPORTANT GROWTH

<table>
<thead>
<tr>
<th>Measure</th>
<th>2003</th>
<th>2014</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI Per capita SPAIN (US$)</td>
<td>17,570$</td>
<td>33,700$</td>
<td>+92%</td>
</tr>
<tr>
<td>GNI Per capita EU (US$)</td>
<td>20,304$</td>
<td>38,300$</td>
<td>+88%</td>
</tr>
<tr>
<td>GNI per capita US (US$)</td>
<td>34,950$</td>
<td>54,800$</td>
<td>+56%</td>
</tr>
<tr>
<td>National patent filings</td>
<td>2,804</td>
<td>3,031</td>
<td>+8.1%</td>
</tr>
<tr>
<td>European patent filings</td>
<td>671</td>
<td>2,485</td>
<td>+270%</td>
</tr>
<tr>
<td>PCT patent filings</td>
<td>787</td>
<td>1,700</td>
<td>+116%</td>
</tr>
<tr>
<td>Ratio (EP+PCT)/ES</td>
<td>0.52</td>
<td>1.38</td>
<td>+165%</td>
</tr>
<tr>
<td>European Patent Attorneys (EQE)</td>
<td>1</td>
<td>124</td>
<td>+12,300%</td>
</tr>
</tbody>
</table>
## FIGURES & STATISTICS

<table>
<thead>
<tr>
<th>Country*</th>
<th>EP Filings</th>
<th></th>
<th>Granted EPs</th>
<th></th>
<th>% Grants / Filings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>31,647</td>
<td>31,887</td>
<td>13,086</td>
<td>13,425</td>
<td>34.7</td>
</tr>
<tr>
<td>France</td>
<td>12,873</td>
<td>12,378</td>
<td>4,728</td>
<td>4,910</td>
<td>36.7</td>
</tr>
<tr>
<td>UK</td>
<td>6,823</td>
<td>6,510</td>
<td>2,072</td>
<td>2,064</td>
<td>30.4</td>
</tr>
<tr>
<td>Italy</td>
<td>4,684</td>
<td>4,659</td>
<td>2,274</td>
<td>2,352</td>
<td>48.5</td>
</tr>
<tr>
<td>Spain</td>
<td>2,485</td>
<td>2,538</td>
<td>467</td>
<td>395</td>
<td>18.8</td>
</tr>
<tr>
<td>Denmark</td>
<td>2,352</td>
<td>2,306</td>
<td>599</td>
<td>608</td>
<td>25.5</td>
</tr>
</tbody>
</table>

- 1456 EP filings at the SPTO
- Filings/Patents allocated to the country of residence of the first-named applicant/patentee

*Source: EPO Annual Report 2014*
EU countries 2014 GDP at market prices, million Euro

Source: Eurostat
Spain Rankings (2014)*:

- EP filings – #9 of 38 EPO Contracting States (#8 of 28 EU Member States).
- Granted EPs - #12 of 38 EPO Contracting States (#11 of 28 EU Member States).
- No Spanish company is listed among the TOP 50 EP applicants.

Poor correlation between Spain’s economic weight within the EU area (GDP #5 of 28) and volume of EP filings / granted EPs.

- E.g., Spain has four times the GDP of Denmark but nearly the same number of EP filings. Spain’s figures are even considerably lower in terms of granted EPs.

Source: EPO Annual Report 2014
FIGURES & STATISTICS: VALIDATION OF EP PATENTS IN SPAIN

EP Grants designating Spain, percentages

<table>
<thead>
<tr>
<th>Year</th>
<th>Granted EPs (total)</th>
<th>Granted EPs designating Spain</th>
<th>% Spain designations / Granted EPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>65,687</td>
<td>53,069</td>
<td>80.8</td>
</tr>
<tr>
<td>2013</td>
<td>66,712</td>
<td>57,345</td>
<td>86.0</td>
</tr>
<tr>
<td>2014</td>
<td>64,613</td>
<td>58,544</td>
<td>90.6</td>
</tr>
</tbody>
</table>

EP Validations filed in Spain
(EP Grants designating Spain for which a Spanish translation has been filed)

Source: *La OEPM en cifras 2014, Oficina Española de Patentes y Marcas*
FIGURES & STATISTICS: VALIDATION OF EP PATENTS IN SPAIN

EP Grants designating Spain definitely validated, percentages

<table>
<thead>
<tr>
<th>Year</th>
<th>Granted EPs designating Spain</th>
<th>EP Validations filed in Spain</th>
<th>% Validations / Designations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>53,069</td>
<td>18,840</td>
<td>35.5</td>
</tr>
<tr>
<td>2013</td>
<td>57,345</td>
<td>18,717</td>
<td>32.6</td>
</tr>
<tr>
<td>2014</td>
<td>58,544</td>
<td>17,405</td>
<td>29.7</td>
</tr>
</tbody>
</table>

Only around 30% of Granted EPs which designate Spain are ultimately validated to become fully effective in Spain.
Payable Fees:

- Agent fees - Professional fees for handling with the validation.
- Official filing fees payable to the SPTO. For 2015 (online filings):
  - Publication of claims – 92.55 €
  - Publication of specification up to 22 pages – 275.52 €
  - Each additional page exceeding 22 - 11.08 €
- Translation fees - Amount depends on the length of the document.

