

## A NEW PATENT SYSTEM

On April 1st, 2017 the most important reform of our patent system in 30 years will come into force, with the completion of the long *vacatio legis* set forth in the new Law 24/2015, of July 24th, on Patents, which is still pending approval and publication of the regulations developed therein.

This reform will lead to the repeal of the current Law 32/1986, on Patents, a more than 30 year old standard which, despite the changes it has undergone during this period to adapt it to international and European standards, is becoming insufficient in meeting the competitive needs of our innovation network.

For reasons well known to all, Spain has historically had a clear deficit in its innovative capacity, and as consequence, in the production of patents. We arrived late and poorly to the first two industrial revolutions, and the third, the so-called Intelligence Revolution, caught us with a good part of our capital resources engaged in much more volatile activities.

Suffice to say that this situation has evolved over the last two decades and we have significantly improved our scientific production capacity, becoming the 10th country in the world in terms of scientific publications. However, we have not been able to accompany this with a proportional volume of patents, which ultimately give legal coverage to the monopoly on the commercial use of these scientific and technological efforts.

Simply to put these quantitative considerations in context, consider that 85% of patents with effect in Spain come from the validation of foreign-held patents processed by the European Patent Office, under the European Patent Convention ratified by the state in 1986; a low percentage of which are held by Spanish nationals. When you look at absolute figures, the outlook does not improve, with 2,800 patents taken out by Spanish nationals in 2015. In proportion to our population and our

GDP, this is far removed from the figures presented by countries such as Italy and Holland, to name a few.

It is indisputable that we have a long way to go and that without increasing the number of patents, our R&D sector will find it ever harder to compete globally. Legislative action is without doubt a necessary step, but is not the only incentive for patent applications.

The legislative change which is to be introduced by the regulation directly affects both legal sides of this Industrial Property title: the administrative, or legal process, and the judicial, or legal protection.

In regards to the administrative sphere, we are certifying ourselves with our counterparts in Europe with the introduction of a concession system with a substantive review of the requirements for patentability: novelty, inventive activity and industrial application (Article 4.1).

This system already existed in some ways in the current standard; however, it was voluntary and will now become mandatory, ending the practice that meant that the granting of a patent remained practically at the expense of the holder; as the Spanish Office of Patents and Trademarks limited itself to preparing a State of the Art Report, citing precedents that could condition the validity of the patent, without further considerations in this regard. In the end, this validity always ended up being confirmed or revoked in the courts and within the context of civil proceedings for infringement or invalidity.

This means that patents granted after the entry into force of the new law are considered strong patents which have passed control of their formal, technical and background validity by the Administration and therefore enable their holders to compete with greater legal certainty for the efficacy of the legal title granted to them.

Indeed, the counterbalance to this substantive examination will be the introduction of a post-granting opposition procedure (Article 43), an appeal at administrative level against the validity of the patent without having to go through the civil courts in order to limit or cancel the patent. This procedure, adversarial in nature and subject to

appropriate judicial control following the order for judicial review, may be filed by any third party within six months after the granting of the patent and the sequencing in the procedure responds, appropriately, to the desire of the legislator not to excessively delay the granting of the patent, while also guaranteeing the rights of defence of third parties.

Another of the most significant innovations is the option for the holder themselves to limit or revoke the patent, using a specific procedure before the Patent and Trademark Office. This path is open during the 20 years of legal life of the patent and will have retroactive effect (Articles 105-107). Its purpose is to give the owner the opportunity to anticipate potential disputes with third parties and reinforce the validity of its law, outlining the scope of the initial protection.

As regards the judicial aspect, there are several changes. A highlight is the explicit recognition of the prohibition of acts prior to the infringement as part of the injunction, those which still do not entail a material infringement of the patent but which, however, are necessary to carry it out (Article 71.1 a)) and which previously were only granted recognition at case law level<sup>1</sup>.

Regarding compensation, changes have been made to adapt our legal framework to Directive 2004/48/EC of the European Parliament and Council of 29th of April of 2004 on the enforcement of intellectual property rights, in particular clarifying the dual nature of the various alternative criteria set down by the law at the request of the applicant (Article 74): the profits lost by the holder or obtained by the offender. On this point, the rule remains prescribing civil actions after five years from the moment when they could be exercised (Article 78), but on the other hand, the temporary concordance that limits damages in compensation for that period prior to the exercise of the action is disappearing.

In terms of precautions, specific recognition is also given to the practice adopted in recent years by the Barcelona Commercial Courts<sup>2</sup> on preventive deeds (Article 132),

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<sup>1</sup> STS 14-VI-2010 RJ 2010\5389

<sup>2</sup> Rapid action protocol for Commercial Courts for the Mobile World Congress (2015 and 2016)

in the case in which the suspected offender may be exposed to a request for *inaudita parte* interim measures by the holder of a patent that allows the alleged offender to temper their restrictive effects, the *ab initio* contribution of elements that make the courts reconsider whether it should be heard or evidence offered.

We cannot end this very rough overview of our patent system without making a brief comment on the recasting of the concept of the Utility Model, a title that was historically conceived to provide support for the limited innovative capabilities of the Spanish industry, with more relaxed substantive requirements for protection than the patents: less inventive activity, national novelty, limiting of the material scope to objects or utensils and a duration of only 10 years.

There is reinforcement, as regards patents, of the strength of the award procedure, equating it to the discretion of the international novelty of the patents and expanding its material scope to not only products but also substances and chemical compositions, hitherto forbidden for this concept. The absence of the substantive examination procedure is also modulated by the provision for the holder to have to request a State of the Art Report prior to the exercise of legal actions to defend his/her title.

One of the great unknowns which will arise with the entry into force of the new law is how our industry will respond to the toughening of conditions for national patent protection, since a considerable part of the requests that were generated respond more to rather speculative or curriculum criteria by the holders rather than to their technical strength as patents, while another part, far from negligible, were based on the Utility Model.<sup>3</sup>

The Impact Report, prepared by the Ministry during the preliminary study phase, was based on three scenarios, all restrictive compared to the figures of current patent applications, for the tightening of review requirements and processing costs. It is likely that part of the protective activity which was so far aimed at patents will end up being diverted to the new Utility Model. Time will tell.

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<sup>3</sup> The historical statistical series of the Spanish Patent and Trademark Office shows a fairly symmetrical proportion between the number of applications for patents and utility models, which only in the last decade has become slightly biased in favour of patents.