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Arbitrating Intellectual Property Disputes in Portugal: A Case Study

Nuno Ferreira Lousa and Raquel Galvão Silva (Linklaters LLP) · Friday, November 13th, 2015

It is fair to say that arbitration is already a widespread dispute mechanism in Portugal, broadly used not only for commercial disputes but also for disputes in other areas such as, for example, consumer, administrative and tax disputes.

As for intellectual property, the possibility of submitting disputes to arbitration has been a reality in Portugal for some years now. In fact, not only do such disputes fall within the arbitrability criteria adopted by the Portuguese Voluntary Arbitration Law – which determines that dispute concerning the nature of patrimonial interests may be submitted by the parties, through an arbitration agreement, to arbitration (the “patrimonial interest” criteria) -, but also, since 2003, the ability of applicants to opt to arbitrate any future disputes related to a certain application for an industrial property right has been expressly foreseen in Articles 48 and 49 of the Portuguese Industrial Property Code.

More recently, Law no. 62/2011 of 12 December 2011, implemented mandatory arbitration for certain cases of infringement disputes concerning patents and Supplementary Protection Certificates (“SPCs”). According to Law 62/2011, disputes concerning industrial property rights, including preliminary injunctions, related to reference medical products ¹⁾ or to generics medicines, are subject to ad hoc or institutionalized mandatory arbitration (Article 2 of Law 62/2011).

It is important to highlight that Law no. 62/2011 has just two articles specifically addressing the new mandatory arbitration regime. The Law starts by specifying that the industrial property right holder that wants to enforce its right has 30 days to present a request for arbitration following the Portuguese National Authority for Medicines and Health Products’ (INFARMED) publication that a Marketing Authorization (MA) has been requested for a generic medicine. The Law further determines that: (i) if the company applying for the MA does not file a statement of defence within 30 days after being notified by the Arbitral Tribunal to do so, it will not be able to commercially explore its generic products in Portugal while the IP rights invoked by the claimant remain in force; (ii) if, on the contrary, the company files a statement of defence, the hearing shall take place within 60 days; and, (iii) parties can appeal against the Tribunal’s decision to the Court of Appeal (Article 3 of Law

62/2011).

Given the very succinct nature of Law no. 62/2011, several questions have been raised in relation to its scope and to the proceedings that should be followed by the parties. In fact, although such Law only expressly addresses the arbitration procedure for arbitrations following an MA application for a generic product, its scope is defined in very broad terms and some Courts have considered that it includes not only such disputes but all infringement disputes where a reference product or a generic product is involved (Decision of the Lisbon Court of Appeal, 19.03.2013, proceedings no. 227/13.5YRLSB-7). In any event, there is one aspect that remains outside the competence of the Arbitral Tribunals: the validity of patents, which remains subject to the exclusive jurisdiction of State Courts. (Article 35, no. 1, of the Portuguese Industrial Property Code; this has also been confirmed by the Courts. For instance, see Decision of the Lisbon Court of Appeal, 13.02.2014, proceedings no. 1053/13.7YRLSB-2)

As for other aspects of the procedure not specifically dealt with in these two articles, Law no. 62/2011 establishes that the Tribunal shall apply the rules of the arbitration institution chosen by the parties or, in the case of ad hoc arbitration, the Portuguese Voluntary Arbitration Law.

Following the enactment of Law no. 62/2011, there have been hundreds of arbitrations in Portugal between industrial property rights holders and generic companies that have applied for MAs. It is unquestionable that these hundreds of arbitrations have contributed to completely changing the panorama of the case law relating to the infringement of patents and SPCs, having also presented an opportunity for Tribunals and Courts to deal with interesting issues such as, for example, the ability of Tribunals in mandatory arbitrations to submit preliminary rulings to the Court of Justice of the European Union. (Cfr. Order of the Court of Justice of the European Union (Eighth Chamber), 13.02.2014, case C-555/13. Along the same lines, see the prior Decision of the European Court of Justice, 17.10.1989, Danfoss, 109/88, Colet., p.3199, no.7 - 9)