Approx. cost of validation, inclusive of all fees: 4,000 €.

Quantification of EP validation business:

\[4,000 \text{ €} \times 18,320\]


\[73.3 \text{ million € / year}\]
CEOE Confederation of Business Organizations (member of BusinessEurope). **Confederation of Employers and Industries of Spain.**

Major representative institution of the Spanish business community (private and public, big and small – Through Spanish Confederation of Small and Medium-Sized companies Enterprises (CEPYME) member of the CEOE). **More than 1M Companies. Most SME’s.**

The head of CEOE **IP Committee** is a **patent attorney.**

**Strong position against** from the very beginning of the discussions of the enhanced cooperation back in 2010, TOGETHER WITH THE GOVERNMENTS (then Socialist, now Popular). **Broad political consensus.**

See **common position** for **English Only solution** with **Spanish Secretary of State for the EU** at [http://www.ceoe.es/resources/image/compatentevidad_2011_09.pdf](http://www.ceoe.es/resources/image/compatentevidad_2011_09.pdf)

**ALSO COAPI** – Patent Attorneys Bar is **AGAINST**
LOBBYING FOR THE UPC IN SPAIN

- ALMOST NOBODY – No public debate
- No public position of the SPANISH BAR. Neutrality except for:
- Manifesto published in KLUWER’s LA LEY in July 2014 in favor: "Note on the patent with unitary effect as an opportunity for modernization of Spain" Signed only by the heads of IP of 4 law firms (including HOYNG MONEGIER), even though it was widely circulated:

  En conclusión, un imperativo de la competitividad es una reforma en profundidad del sistema jurisdiccional de patentes. La patente de efecto unitario podría ser la oportunidad para acometer esta reforma y que España sea una jurisdicción atractiva para litigar patentes.

- “In conclusion, an in-depth reform of the patent jurisdictional system is an imperative for competitiveness. The patent with unitary effect could be the opportunity to carry out such renovation and make Spain an attractive jurisdiction to litigate patents”.
CONTEXT OF IP Business in SPAIN:

- Still many **mixed** IP prosecution and litigation firms.
- Still **old traditional Ex-163 EPC (grandfather) attorneys predominant**. Only in the last 10 years change due to increased number of Qualified **EPA’s from 1 in 2003 to 124 now** (and 195 EPA).
- Patent Attorneys Bar (**COAPI**) reflects such predominance.
- **No special section** of Lawyers’ BAR for IP.
- **Few IP litigation boutiques**.
- Biggest IP Community (**AIPPI**) **still mixed and traditional**.

No Public statement from the **JUDICIARY**:

**Neutrality** except for some IP Judges from the Commercial and Appeal Courts of Madrid and Barcelona active at IPJA (only through personal statements in favor of the UPC but no official position).
MOTIVATIONS AGAINST THE UPC IN SPAIN

- OFFICIAL POSITION: Basically expressed already in the CJEU appeals vs. Enhanced Cooperation and UP Regulations:
  - AGAINST EU LAW – LEGAL BASIS, HANDING OUT TO EPO.
  - DISCRIMINATORY FOR SPANISH LANGUAGE AND SPANISH COMPANIES vs. ENGLISH, GERMAN and FRENCH.
  - BREAKING UP THE COMMON MARKET - NO UNIFORM PROTECTION

- ECONOMIC MOTIVATIONS FOR THE SPANISH INDUSTRY: UPC NOT GOOD
  - For most Spanish companies (SME’S) for difference btw patents applied by them and those which may be enforceable against without publication in Spanish (i.e. Spanish Companies benefit more from the patent system through patents published by others). **Legal uncertainty**.
  - For most SME’S due to the **costs (of both grant and litigation)**.
  - For dissemination of and accession to technical knowledge (only in Spanish after litigation no trust in automated translation) which is key to industry development. The other side of the system.
  - Seems to be **tailored for Non-EU industry**, which applies already more than 50% EP, and who would then mostly benefit from reduction of cost.
  - IN SUM: **DISCRIMINATION+ LEGAL UNCERTAINY + AGAINST SME’s**.
KEY STRONG ECONOMIC MOTIVATIONS FOR THE IP INDUSTRY: For patent attorneys:

“Many traditional patent firms in Spain could not survive without their income from translating and validating European patents granted by the European Patent Office (EPO). This appears to be a key reason why Spain has also not signed the London Agreement and is unlikely to do so soon”.


