

Driving the economy

Formerly departments that were seen by law firms as 'nice to haves', IP and IT departments are fast becoming the 'must haves'. The two sectors are key areas of opportunity in the crisis, say lawyers, especially as today's economy is being driven by the world of technology.



If one mentions 'business' and 'drivers' in the context of today's global economy, say lawyers, the response is more likely than not, 'innovation' and 'technology'. The corporate world is far more knowledgeable than ever before, and lawyers predict that over the coming years almost every company will have to focus its business on the Internet and new technologies.

The crisis therefore is bringing new opportunities for law firms. This is particularly true in IP, since the economic foundations of the Iberian market are drastically changing towards innovation, creativity and knowledge, says João Miranda, Head of the IP practice at Garrigues in Spain. This will open new horizons to IP specialists as companies start navigating the waters of a different economy. The same can be said for the IT sector, where lawyers are seeing the steady emergence of new services or ways of delivering existing ones.

IP and IT are therefore firmly at the forefront of driving Europe's ailing economies, say lawyers, coming out of the shadows of the more traditional legal sectors and taking the spotlight. And both sectors are also constantly evolving, no more so than over the past year.

Regulatory round-up

Spain and Portugal have both seen numerous changes in legislation, and the legal market is having a tough time keeping up. According to César Bessa

Monteiro, Head of IP/IT department at pbbbr, a key international development is the draft EU Regulation on Data Protection – a comprehensive update of the 1995 Directive, identifying the elements of data protection that Member States must transpose into national law. But clients have not welcomed this increase in regulations, says Anna Viladàs, IP Partner at Roca Junyent, as it raises their compliance costs and affects competitiveness.

Lawyers also point to the future EU Unified Patent system as key, in that it will replace national systems and create unitary patent protection and a centralised EU Patent Court. While Portugal has opted in, Spain, along with Italy, has decided not to take part. The huge concern in Spain, says Pedro Merino, Head of IP at Olswang, Spain, is the danger that if it goes ahead it could mean that Spanish businesses cannot rely on their local lawyers to always defend their cases. Spanish law will only govern those patents within its borders.

The failure by the EU to adopt the ACTA treaty (Anti-Counterfeiting Trade Agreement) is also a major setback, says Nuno Cadima Oliveira, IP Partner at F. Castelo Branco & Associados, since this would have provided a global framework to combat IP infringement. Existing but never approved European draft directives are therefore being

Los departamentos de Propiedad Intelectual y Nuevas Tecnologías, han pasado de ser un área de apoyo a áreas estratégicas en las firmas de abogados. Las dos áreas de derecho presentan oportunidades en contextos de crisis, afirman los expertos en este reportaje anual, especialmente cuando todo negocio tiende a desarrollarse y a comercializarse con herramientas tecnológicas.

quickly revisited and revised. (For key domestic changes, please see boxouts.)

Challenging times

It is not only regulations that are changing, and challenging, for the legal sector. "Lawyers are now required to be supermen," says José Miguel Lissén, IP Senior Associate at Gómez-Acebo & Pombo – "technical experts, and very good at everything".

Plus, they need to be 'everywhere'. IP & IT have a clear global scope, and most IP cases involve several jurisdictions. Even a local matter requires knowledge of similar cases in other countries, in particular, in Europe and in the US, says Jorge Llevat, Head of the IP practice at Cuatrecasas, Gonçalves Pereira. "It is a continuous challenge to be up-to-date."

The same applies to IT. Lawyers are seeing new apps, software and technological devices appearing everyday on the market, which bring with them new guidelines and regulations. Access to information has also spiralled out of governments' and companies' control, and they are now in a race to keep up, adds Alejandro Touriño, IT Partner at Ecija. "Across Europe, countries are shifting gears, and we as IP & IT lawyers need to keep on top of developments."

