

Protective Letters in Patent Matters: the Situation in Spanish Courts

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On the occasion of the Order of the Madrid Commercial Court no. 1 of 29 January 2014, we analyse in this Paper the divergent views taken by the commercial courts of Barcelona and Madrid when handling applications for protection against ex parte provisional measures.

1. EX PARTE PROVISIONAL MEASURES AND PROTECTIVE LETTERS

1.1. As is well known, under Spanish law provisional measures may be applied for and granted *ex parte*. Thus, even though art. 733(1) of the Spanish Civil Procedure (CPA) provides that "*as a rule, the court shall render a decision on an application for provisional measures after hearing the defendant*", art. 733(2) of the same (as worded by Act No. 19/2006, of 5 June 2006, widening the range of remedies available to protect intellectual and industrial property rights) allows provisional measures to be ordered without hearing the parties "*where the applicant so requests and shows evidence of circumstances of urgency or of likelihood that the redress sought will be jeopardised by hearing the other party*".

1.2. Given the possibility of the courts ordering measures of this type *ex parte*, those who have grounds for believing that the holder of a patent or of a supplementary protection certificate for medicinal products is going to apply for this type of remedy usually find it in their interest to file their arguments with the courts before the right holder applies for such measures.

In fact, this type of practice is admitted by the courts of other EU member states. Such is the case, in particular, of German courts, where a written application of this kind is known as a "Schutzschrift" or "protective letter". Similar practices are seen in Switzerland, Netherlands and Belgium. In fact, in Switzerland, these preventive written applications have been admitted by law as part of the amendments made to civil procedure law in 2011, so that, according to §270 ZPO: "A party who has grounds for believing that an *ex parte* provisional measure, freezing injunction pursuant to sections 271-281 SchKG or any other such interim order will be issued against him, may present his case in advance by filing a protective letter".

1.3. Protective letters as a legal construct are also explicitly provided in the regulation of the Unified Patent Court (UPC).

The Agreement on a UPC provides, in articles 61 *et seq.*, for the possibility of different provisional measures being ordered (such as a freezing order where a party is ordered not to remove from its jurisdiction any assets located therein, or not to deal in any assets, whether located

within its jurisdiction or not; the seizure or delivery up of the products suspected of infringing a patent so as to prevent their entry into, or movement, within the channels of commerce; or the preventive seizure of property of the alleged infringer to ensure the compensation of the right holder). All of these provisional measures may be ordered without the other party being heard and without prejudice to the provision of a bond or security to cover any damage suffered in the event of discharge of such orders.

Now then, in such cases of applications for *ex parte* provisional measures, the Draft Rules of Procedure (16th Draft, of 31 January 2014) provide for the protective letter mechanism. According to rule 207 of said Rules, if a person entitled to start proceedings under article 47 of the Agreement considers it likely that an application for provisional measures against him may be lodged before the Court, he may file a protective letter with the Registry containing, *inter alia*, the reasons why any application for provisional measures should be rejected. Such protective letter – valid for a period of six months, which may be extended another six months - shall be forwarded to the panel or judge appointed to decide on the application for provisional measures when such is subsequently lodged.

2. PROTECTIVE LETTERS IN THE SPANISH LEGAL SYSTEM

The Spanish legal system contains no express provision for protective letters. However, in recent years these letters have begun to be filed with the commercial courts, which have taken different stands on the same. The divergence in interpretation and the lack of consistency referred to below have led to a situation that is clearly not ideal, as it can lead to undesirable forum shopping. Nor is this matter regulated by the Draft Patents Bill, as would have been desirable..

2.1. THE ADMISSION OF PROTECTIVE LETTERS BY THE BARCELONA COMMERCIAL COURTS

Last year, two Barcelona commercial courts had to deal with this matter and admitted

the filing of the protective letters by parties who feared that the holders of patents or supplementary protection certificates would apply for *ex parte* provisional measures. The admitting courts were Barcelona Commercial Court no. 4, in its Order of 18 January 2013 (AC 2013\1398), made by Judge Luis Rodríguez Vera, and Barcelona Commercial Court no. 5, in its Order of 3 June 2013, handed down by Judge Daniel Irigoyen Fujiwara..

What the parties in question requested from those courts was the admission of the protective letter and, in the event that the right holder should apply for *ex parte* provisional measures, the rejection of *ex parte* provisional measures and fixing of a date for the hearing pursuant to art. 734 CPA..

2.1.1. Reasoning

Both courts found that the applications lacked specific legal regulation,, yet accepted the protective letters for a number of similar reasons.

a) In the first place, the courts noted that the general rule is for the defendant to be heard prior to ordering provisional measures, which may only be ordered when there is evidence of circumstances of urgency or of likelihood that the redress sought will be jeopardised by hearing the other party.

