

Innovating out of the downturn



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There may be an economic slowdown but intellectual property (IP) and information technology and communications (ITC) lawyers say that their practices have been affected less than many others. Clients haven't avoided the downturn completely but in both the good and bad times businesses still have to innovate, protect and commercialise their IP rights.



The crisis has however seen many companies take a more strategic emphasis on managing their IP strategies, say lawyers, with anecdotal evidence of an increase in counterfeiting and pirating, while companies and law firms report an upturn in enforcement. The broader drop in merger activity has though meant a reduction in work levels related to corporate transactions, IP re-assignment and due diligence mandates. "I am not sure that either IP or ITC are anti-cyclical areas of practice but they are certainly less cyclical than some others," says Gonzalo Ulloa, Head of IP and IT at Gómez-Acebo & Pombo in Madrid.

In terms of the way companies are now approaching their IP there is an evident two-tier approach, lawyers suggest. "The largest companies have not changed their strategies as a result of the downturn, and this is especially evident in sectors such as life sciences, where companies are fighting harder to maintain their market positions and product pipelines," adds Ulloa.

But many other companies do seem to be focusing more on their most important IP needs and product lines. "We still see investment in innovation but when it comes to managing their IP many businesses want more efficiency. There is a stronger focus on core product lines and clients are now perhaps thinking twice about certain types of litigation," says Jorge Llevat, Head of IP and IT at Cuatrecasas Gonçalves Pereira.

Others agree that the financial situation is prompting clients to question the need to spend money on blanket protections. "If there is not going to be an immediate, positive, impact on their bottom lines then companies are questioning the need for specific IP methodologies. Even when it comes to disputes, we are seeing more settlements and more parties adhering to cease and desist requests," says Jesus Muñoz-Delgado, an IT and IP partner also with Gómez-Acebo & Pombo.

Others suggest that clients are also becoming more specific about the territories they focus on as commercial priorities. "Clients want to be protected but to have a much tighter strategic focus, with greater emphasis towards major consumer markets like the US," says Ana Teresa Pulido, an IP partner with PLMJ in Lisbon.

Other lawyers note however that such a strategy may leave some IP owners open to new and different threats, particularly where production or manufacturing processes have been outsourced.

"It is not enough to have protection in Europe or the US and expect those rights to be transferable elsewhere. In emerging markets like China, where there is now a lot of outsourced manufacturing, counterfeiting and piracy are huge issues, where you have to identify the source of the problem and act there. This means ensuring you have the official local authority to do so," says João Miranda de Sousa, Head of IP at Garrigues.

Cost control

Lawyers may debate the relative volume of work they are now seeing but all agree that in the face of clients' increased economic sensitivity no law firms are now immune from fee pressures. "The IP sector is experiencing the same difficulties as other areas. Portuguese companies may have finally caught up with the multinationals in recognising the need to protect their IP rights, and the commercial potential IP may bring, but across the board there is much more emphasis on cost control," says Gonçalo da Cunha Ferreira, an IP partner with Garrigues in Portugal.

Diego Ramos, an IP specialist with DLA Piper in Madrid agrees. "In a hostile environment clients often need to move ahead more rapidly and with much shorter deadlines but budgets are limited and we have therefore to demonstrate more added-value to the client to keep our fees along the same lines."

An evident outcome also of the downturn, particularly on those businesses with larger legal teams, is an increasing volume of work being retained in-house, suggests Ulloa at Gómez-Acebo & Pombo. "Among the most sophisticated clients we are seeing fewer contractual requests but more demand for second opinions."

The downturn is nonetheless generating new types of work for specialists, agree others. "Traditionally clients have gone to IP agents for simple filing issues and to lawyers when issues become more complex, or are more valuable to them. In this respect we too are seeing more contractual issues, litigation and enforcement," says Vasco Stilwell d'Andrade, an IP consultant with Morais Leitão Galvão Teles Soares da Silva (MLGTS) in Lisbon.

If law firms are to capitalise further on the opportunities presented by the downturn they also have to take more of a

El mercado jurídico y expertos en PI afirman que las empresas están dando una mayor importancia a la protección y comercialización de sus derechos de propiedad intelectual. Con una más creciente competencia en el mercado, se intentan proteger más frente a las falsificaciones o la piratería; pero los despachos están cuestionando el hecho de que las áreas de PI o tecnologías de la información sean anticíclicas o contracíclicas. El número de litigios ha crecido, al igual que la necesidad de buscar otros modos de rentabilizar los derechos de PI, aunque el bajo nivel de transacciones y el colapso de los tribunales estén dificultando el crecimiento sostenible de estas áreas de práctica.

commercial approach to their client's needs, says fellow MLGTS partner Helena Tapp Barroso.

