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If you ever decide to get into the pearl thong business, make sure that your pearl thongs are as good as the patented ones…

Miquel Montañá (Clifford Chance) · Friday, April 29th, 2016

According to article 66 of the Spanish Patents Act, in case of moral damages the patent owner will be entitled to compensation even if the existence of an economic damage has not been proven. In addition, according to article 68 "the holder of a patent may also claim for indemnification for damage resulting from the loss of prestige of the patented invention caused by the infringer by producing a defective working or improper presentation of the same on the market."

These provisions have recently been tested in a judgment of 15 January 2016 from the Court of Appeal of Madrid (Section 28) dealing with patent EP 860.161 B1, which protects a feminine garment designed to produce sexual stimulation. The main highlight of the judgment is that it has confirmed that the defendants, by selling the products "PEARL THONG " and " PEARL STRING, PEARL THONG", infringed the patent.

This blog will briefly comment on the discussion about "moral" damages and damages caused by the alleged loss of prestige.

In relation to the first aspect, the Court of First Instance had awarded 20,000 euros under "moral" damages. However, in its judgment of 15 January 2016, the Court of Appeal of Madrid (Section 28) reversed this count on the grounds that the "moral" damage had not actually been proven. The Court, following the case law from the Supreme Court, after noting that this is a "difficult notion", defined "moral" damage as "psychological suffering or distress, which is considered to exist in a variety of situations such as psychological or spiritual shock or suffering, helplessness, worry (as a mental sensation of disquiet, sorrow, fear or foreboding uncertainty), anxiety, anguish, uncertainty, shock, affliction and other similar situations."

According to the judgment, the patent owner, who is a natural person, had linked this "moral" damage to "his loss of prestige and face in the business sector in question, as well due to the failure of the legitimate business project conceived on the basis of the exclusive rights granted by law to the holder of a patent in exchange for his contribution to society – consisting of a feminine garment designed to produce sexual stimulation– by means of an invention he himself conceived and designed." He also mentioned that since the term of a patent is limited to 20 years, due to the infringement he would not be able to recoup the investments made.

The Court of Appeal, after accepting that some of the facts alleged by the complainant might have

justified compensation for “moral” damages, reached the conclusion that he had failed to prove those facts in the first place. So, as mentioned, the judgment was reversed on this count.

Moving on to the second aspect, the Court of First Instance had awarded 12,500 euros due to the prestige lost as a result of the defective production and presentation of the infringing garments. The defendants also questioned the existence of this damage alleging that it had not been proven. This line of argument was rejected by the Court of Appeal on the following grounds:

“*As stated in the Supreme Court Judgment of 21 February 2003, the regulatory provisions cite “defective production” or “improper presentation” as the cause of the loss of prestige constituting damage eligible for indemnification.*

The appeal does not question the statement made in the judgment declaring that the defendants’ products involved defective production and also improper presentation of the patented invention, as a result of the different channels of distribution used, the inferior quality and finishing of the infringing products and their presentation in simple cardboard boxes as opposed to the luxury image attributed to the products of the complainant, meaning that the court cannot at this stage analyse, in view of the allegations originally made in the complaint and the evidence examined, whether the infringing garments marketed by the defendants implied a defective production of the invention or an improper presentation of the same on the market.

All the appeal states is that the prestige of the invention would have virtually disappeared by the time the defendants began selling the ALTER infringing products, barely two years were left until the expiry of the patent and the manufacturer and at least eleven distributors would have contributed to causing the moral damages (sic).

The damage due to loss of prestige of the invention as a result of defective production or improper presentation does not require that the invention have previously attained fame or renown, it is sufficient that said circumstances deteriorate the image or credit of the patented invention, leading to a loss in value”.

The Court of Appeal then added:

“*The judgment takes into account the loss of credit that the products marketed by the defendants have caused the invention as a result, in his opinion, of the defective production and improper presentation on the market that, moreover, may or may not be applicable to other supposedly infringing products.*

The amount has also not been challenged sufficiently in the sense that there is no reason why it should be compared with the indemnification established for negative economic consequences, far less when they have not been properly demonstrated due to a failure to justify the profits not earned as a result of the infringement.”

So the teaching from this judgment is clear: if you ever decide to get into the pearl thong business, make sure that your pearl thongs are as good as the patented ones…

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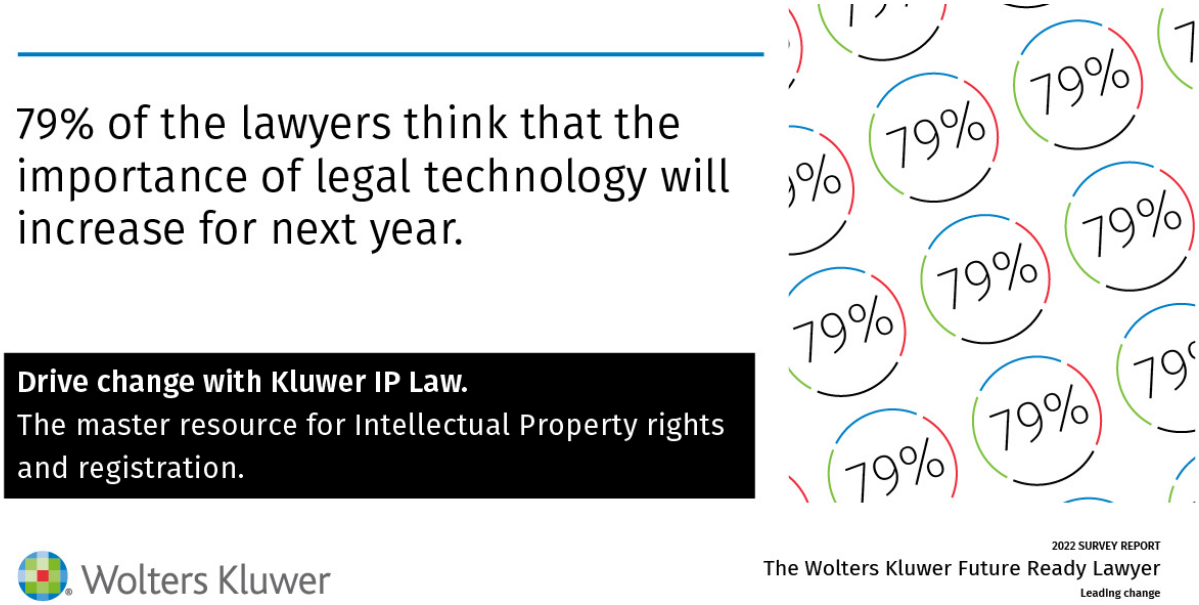

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