The courts acknowledged that, notwithstanding such rule, provisional measures are normally ordered *ex parte* “because the court can hardly order the requested provisional measures in time to ensure these are effective” (Order of 18 January 2013). That is to say, as stated in the Order of 3 June 2013: “provisional measures are usually ordered *ex parte* because it is manifestly, clearly and obviously impossible for the Court to

observe or apply the procedural deadlines in the face of the scheduling and service of process to the defendants; because the Court understands that is the only adequate and prompt defensive, remedial or protective response available in respect of the exclusive rights that will ultimately turn out to have been infringed; because of the irreparable harm that would be caused if the alleged unlawful situation is maintained.

- b)** On that basis, the Courts have taken the view that the protective letters mechanism speeds up proceedings, allowing resumption of the general rule on hearing the defendant in patent-related proceedings, since the defendant appoints a procurator and legal counsel and offers to appear immediately at the hearing provided in art. 734, if measures are applied for.

As mentioned in the Order of the Barcelona Commercial Court no. 4: "the proposed procedure is not only convenient, even though not essential, because in fact it allows provisional measures to be ordered without hearing the defendant only in those cases in which such measures are justified, while acknowledging the defendant's right to defend himself in fully contested proceedings, but is also useful by allowing a hearing to be held and a decision on the measures with greater ease and speed."

- c)** Besides, as the Barcelona Commercial Court no. 5 has noted in its Order of 3 June 2013, this mechanism also gives the defendant the opportunity of submitting prima

facie evidence of invalidity of the claimant's alleged patent or SPC, an opportunity the defendant is initially denied if the court decides a provisional measure is in order without the defendant being heard.

- d)** Finally, both courts note in their decisions that these are non-contentious jurisdictional matters regulated by art. 1811 CPA 1881.

2.1.2. Effects

Despite having admitted the protective letters filed by the possible future defendants, the above-mentioned commercial courts of Barcelona stressed the limited effects they have.

- a)** In the first place, even though admitting such protective letters helps ensure the right to defend oneself, to challenge, and to equality of arms in the event of an application for *ex parte* provisional measures, the possibility of ordering such measures without a prior hearing is not ruled out. In the words of the Commercial Court no. 4 of 18 January 2013: "despite this procedure being admitted, the Court may still order the requested measures without a hearing, considering the circumstances of the application and notwithstanding the objections to such measures raised by the prospective defendant." In fact, in the case to which this Order refers, after having admitted the protective letter, when the application for *ex parte* provisional measures was eventually filed, the Barcelona Commercial Court no. 4 actually ordered the measures without hearing the defendant (see Order No. 96/2013, of 18 March 2013 – JUR 2013\160532).

b) Besides, protective letters are only effective if, once admitted, the subsequent application for *ex parte* provisional measures is filed with the same Court, which is not always the case given that under art. 125 of the Spanish Patents Act the claimant may choose between different courts. And as the effects are restricted to the same Court, the filing of a protective letter is deemed to be a precedent that calls for allocation to the same Court of the application for provisional measures, prior or simultaneous to the claim, in order for the measure to be of any use.

We must bear in mind, however, that the admission of a protective letter will have an indirect effect even if the application for provisional measures is filed with another of the courts provided in art. 125 of the Patents Act. The Barcelona Commercial Court no. 4 of has noted that in its Order of 8 February 2013 (JUR 2013\304087), rejecting an appeal for reconsideration of the Order of 18 January 2013, recalling that “in such case, acting in good faith, the patent holder should inform the competent Court of the fact that he has been judicially notified of the filing of a “protective letter”, and should explain the reasons for rejecting the offer made by the alleged infringer of appearing before the courts in Barcelona (or elsewhere) and for applying for provisional measures without the defendant being heard in another jurisdiction. In this case, it is up to the competent court to appraise the procedural conduct of the right holder in filing the claim before another court to decide on its *ex parte* request.”

c) In their orders of 18 January and 3 June 2013, the courts also instructed notification of the non-contentious jurisdictional matter to the patent holder and the licensee “merely so that they are aware of the same and, in case they decide to file for provisional measures, so they take into account that fact and this Court’s competence, in the event they decide that the courts with territorial competence to hear the claim are those of Barcelona” (Order of 18 January 2013).

It is considered essential for the holders of the industrial property right to be notified. In fact, the parties that filed the protective letter in the proceedings in which the Barcelona Commercial Court no. 4 issued its Order of 18 January 2013, lodged an appeal for reconsideration of said Order in which they requested that the defendant not be notified of the Order wherein the Court decided on the protective letter.