→ If Spain joins a number of traditional IP Firms will have to close down.
Decision perceived to be political: Acknowledged discrimination for language but justified by the goal. And what about English-only?

No change expected for now: It may already be late for key (pieces of the cake) issues like seats of the UPC Court. SPAIN will observe.

A change might be unpopular in the current context - Election Year (Catalonia in September / General December). Unclear majority.


Bottom line: Outsiders may be better out for now:

'All Spanish companies which see advantages in the Unitary Patent system will be able to use it (just like US or Japan companies will do), but will not suffer from the disadvantages. Spanish companies will not be obliged to respect in Spain Unitary Patents which have been granted without a Spanish translation with legal effects. Nor will Spanish companies be exposed to lawsuits over products and activities developed in Spain, before a Unified Patent Court in a foreign country and in a foreign language.'
NEW SPANISH PATENTS ACT OF 24/07/2015: SUBSTANTIVE AMENDMENTS

- Modernization of Patent System (with one eye on the UPC)
- Substantive Examination now compulsory for all patents. No more “À-la-Carte”. Choice for stronger and more robust patents.
- Post-grant opposition (6 months) instead of pre-grant + third parties’ observations still possible.
- Improved legal regime for Utility Models (alternative for weaker inventions?): No substantial examination, pre-grant opposition, scope broadened to some fields (but not pharma), international novelty and inventive step (but lower threshold “if very obvious”).
- Alignment with EPC 2000 and incorporation of Case Law: Post-grant amendments and limitations and other issues.
- Substantial reduction in fees for start-ups and SME’s.
- Entering into force in APRIL 2017!! (Big change needs time)
- BUT SILENCE ABOUT UNITARY PATENT
NEW SPANISH PATENTS ACT OF 24/07/2015: IMPROVEMENTS IN PATENT LITIGATION

- **Main Issue: SPECIALIZED JURISDICTION:**
  - No longer any of the 17 Commercial Courts sitting at the capital of the Autonomous Communities, but only those where the Judiciary made specialization arrangements: so far BARCELONA (3 Courts) and soon MADRID (4 Courts).

- **Extension of terms** to reply and counterclaim / reply to counterclaim / limitation from 20 working days to **2 months**. (Still no bifurcation).

- **Acceptance and regulation of CLAIM LIMITATION** during nullity actions /counterclaims (also for Spanish Patents) and interaction with EPO opposition → if patent amended outside may become the basis of the started proceedings.

- **Public right of standing** to request **patent revocation**.

- **Determination of DAMAGES** no longer in the main proceedings, but for later enforcement phase.
No specific limitation for DAMAGES: previously only damages for facts occurred up to 5 years prior to the action (But still statute of limitation for infringement actions of 5 years).

Knowledge / willfulness / negligence enough to request DAMAGES to infringers different than manufacturers/importers/users of procedure (no specific need for prior warning).

Possible compensation in the form of lump sum covering AT LEAST the amount of a hypothetical royalty fee. Punitive damages?

Daily coercive penalty DAMAGES for lack of compliance.

Possible independent expert report by the SPTO for validity.

Protective letters (kind of) admitted.

Possible injunctions against INTERMEDIARIES.

Only EXCEPTIONAL PUBLICATION of Decision.
WHY LITIGATE IN SPAIN OUTSIDE UPC?

- **SPAIN is still an important market:** 5th EU Economy, nearly 50 million inhabitants, important port-hubs, manufacturing and distribution, cheaper costs...

- Would **validation strategies** vary? Ask the companies if the cost of UP + Spain is worth (Cost decreases with new Act – Interim regime of UP patents in English + Spanish translation?).

- If so, could there be a **movement of infringers** to SPAIN if UP not validated? (similar to chance due to protection of local industries before 92 due to prohibition of patenting chemical/pharma products)

- **Cost** of the litigation substantially **cheaper** than at most UPC divisions.

- **Speedy and specialized jurisdiction:** For now mostly all cases to specialized Courts in Barcelona (decision in 1 year).

- **Quick preliminary injunctions:** in 1 week or less. Example of the protocol of Barcelona Patent Judges for the World Mobile Congress.
WHY LITIGATE IN SPAIN OUTSIDE UPC?

- **Testing ground** for later UPC litigation? 2 strikes, one for 27 and another for 1? Depending on the side:
  - Strong patents may be tested better before UPC
  - Weak patents may test their patent in Spain.

- Spanish Courts are likely to **follow findings of UPC** in parallel/subsequent litigations.

- Possible **non-infringement declarations** covering also relative UP (re Hon. Justice Arnold’s ACTAVIS v. ELI LILLY) – At least delay the action before UPC.

- Possible **multinational jurisdiction for infringement** of connected UP in other jurisdictions? **Interim injunctions** in Spain?
Coming soon at...

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