Another issue that has led to considerable debate is the repeated appointment of arbitrators by the same parties and/or law firms. As in many countries, the number of industrial property experts is low in Portugal and clearly insufficient when compared to the hundreds of arbitrations being launched every year. Whilst it is possible to argue that the same reasons that justify the exceptions to disclosure foreseen in the IBA Guidelines related to maritime, sports or commodities arbitration should also be applicable in the case of industrial property arbitration,²⁾ this question is causing a heated debate, with some of Portuguese Courts reaffirming the need to disclose previous appointments. (Cfr. Decisions of the Lisbon Court of Appeal dated 24.03.2015, proceedings no. 1361/14.0YRLSB.L1-1 and 29.09.2015, proceedings no. 827/15. Article 13 of the Portuguese Voluntary Arbitration Law specifically foresees the duty of arbitrators to reveal, without delay, any circumstances that may give rise to questions on their impartiality and independence.)

Law no. 62/2011 has also been subject to criticism in relation to the exceptionally short 30 day deadline³⁾ to start the arbitration proceedings and the economic pressure

put on the pharmaceutical industry that now has to arbitrate whenever an MA application is filed - something that happens frequently and at times on a daily basis. In fact, considering that the arbitration does not suspend Informed procedure to grant the generic medicine MA, it seems to be of little interest to force parties to arbitrate at such an early stage.

Although it seems clear that some adjustments are needed, especially in relation to the timings implemented by Law no. 62/2011, it is also indisputable that this new regime has made possible for cases to be heard - and preliminary injunctions to be granted - within a reasonable period of time. Although now a distant reality, before 2012, all industrial property cases were heard by commercial courts which, especially in Lisbon, were tremendously busy with other cases such as, for example, shareholders disputes or insolvency matters, making it extremely difficult (if not impossible) to obtain a quick decision (in less than one year), even in preliminary injunctions.

In August 2015, Portugal completed the ratification of the Unified Patent Court (UPC) Agreement,⁴⁾ thus becoming the eighth country to do so. It is not clear how this will ultimately impact the arbitration practice for industrial property disputes now in place in Portugal. In any event, considering that the new system also includes a patent mediation and arbitration centre with seats in Ljubljana and Lisbon, it seems that the use of arbitration in Portugal to resolve at least some disputes related to industrial property rights - at least related to European patents and European patents with unitary effect - will remain a reality for years to come.

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References

The reference medicinal product is a medicinal product which has been granted a marketing authorization on the basis of a complete dossier, i.e., with the submission of quality, pre-clinical and clinical data in accordance with Article 3, no. 1 of Decree

- ↑1 Law no. 176/2006, 30 August 2006, and to which the application for marketing authorization for a generic/hybrid medicinal product refers, by demonstration of bioequivalence, usually through the submission of the appropriate bioavailability studies.

According to footnote 5 in paragraph 3.1.3. of the Orange List of the 2014 IBA Guidelines, “It may be the practice in certain types of arbitration, such as maritime, sports or commodities arbitration, to draw arbitrators from a smaller or specialized

- ↑2 pool of individuals. If in such fields it is the custom and practice for parties to frequently appoint the same arbitrator in different cases, no disclosure of this fact is required, where all parties in the arbitration should be familiar with such custom and practice”.

This deadline has been interpreted by some Tribunals and Courts of Appeal as a caducity right, meaning that IP holders would be prevented from enforcing their IP rights against the generic after that 30 days period (see, for example, Decision of the Lisbon Court of Appeal, 30.09.2014, in the proceedings no. 512/14.9YRLSB-A-7).

- ↑3 However, the Portuguese Constitutional Court has ruled in one case that such deadline would be contrary to the Portuguese Constitution if interpreted as limiting the ability of industrial property rights holders to enforce their rights afterwards (Decision no. 123/2015, 12.02.2015).

Cfr. the Unified Patent Court Agreement (16351/12). At least 13 member states (which must include France, Germany and the UK) need to ratify the Agreement for it to enter into force. For now, only, Austria, Malta, Belgium, Denmark, France, Luxembourg, Sweden and Portugal have ratified it.

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