The Court, however, issued an Order on 8 February 2013 (JUR 2013\304087) rejecting the appeal and recalling that it was the duty of the Court to notify the persons referred to in the decision (art. 270 of the Spanish Judiciary Act), or the persons who may be affected by it (art. 150 CPA)s. The Court insisted that the party filing a protective letter does not have a “right to surprise”. According to the Order, “Such surprise would take place when the patent holder, unaware of protective letter, files his application for provisional measures. At that time, he would find out that the application would be allocated for hearing by this Court,

because there is a precedent of which the claimant is unaware (first surprise), and that the defendant, against whom an urgent measure is requested without the defendant being heard on it, has already appeared before the Court before the claim was filed (second surprise), all of which without any specifically regulated procedure (third surprise). Honestly, I believe that such right to successive surprises should not be protected without giving rise to what may be described as 'procedural terror', and, in short, an impression of arbitrariness, in the party that eventually applies for provisional measures".

- d) Another point is that the effect of protective letters is restricted to a period of six months, after which the case file will be shelved unless an application for provisional measures has been filed within said period.

2.2. RECENT REJECTION OF PROTECTIVE LETTERS BY THE COMMERCIAL COURTS OF MADRID

As opposed to the view taken by the Barcelona Commercial Courts of Barcelona, those of Madrid have rejected protective letters outright. This is what the Madrid Commercial Court no. 1 has done in an Order made on 29 January 2014 (JUR 2014\64117).

The reasons given by the Court in this case have been the following:

- a) In the first place, the Court invoked the principle of procedural legality under art. 1 CPA, according to which "in civil proceedings, the courts and those who resort to them must act in accordance with what is provided in this Act". On these grounds, the Court has taken the view that protective letters are not envisioned in Spanish procedural law in connection with provisional measures.

On that premise, the Court takes the view that solutions may not be imported from other countries because pursuant to art. 3 CPA, *lex fori regit processum* (the law of the forum governs procedure). And the Court additionally considers that admitting protective letters would generate problems that are "impossible to solve": those of determining whether the possible future applicant must be notified of the protective letters, and the period during which the protective letter must be taken into account (which the Courts of Barcelona have extended to six months).

- b) The Madrid Commercial Court no. 1 of Madrid has also noted in its Order that protective letters as a legal construct are unnecessary in Spanish Law since it already provides for specific remedies to head off patent infringement claims: specifically, art. 127 of the Patents Act allows an action to quiet title against the patent holder in order to obtain a ruling that a given act does not constitute an infringement of the patent holder's exclusive rights.
- c) Lastly, the Madrid Court notes that protective letters are designed to achieve something that is "radically different from that to which art. 1811 CPA 1881 refers". According to the aforementioned article, "non-contentious jurisdictional matters are deemed to include all those that necessarily call for the Court to intervene, or regarding which the Court's intervention is requested, without there being any issue at stake or any issue being raised between given known parties."

The above-mentioned article requires that there be no "issue at stake" and that no issue be raised "between given known parties" for commencement of non-contentious jurisdictional matters. However, as opposed to what is the case with the Courts of Barcelona, the Madrid Court considers that "here we do have a dispute: the applicant makes allegations against a patent holder, arguing that it has not committed any act of infringement, and thereby seeks

to deprive a known party...of its right under the procedural laws of Spain... to apply for *ex parte* provisional measures.

Another point noted by the Court is that taking the course of non-contentious jurisdiction would lead to inconsistent situations. According to the Order: "if the protective letter were objected to, under art. 1817 CPA 1881 it would have to be shelved, without any possibility of consolidation in any contentious jurisdiction proceedings or in a separate determination of provisional measures conducted in the context of such proceedings (art. 1823 CPA 1881). This means the facts alleged with the protective letter, could not be carried over to subsequent proceedings on provisional measures and the Court's decision could not be based on upholding or rejecting an application for *ex parte* provisional measures, based on facts or arguments

other than those heard by the Court in connection with the original application for such measures to be ordered (art. 218(3) CPA).

- d) Lastly, the Madrid Court contended that to accept protective letters would be contrary to the adversary principle. In a very significant passage, the Court says that "the patent holder is entitled to initiate provisional measure proceedings, is entitled to request that these be ordered without hearing the defendant, and is entitled to demand that, at the time of deciding on this application, the Court he is resorting to has not previously been steered or conditioned by statements of case already made by the defendant, without the applicant knowing about them, ahead of the applicant's action in a way not provided in procedural legislation and naturally with the intent of influencing the decision to be taken."