However, you cannot be an expert in high complexity IP matters while at the same time being focused on data protection and TMT, for example, says João Veiga Gomes, Co-Responsible for the IP and IT Practice at Abreu Advogados. The challenge is to create a 'community of practice' within your IP and IT department, and combine the talents of different experts into 'ad hoc' teams.

Litigation is of particular concern in Spain, say lawyers, as the courts are overloaded and it is better to avoid them. Madrid is seen as particularly bad when it comes to backlogs, with around a two-year wait for

pre-litigation compared to Barcelona or Alicante where it takes less than a year. Businesses are now far more willing to settle because of the costs involved and the time it takes.

Buoyant sectors

With IP and IT driving the economy it is no surprise that lawyers are seeing a rise in activity. "We have seen a significant increase in IP clients," says Ignasi Costas, an IP and Public Law Partner at Rousaud Costas Duran, "and they are demanding much more sophisticated approaches and services with a wide and international scope". This is true, in particular, for those companies providing services or products worldwide over the Internet.

Data protection is becoming a big concern and consequently showing considerable growth in activity. Compliance is the major issue here, and lawyers see much work coming from multinationals worldwide that are imposing their guidelines and systems on their subsidiaries in Iberia. Lawyers are also seeing mounting pressure on clients to comply with an increasing amount of privacy laws, says Paloma Bru, a TMT Associate at Jones Day, Spain, with new legal issues arising, for example, in cloud computing.

Given the current state of its economy, Leonor Chastre, Head of IP and IT at Gómez-Acebo & Pombo, in Lisbon, organisations in Portugal are clearly



Key developments – Spain

- Earlier this year, Spain's 'Ley Sinde' was finally approved in a bid to address online piracy. And while on a domestic level, its approval has been a definitive milestone, says Ignacio Temiño Cenicerós, IP Partner at Abril Abogados, its real impact is still unclear.
- A big development has also been 'private copy compensation' adopted earlier this year, says José Antonio Suárez, Managing Partner at Suárez de la Dehesa. The Government will now compensate rights owners directly, rather than from the manufacturers or importers.
- However, one of the most significant new regulations is the online gambling law, which introduces the first licensing procedure for online gaming activities based on a system of licences and players now moving to 'dot.es' websites. But the new law has caused some confusion, say lawyers, with the Spanish Gaming Commission already having issued clarifications regarding the interpretation of various sections of the new law.
- As of the start of the year, Barcelona's commercial courts were allocated new IP specialisations – three for Patents and Advertising and two for Trademarks, Designs and Copyright. For IP lawyers, this is another step towards recognising the complexities, and importance, of their sector and the hope is that further courts will follow.
- Finally, the Spanish Government passed a law creating a new and unique regulator replacing the CMT (Commission of the Telecommunications Market), the CNE (National Energy Commission) and the CNC (National Competence Commission), says Pablo Mayor, a Partner at Allen & Overy, Spain. "All actors in the TMT sector are very interested in the creation of this new regulator."

concentrating on reinforcing their great economic assets – IP and IT.

Lawyers are seeing a marked increase in patenting in IT, TMT, renewable energy and nanotechnology, and predict a rise in telecoms activity with the likely privatisation of Portugal Telecom and national television channels RTP 1 and RTP 2. Technology transfer and protection are also likely to undergo a great deal of development, says

Antonio Magalhães Cardoso, IP Partner at Vieira de Almeida, which will lead to a rise in corresponding litigation.

The Spanish gaming sector is demanding more IT, e-commerce and data protection-related advice, says Norman Heckh, Director in IT and Communications at Deloitte Abogados, due to new regulations. The same applies to the financial industry, due to the IT development in fields such as electronic money payments. The luxury and retail sectors are also particularly active, says Ignacio Legido, Managing Partner at BDO Abogados, especially in terms of needing advice for marketing departments and Apps developers.