"In an area like ITC law firms are more business sector focused, whereas in IP we have tended to be more legalistic. The challenge is to broaden our operations, to understand better our clients' strategic requirements, and to handle more of their commercial and business issues."



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New areas of growth

In line with law firms' emphasis towards less cyclical practice areas, IP and ITC lawyers are also therefore looking to widen their practice focus in to new and expanding areas of commercial activity.

Online gaming and gambling is a notable area of emphasis and which is experiencing market consolidation. Technically illegal in Spain and Portugal, except for the national and public lotteries, issues are increasing however around the ability of international market operators to advertise and target Iberian players – the situation is ironic, say some, given that many of the largest and leading players are actually located on the Iberian peninsula in Gibraltar.

Video gaming is another area and a sector typical of the approach taken by many technology companies to outsource or buy-in expertise, say some. "We see major entertainment and gaming companies looking to find new products and doing this by integrating smaller companies into their own structures. But it also works the other way, companies are also spinning-out types of research and this means more corporate and commercial needs," says Fernando Resina da Silva, Head of Telecoms, Media and Technology (TMT) at Vieira de Almeida (VdA) in Lisbon.

In a related development, outsourcing is an area that Portugal is also now placing particular emphasis on in order to capitalise on the country's technology and language skills and communications network, he adds.

"There is a corporate demand for cost reduction but also for higher quality services and we see growing interest in business process outsourcing. For law firms this also presents obvious opportunities as clients enter new commercial, labour and licensing agreements."

New business is also generated from recent legislative developments, say lawyers. Spain's new Law on Audiovisual Communications is impacting on clients across the telecoms, media and television sectors, says Salvador Rodríguez Artacho, a regulatory specialist at Madrid firm Hernandez-Echevarría Abogados.

"We see clients wanting to capitalise on new opportunities around mobile and high definition television as well as within the advertising sector. In addition, in the gaming sector there is now a proposal for new regulation that will affect online sports betting which will bring further new opportunities."

The speed of technology

Inevitably it will however be new technological developments that are the major driver for additional and future opportunities and challenges.

"In Portugal, telecoms, media and content provision will explode with the introduction and implementation of high speed internet services and fibre-optic cabling," says Luis Neto Galvão, an IT and telecoms lawyers with SRS Advogados in Lisbon.

The Portuguese Government's recently announced Digital Agenda signals a renewed focus on the role of technology in Portuguese society and the national economy, agrees Magda Cocco, co-Head of the TMT practice at VdA.

"In light of the financial pressures currently placed on Portugal, the Government's plan is ambitious but it nonetheless signals potentially significant new opportunities in the telephony, education, health and transport sectors, as well as in the provision of services and technology to the public sector."

Such developments reflect the wider appetite for technological tools and media diversification, say others. "With regard to the media sector, the public demand to be informed and entertained remains unchanged; and new distribution channels are constantly emerging and with them IP, commercial and litigation issues," adds Alvaro Ecija, co-Managing Partner of technology focused Ecija Abogados in Madrid.

Others note however that in the face of already established technologies, and sector convergence, some business sectors like the music and increasingly the literary worlds are having to adapt to both the up and downside of new technologies.

"The music and advertising industries have notably been forced to find new business models based on generating revenue through the internet, with the music industry now deriving much more of its revenue through live music and merchandising than record sales," says Pedro Alemán Laín of Alemán Abogados in Madrid.

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Regulatory catch-up

An area of legal activity that all lawyers agree is on the increase is data protection and privacy particularly following the

rapid take-up of "cloud" computing and the explosion in social networking – areas of practice that increasingly fall under the remit of ITC specialists.

"The increasing displacement of business and technological services to a cloud model infers a continuous regulatory demand where data protection is concerned. The international transfer of personal data also acquires special significance coupled with higher contractual requirements in terms of information availability and security measures," says Judit Barnola a technology specialist with Osborne Clarke in Barcelona.

Spain has recently seen a new Data Protection Act and Supreme Court rulings nullifying some accepted legal concepts, say lawyers, meaning that companies need to audit the personal data held every two years. But like the data, nowadays the legal issues also permeate across borders.

"Much of the work generated in this area is the product of multinationals' desire to produce seamless cross-border services. But governments are making more efforts to regulate data handling, consumers are more aware of the importance of privacy, and technology is becoming more invasive," says João de Macedo Vitorino, founding partner of Macedo Vitorino & Associados in Lisbon. "Technologies may therefore present new commercial opportunities but they also present regulatory uncertainties. Clients are now much more willing to challenge regulatory decision-making through the courts, while whole areas of commercial activity still wait for formal legal frameworks, say lawyers.

