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Supreme court hands down landmark judgment on doctrine of equivalents and trips

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On 4 July 2011, the Civil Chamber of the Supreme Court published a judgment dated 10 May 2011 approved en banc (i.e. by the full Court) shedding light on two important points: (i) the scope of the doctrine of equivalents; and (ii) the effect of articles 27.1 and 70 of TRIPS on the effects of the Spanish Reservation to the European Patent Convention (“EPC”).

In 2005, three Spanish companies filed a legal action requesting: (i) a declaration that a process to obtain olanzapine characterized by making a reaction between a precursor and piperazine and then making a methylation step (i.e. A+B+C) would not infringe claim 1 of patent EP 454,436, which protected a process characterized by making a reaction between the same precursor and methylated-piperazine (i.e. A+BC); and (ii) the revocation of claim 5 of patent EP 454,436 for infringing the Reservation made by Spain when it joined the EPC. According to this Reservation, European patents would not have effects in Spain as long as they protect chemical or pharmaceutical products as such.

To sum up, the complainants argued that Eli Lilly owned a previous patent for a broad family of compounds where the two variants had been protected (i.e. A+B+C and A+BC). According to the complainants, by not including variant A+B+C in claim 1 of patent EP 454,436, Eli Lilly would have dedicated that variant to the public. As regards claim 5, which protected a process to obtain a pharmaceutical composition of olanzapine characterized by mixing olanzapine and an excipient, the complainants alleged that it was a “de facto” product claim fraudulently included in the patent to try to circumvent the Spanish Reservation.

In its statement of defence, Eli Lilly contended that the variant A+B+C was obvious to the person skilled in the art and, therefore, it fell within the scope of claim 1 under the doctrine of equivalents. With regard to claim 5, Eli Lilly argued that the effects of the Spanish Reservation on chemical and pharmaceutical patents filed before 7 October 1992 had been trumped by articles 27.1 and 70 of TRIPS, which came into force on 1 January 1995.

Both actions were dismissed by Commercial Court number 3 of Barcelona, and then by the Court of Appeal of Barcelona (Section 15) in a judgment of 17 January 2008. In relation to the non-infringement action, after applying the “Catnic 3-question test” traditionally applied by English Courts, the Court of Appeal concluded that the variant that the complainants were planning to use was equivalent to the process protected in claim 1. The revocation action was also dismissed on the grounds that the non-discrimination principle enshrined in article 27.1 of TRIPS applies to all patents in force when TRIPS was published in Spain and, therefore, the discriminatory consequences caused by the smoking effects of the Spanish Reservation could no longer be maintained.

In the recent judgment published on 4 July 2011, the Supreme Court has confirmed the judgment of 17 January 2008 on both counts. In relation to the doctrine of equivalents, the Supreme Court highlighted that the Protocol of interpretation of article 69 of the EPC requires the Judge to strike a balance between fair compensation and legal certainty. According to the Court, interpreting an obvious variant as being comprised within the scope of claim 1 does not compromise legal certainty. In addition, the Court rejected that Eli Lilly's failure to explicitly protect this variant in patent EP 454,436 could be interpreted as a waiver of that variant, since the case law from the Supreme Court requires waivers to be explicit and, in addition, they must be interpreted restrictively.

As regards the revocation action based on the alleged infringement of the Spanish Reservation, the Supreme Court found that there was a conflict between the effects of a Reservation made when Spain joined the EPC in 1986, and the new protection obligations assumed by Spain when it ratified the Agreement establishing the World Trade Organization in 1995. The Court considered that the solution to the conflict can be found in article 30.3 of the 1969 Vienna Convention on the Law of Treaties, which calls for the application of the "later in time" principle, that is, articles 27.1 and 70 of TRIPS.

This judgment is likely to become a landmark decision, not only because the case has allowed the Supreme Court to make their first inroads into the doctrine of equivalents, but also because the full bench of the Civil Chamber of the Supreme Court has clarified the legal effects of TRIPS on the effects of the Spanish Reservation to the EPC.

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