It is no surprise that companies struggling to survive the crisis are becoming much more intolerant over third-party copyright infringements, says Josep Carbonell, Head of the IP Department at Jausas,

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Blanca Escribano, TMT Partner, Olswang



whereas the trend used to be a more lenient approach. While in Portugal, domestic businesses are also much more aware of the need for a registered trademark or patent, says Tânia Pinheiro, a Senior Associate at Caiado Guerreiro & Associados, to enable them to sell their products and expand their businesses.

The trend now is for IP and IT departments to work more closely together, as their issues are converging, says Blanca Escribano, TMT Partner at Olswang, Spain. “We are seeing increasing litigations arising from the new platforms of social media over IP rights and the dissemination of information.”

And as cost efficiency and increasing competitiveness are paramount for any business in the current environment, lawyers see a difference in the way companies are approaching their external law firms. Especially where IP and IT are their core business, says Raúl Rubio, IT Partner at Baker & McKenzie, Spain, they are integrating us far more within the company as part of their internal legal department.

Opportunities ahead

IP and IT are therefore today an unavoidable and important variable in practically all businesses and sectors, says Ainhoa Veiga, Competition and

Portugal

- Overall, Portugal has seen considerable developments in IP & IT, particularly in the electronic communications sector, says Brito e Abreu at Uría Menéndez - Proença de Carvalho. “The technological development and modernisation of the country has been one of the main objectives of Portuguese governments in recent years, in line with the Lisbon strategy.”
- A big step has been establishing the first specialised Portuguese

IP Court, which will also conduct a review of the legal framework governing the sector. But lawyers have not been very impressed with its performance so far, with IP litigation still paralysed and only one judge presiding over all IP and IT matters. The Court still has to prove that it will be able to fulfil its potential, says Octávio Castelo Paulo, Head of Corporate & TMT at SRS Advogados.

- Earlier this year, a new Regulation on ‘.pt’ Domain Registration came into force, liberalising the rules. Domain names directly under ‘.pt’ can be registered on a first come, first served principle, says Brito e Abreu at Uría Menéndez - Proença de Carvalho, but so far, these are only available for companies, public and private institutions, registered business persons, independent professionals and trademark owners.



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Agustín González, IP & IT Partner, Uría Menéndez

IP Partner at Araoz & Rueda. And the economic turndown has made companies intent on, for example, enforcing their IP rights in order to retain market share, adds Alejandro Angulo, Managing Partner at IP firm Grau & Angulo.

Firms that invest in IP will be those who best survive the crisis, while the ability to create new products, add value and create differentiation factors from international competitors, says António de Macedo Vitorino, Senior Partner at Macedo Vitorino & Associados.

There is always an upside in times of hardship, and a very interesting opportunity currently exists, says Daniel Reis, a TMT Senior Associate at PLMJ, namely the attractiveness of the cost saving possibilities of migrating to cloud-based services. “This will be an important selling point for IT companies in the coming year.” There is a growing awareness of export opportunities, as companies grow more confident to invest in new products, services and markets, they search to protect their rights too, says Juan Salmerón, IP Partner at Ecija. “IP lawyers need to understand how to exploit the whole range of IP rights through commercial agreements.”

Business process outsourcing is an area that has the potential to be very important in technology and related practices. It has grown over the past two years as companies reorganise to be more efficient, says Vicente Arias, IP & IT Partner at Eversheds

Nicea, and the curious thing is the same might be said about law firms. “We need to find ways to make our processes more industrial to respond to the business needs of clients. The question is whether this is where lawyers are actually heading or are we still artisans?”

In the driving seat

As companies are reacting to the globalisation of business by using innovative technology-based business models to market their products and services, says Rafael García del Poyo, Head of the IT department at Osborne Clarke, Madrid, their increasing legal needs are driving law firms to offer faster and more sophisticated services.

IP and IT are areas of opportunity and key to the future of law firms, says Agustín González, IP & IT Partner at Uría Menéndez, as technology is moving the world of business. “Today, you cannot be an important law firm without an IP or IT department.”

Law firms would therefore be wise to focus their strategies around these key areas, say lawyers, as there is no doubt that these departments will be those sat in the driving seat when we finally emerge from the crisis.

