

Garrigues

# Spain

**Before the entry into force of the Trademarks Act in 2001, trademark owners struggled to enforce their rights before the courts. Further amendments were introduced by Act 19/2006, which implemented the IP Rights Enforcement Directive**

Due to the legislature's haste in drafting the former Trademarks Act (32/1988), the provisions of the First Trademarks Directive (89/104/EEC) were not implemented in Spain until the 2001 Trademarks Act came into force.

The IP Rights Enforcement Directive (2004/48/EC) represented a significant step towards the harmonization of the national legislation of the EU member states. The directive established a number of measures and procedures to protect IP rights effectively in the European Union.

The IP Rights Enforcement Directive was implemented in Spain by Act 19/2006, which broadened the scope of protection of IP rights. Before the entry into force of the act, the approach of the Spanish courts in infringement cases was rather conservative. In a handful of cases, the courts had recognized that once it had been established that infringement had occurred, the trademark owner had a right to be compensated without having to prove the actual loss suffered. Nevertheless, the majority of the courts refused to award damages as a direct and unavoidable consequence of infringement and required that the trademark owner provide evidence of the damages suffered (eg, see the June 8 2006 decision of the High Court in the *PALADIN Case*).

## Act 19/2006

The 2006 act introduced several modifications. In particular, Articles 40 and following of the Trademarks Act, which govern infringement actions and the calculation of damages, were amended. With regard to civil actions, the remedies available to trademark owners were extended. Trademark infringement may also constitute a criminal offence pursuant to Articles 273 and following of the Criminal Code.

Article 41 of the Trademarks Act provides a list of civil remedies available in case of

infringement. A trademark owner may:

- request the seizure and destruction of counterfeit goods bearing its registered trademark;
- request the seizure and destruction of the material and equipment used for the design or manufacture of the infringing goods; and
- claim ownership of the infringing goods or of the material and equipment used for the design or manufacture of the goods.

The Trademarks Act provides for strict liability where:

- the infringer commits any of the acts stipulated in Article 34(3)(f);
- the infringer sells goods bearing a registered trademark without authorization;
- the infringer is responsible for placing the infringing goods or services on the market for the first time; or
- the trademark at issue is well known or reputed.

Following the entry into force of the amendments, the courts have adopted an automatic compensation system, which is a significant advantage for trademark owners (eg, see the March 13 2008 decision of the First Commercial Court of Alicante in the *COOLDOWN CAFÉ Case*).

Article 42(1) of the act clarifies that the infringer "shall be liable for compensation for any damage caused", while Article 43(5) states that where the court has determined that a trademark has been infringed, the mark owner will be entitled to receive compensation "without any need for proof of any sort". These provisions are based on the presumption that if infringement has occurred, the trademark owner has automatically suffered damages (damages *ex re ipsa*). However, the courts have clarified this principle and refused to award compensation in cases where it was shown that the mark owner had suffered no damage (eg, see the decision of the County Court of Navarra of April 25 2008 in the *BODEGAS VIÑA MAGAÑA Case*).

In the new Article 43, the legislature attempted to address the issues

surrounding the determination of damages. Under this provision, compensation for damages will cover:

- the loss suffered (consequential damages);
- the profits obtained by the infringer as a result of the infringement (lost profit); or
- the price that the infringer would have paid to the mark owner under a licensing agreement.

With regard to the calculation of consequential damages, the 2006 act introduces an additional concept: the mark owner may be compensated for expenses incurred in obtaining evidence of the infringement. The courts have interpreted this principle broadly, holding that compensation may be obtained for "all" expenses – that is, not only the expenses listed by the law, but also the structural costs paid by the trademark owner, by itself or in collaboration with third parties, to defend its rights.

In establishing the criteria for calculating damages, it seems that the legislature focused mainly on the profits obtained by the infringer, rather than on the damages suffered by the trademark owner. Article 43(5) provides that the trademark owner will "in any event" be entitled to 1% of the turnover obtained by the infringer "without any need for proof of any sort". However, under Article 43(5), the trademark owner may seek a higher amount of compensation if it can prove that the infringement of its trademark caused it greater damage.

Under Article 43(3) of the act, the courts should take into account the following circumstances, among others, in assessing the amount of damages:

- the well-known character and reputation of the mark; and
- the number and type of licences granted at the time the infringement began.

In addition, under Article 43, mark owners may request that the infringer provide information as to the origin and distribution networks of the goods and/or services at issue. This is especially useful when drafting the expert accounting report

and, consequently, when calculating the amount of damages and losses suffered. Trademark owners may also request that the infringer provide such information under the Civil Procedure Rules (1/2000).

According to Article 44 of the act, if the court orders the cessation of the infringement of a trademark, the amount of compensation awarded will be no less than €600 for each day that elapses until the infringement has effectively ceased. The starting date for payment of the compensation shall be set in the enforcement stage. Such compensation is independent of the damages and losses incurred by the mark owner as a consequence of the continuation of the infringement.

#### Recent case law

It is interesting to observe to what extent the Spanish courts have applied the provisions referred to above. In this respect, the vast majority of courts have awarded the minimum level of compensation prescribed by the law (ie, 1% of the infringer's turnover). In a decision dated November 7 2008, the County Court of Madrid (*PENTHOUSE Case*) calculated the amount of compensation based exclusively on the information submitted by the plaintiff because the defendant had failed to comply with the order to exhibit the necessary documents. In another case, with regard to the determination of the legal interests of the parties, the County Court of Madrid considered that the minimum fixed royalty should be calculated from the date of filing of the plaintiff's claim (*NATURAL FOOD Case*, June 30 2008). However, the Commercial Court of Alicante reached a different conclusion in the *FIBERTEX Case* (July 2 2007), holding that the minimum fixed royalty should be calculated from the date on which the defendant first received the notification to cease the infringing activities, as the latter could no longer claim ignorance of the infringement.

In addition, the courts have awarded compensation for moral damages without requiring that the trademark owner provide proof of any sort – although the calculation of such compensation is usually postponed to the enforcement stage. There are nevertheless some rare exceptions (eg, see the April 21 2008 decision of the County Court of La Coruña in the *PROSAUDE Case*).

With regard to the investigation expenses and/or structural costs incurred by the mark owner, the Commercial Court of Alicante recognized that these should be taken into account in calculating the



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amount of compensation to be paid by the defendant (see *BUDA BAR* (December 19 2008) and *L'Oréal v Univexva* (March 26 2008)). The court also granted €1,000 in moral damages to the plaintiff.

#### Conclusion

Following the amendments brought in by the 2006 act, the position of trademark owners in Spain has been substantially strengthened. The key measures for the protection of IP rights may be summarized as follows:

- The mark owner may recover the amount that the infringer would have paid to use the trademark under a licensing agreement. However, this measure is not punitive and does not act as a deterrent, as such amount is the same as the price that a lawful licensee would have paid the trademark owner.
- The concept of damages *ex re ipsa* (ie, the infringement itself causes damage to the IP rights owner) implies that a minimum amount of compensation will be awarded to the mark owner where it is established that infringement has occurred (which is particularly useful in cases involving the infringement of unused trademarks).
- The trademark owner may recover the investigation expenses and structural costs incurred.
- The rights holder may recover moral damages *in re ipsa* without any need for proof of any sort. It will be interesting to see whether the courts also apply this principle to legal entities.

These significant amendments are gradually being implemented by the Spanish courts in determining the amount of compensation to be awarded in infringement actions. [WTR](#)