A new ‘super regulator’

The proposed merger of the Spanish telecoms regulator (the CMT) with seven other national agencies is, according to the Government, intended to create a single independent body more in line with national competition policy. The move will create the National Commission for Markets and Competition (NCMC), says Marta Plana, one of seven Commissioners with the CMT.

While the goal in creating an enlarged body is to better align and homogenise decision-making, says Plana, this raises the question of whether the Government is, in reality, going to accomplish this objective by merging the current

regulators into one body. No other European countries have taken this step and, in fact, even the EU has indicated that the merge may not result in the ‘super regulator’ being truly independent from the Government – which is its fundamental purpose.

Nonetheless, the prospect of integration into a wider body does present issues, she admits. “There is inevitably a challenge in managing expectations, both internally and externally, and to motivate people despite a lack of information.”

Until recently, there had been uncertainty surrounding the future

of the draft law. However, it has just been approved by the Spanish Cabinet (Consejo de Ministros) and filed with Congress, that needs to comment within the next few months. Therefore approval of the draft law and the merger of the regulators could come much sooner than expected.

It nonetheless remains business as usual at the CMT, insists Plana. “While we don’t know exactly when this will happen, we continue to maintain our mandate until told otherwise. Companies rely on our decisions to take their businesses forward and so there cannot be any pause in decision-making.”

Hope on the data protection horizon

A new proposal for an extensive reform of data protection regulation will see the creation of a single EU law

Twenty-seven Member States implemented the EU's 1995 data protection directive, but in very different ways, says Ignacio Legido, Managing Partner at BDO Abogados. "There is a clear lack of uniformity across Europe."

The EU Commission has now put forward a proposal for an extensive reform that will see the creation of a single law, to be directly applicable in each Member State. Currently in its early stages, the proposal has gone through a public consultation, says Legido, and is now with the EU Parliament, with a text likely to be put forward in the summer of 2013.

"The proposal is very ambitious," he adds, "as, if implemented, it will completely change the systems in place for data protection across Europe". The current system in Spain is far from agile, says Legido, and there are many costly and unnecessary administrative burdens slowing it down. The notification of

data protection activities to supervisors and the application for data transfer, for example, will all be simplified.

The new law would also introduce a system of accountability for those processing data, which not only requires compliance, but proof of doing so.

Costs are a huge issue, says Legido, and the proposal aims to bring about significant savings for businesses. He is unsure, however, whether this is achievable as companies will have to make significant investments if they are to adapt their current systems to the new law.

"Companies that already have internal systems will be more prepared, but for those without, the new law will imply much higher costs to set these systems up." For law firms, however, this proposal has its benefits, says Legido, as it has the potential to generate a great deal of work helping clients both with installing new systems and with compliance.



Ignacio Legido

La Comisión Europea ha puesto sobre la mesa una propuesta de reforma extensa que puede ver el nacimiento de una Ley de Protección de Datos única, directamente aplicable a cada uno de los estados miembros. La propuesta es ambiciosa, dice Ignacio Legido de BDO Abogados, ya que cambiaría la normativa de todos y cada uno de los países miembros.

IP moves forward

Portuguese clients with intellectual property (IP) disputes are all too familiar with the country's protracted litigation process, says César Bessa Monteiro, Head of IP at pbbbr Advogados.

Historically, IP cases were heard in the commercial courts, already filled to overcapacity by years of backdated disputes. It was this that prompted a new law in 2008 to reorganise the judicial system and provide a bespoke IP Court.

"Despite the 2008 decision, it was not until the Troika's MoU with Portugal in 2011 when a deadline of installing the IP Court was given," Bessa Monteiro adds.

The IP Court finally became operational on March 31st, 2012, and it hears the whole spectrum of IP matters ranging from copyright infringements to patent litigation.

While Portugal has enjoyed a dedicated IP Court for a little

over six months now, says Bessa Monteiro, lawyers expecting an increase in activity have been disappointed.

"The problem is that while the IP Court is a welcome addition, there is currently just the one Court with one judge hearing cases," he explains. "There are insufficient resources for it to be genuinely effective."

Bessa Monteiro, in his capacity as Chair of the Portuguese IP Consultants Association, has been engaged in discussions with the Government and believes that a few more IP judges and a second court in Oporto could be a possibility.

"A larger IP Court would be very good news for companies because cases will be heard in the right manner by a specialist court with a judge who is an expert in IP," he continues. "At present, it is too early to really know how successful this new Court will be."



César Bessa Monteiro

Los clientes portugueses que sufren disputas y procesos litigiosos en temas de Propiedad Intelectual ya están acostumbrados a los ineficientes procesos existentes, afirma César Bessa Monteiro de pbbbr. Fue ésta la causa principal que provocó la reforma en el 2008, con la reorganización del sistema judicial y la Corte especializada.

Binding corporate rules

As international companies are slowing adopting BCRs, saving them time, money and resources, law firms had better ensure they are up to speed



Alejandro Touriño

Binding corporate rules (BCRs) may not be something many firms have heard of, says Alejandro Touriño, a Madrid-based IT Partner at Ecija. BCRs are, however, coming onto their radars as clients are slowly signing up. BP, eBay, Novo Nordisk, Citigroup and Intel, for example, have all signed-up over the past two years.

BCRs were established by the European Union Article 29 Working Party with the goal of allowing pan-European businesses to transfer personal data to their subsidiaries located outside the EU in compliance with the EU Data Protection Law. The rules, based on this EU Data Protection Law, have 19 countries currently participating, including Austria, Cyprus, Germany, Ireland Italy, Liechtenstein, Spain and the UK.

Touriño explains that, in practice, BCRs allow a company to identify a national data protection authority (DPA) – usually the jurisdiction where the European operations of the business are headquartered – with the authority then reviewing the standards of data protection within the company. “If the information authority believes the company meets the standards and safeguards and approves the BCRs, the company is then free to transfer data amongst its non-European businesses without having to reapply for any new international data transfer.”

BCRs, according to the EU Article 29 Working Party, make it possible for companies to “be in compliance with article 25 and 26 of the European Directive 95/46 for all flows of data.... harmonise the protection of personal data within a group...prevent the risks resulting from data transfers to third countries...avoid the need for a contract for each single transfer and provide an internal guide for employees with regards to the personal data management”.

Companies are, of course, required to monitor BCR compliance, but the idea is that once the structure is in place, a DPA needs only be contacted if substantial changes are made to the business that surpass the initial clearance. Regulation for any breaches remains in the jurisdiction of the DPA where the offence occurred.

In order to implement the BCRs, an EU company looking to transfer data to countries in Asia or Africa has to prove that a non-EU affiliated branch meets the same standards as the other entities in the EU business, says Touriño. As such, companies that already have high data protection standards across the globe should have no problems in gaining clearance for such transfers.

In this case, therefore, joining the BCRs could be a substantial advantage to companies in cloud computing; compliance could give clients confidence that their data is protected to the highest standards no matter where the servers are physically based in the world.

“The benefits of BCRs are that they are cost effective and save time and recourses in processing data protection requests in different jurisdictions; once clearance is granted a company does not need to go back to the DPA,” says Touriño. The main disadvantage is that the start-up process can be quite long, taking months from start to finish. The UK Information Commissioner’s Office (ICO), for instance, believes a straightforward application could take 12 months to conclude. The process is not easy but is definitively better for companies in the mid-long-term.

No Spanish companies have signed up to the BCR yet (although Spanish affiliates of other EU businesses are in the scheme) but Touriño says his firm is working for a number of clients looking to adopt the structure. The group of companies that have completed the BCR process remain small; the UK ICO has cleared 16 companies for compliance over the past seven years, including General Electric and Intel. However, Touriño believes that the scope of BCRs has the potential to be extended to include other aspects of corporate operations.

“The BCRs were established specifically for data protection, but the structure could easily be used as a wider instrument to help with any relevant corporate laws,” he says. “Banks could establish a BCR for global financial standards, for example, or companies could look to establish official global corporate governance or corporate social responsibility models sanctioned by regulators.”

Las Reglas Corporativas Vinculantes (Binding corporate rules) no son algo muy común para los despachos, dice Alejandro Touriño de Ecija. Sin embargo se está popularizando entre las empresas. Las ventajas son numerosas, particularmente por el ahorro de tiempo en procesar solicitudes de protección de datos en distintas jurisdicciones.

IP litigation on the rise

Since Spain established three dedicated Courts of Appeal to hear IP cases, the market has never been busier

"IP litigation has continued to increase in recent years and there are plenty of cases involving patents, trademarks and copyrights going before the courts," says Alejandro Angulo, Managing Partner at IP firm Grau & Angulo in Barcelona. "The economic downturn has made companies intent on enforcing their IP rights in order to retain market share."

Angulo points to the high technology, electronics and pharmaceutical sectors as particularly active due to the high development costs and intense competition.

The point of such litigation has been for companies to prevent rivals from exploiting their IP rights, he adds.

Furthermore, in recent years, a greater emphasis is being put on getting damages. The levels of damages in IP were not historically high, although this has changed as case law from the specialised Courts of Appeal has evolved.

As the judges in the specialist courts

have a better understanding of the real costs of IP infringement, they have established better criteria for measuring damages. An alternative criteria is what the losing party would have had to pay to obtain a hypothetical licence to produce a product protected by the disputed IP, which has increased payouts.

This is having an effect on IP litigation. There is a greater need for specialised IP lawyers to handle cases, which in turn means the cost of litigation is increasing too, says Angulo. Whereas disputing parties would often follow the case to a final judgment, the appetite to settle cases out of court is also growing.

"The higher cost of bringing litigation and the higher awards of damages mean more defendants are assessing the risk of a case," concludes Angulo. "In some cases, this has encouraged defendants to settle out of court rather than risk even higher costs should they lose."



Alejandro Angulo

Una década después de la instauración de los tres Tribunales de Apelación dedicados a casos de PI y el mercado sigue en plena efervescencia. Las demandas y litigios en Propiedad Intelectual siguen creciendo, especialmente en casos vinculados a patentes, marcas y derechos de autor, dice Alejandro Angulo de Grau & Angulo.

The fate of data

Protecting employees' personal data has become a priority for companies operating in Europe, says Judit Barnola, Head of the IT department at Osborne Clarke, Barcelona.

The need to understand and comply with data protection rules across 27 EU Members States is a difficult task, with regulations set to become even tighter.

"Companies need to have a three-fold approach to data protection," says Rafael García del Poyo, Head of the IT department at Osborne Clarke in Madrid. "They have to understand the legal, technical and organisational requirements."

All three of these issues vary in different markets, he adds, but companies do require a common approach. "Businesses have to follow the law yet make practical safeguards for data protection compliance too, such as adequate firewalls for servers and documents of security."

The punishments for data protection

breaches can range from fines to involuntary liquidation to imprisonment. Spain, for instance, settled on fixed fines for breaches after reviewing the options, including a percentage of a company's turnover. The maximum was set at €600,000 per breach and while that is not as high as other countries, the authorities are more vigorous in enforcement.

"The Spanish Data Protection Agency is very proactive in the application of data protection legislation," says García del Poyo. "It is worth remembering that the €600,000 fine is for each breach, so if a company has multiple breaches, the total fine can be considerable."

The EU is now also looking at taking a unified approach to data protection by way of a binding framework. The concept is to make a single set of regulations applicable at an EU-wide level, thus creating a uniform approach. If that comes in, companies will have yet another layer of regulations to contend with.



Rafael García del Poyo



Judit Barnola