"Legislation will always lag behind innovation so our recurring challenge is to identify the frameworks that will apply to our clients' issues as well as the risks," says Ulloa at Gómez-Acebo & Pombo.

In order to advise clients, lawyers often have to look to other countries and regulatory regimes to help interrupt issues. "The IP and technologies are intrinsically international. Developments flow seamlessly across borders and we have to look to other markets and jurisdictions to see how issues are managed and regulated in order to suggest what the local rules may be," says Llevat at Cuatrecasas.

Clients can also help influence and shape new regulation as legislators see creativity encouraging new investment, although many may assess how good local domestic regulation is relative to how little impact it has on their own operations, say some.

Challenges therefore exist in creating the necessary entrepreneurial environment, says Ainhoa Veiga, a partner with Araoz & Rueda in Madrid. "The current economic situation will not be surmounted without fostering and encouraging innovation. I would not say regulators are taking measures consequently with this reality."

Future technologies

The forward-looking nature of IP and ITC lawyers' practice inevitably though makes many feel optimistic that despite the current difficult economic conditions their clients will continue to need ongoing legal advice and present totally new legal issues. "There are no safe harbours but these are areas in which there is reduced albeit constant demand. Clients are looking to reduce costs but they continue to innovate and look for ways to protect and commercialise their technologies and products," says de Macedo Vitorino.

The challenging economic environment is making companies and institutions take a much closer look at what IP rights they own, what they can commercialise and what they need to protect. This extends to academic and research-led institutions as much as businesses, as government funding reduces and the need for self-finance increases, say experts.

Nonetheless recurring challenges exist, progressing litigation quickly through the Spanish and Portuguese courts can be almost impossible, while many larger telecoms, life sciences and media companies are looking to bring more work in-house, while pressures remain on fee levels.

"Enforcement is still a burning issue for IP in Portugal while general advisory work has been contracting. Law firms have to adapt by being more flexible in the way they present and bill for their services – fixed fee arrangements are more common, as well as applying mixed systems that combine hourly and fixed rates," says Manuel Lopes Rocha, Head of IP at PLMJ in Lisbon.

The EU is also pushing ahead with plans to create a new pan-European Patent Court and to further harmonise rules to create single EU registration and enforcement processes.

IP and ITC remain however fundamental for future economic growth, say many, and technology will play a vital role as countries move away from an industrial base towards more services-led economies. Clients may be rethinking how they manage day-to-day legal issues but major projects have long gestation and development periods and major structural market changes to markets and technology infrastructures continue.

"It is not possible to reflect about the future ignoring the huge path of innovation and technologic development in TMT and life sciences and its growing role in companies' strategies for competitiveness both nationally and worldwide," says Carlos de Almeida Sampaio, Head of the IP, Media and TMT practice at Cuatrecasas, Gonçalves Pereira in Lisbon.

Courting trouble – Judicial delay

A major issue for IP owners looking to enforce their rights in Spain and Portugal is the continuing inefficiency of the courts, say lawyers.

"The courts are generally too slow to give a proper response to the issues raised. In trademark cases specifically, courts have such a high degree of subjectivity that it gives very little security on the outcome of a case," says Albert Segura, partner with Roca Junyent in Barcelona.

The creation in Spain of dedicated Commercial Courts is regarded as a positive development but the economic downturn has seen them overwhelmed with bankruptcy and insolvency proceedings.

"New Courts are being created but there are still not enough. Issues also arise in some cases around the level of understanding of Judges on specific technical issues, and who may be replaced mid-way through a trial, and the continuing lack of dedicated judicial support," says Jorge Llevat, Head of IP and IT at Cuatrecasas Gonçalves Pereira.

"There has been a virtual collapse of the judicial process and the direct consequence is the slowing down of the IP procedures," adds Josep Carbonell of leading firm Jausàs.

The establishment of IP courts in Portugal in 2009 was also a major development, lawyers agree.

"The enforcement process remains very good and has improved in recent years but the ability of the courts to process and decide matters remains woefully inadequate," says Ana Teresa Pulido at PLMJ.

Likewise, the downturn is pushing clients to appeal more regularly the decisions of regulators which is further adding to the backlog of cases, and bringing into question their ability to determine issues, say others.

"Regulatory work principally in the telecoms and data protection arenas is steadily increasing and thus presents a clear opportunity for law practices," says Daniel Reis also with PLMJ.

But lawyers also suggest that such pressures reflect a change in Portuguese society. "We have moved from a position where decisions were routinely respected into one in which decision-makers are routinely held to account. We now see a huge amount of litigation from major clients directed towards the actions of the regulators," says Luis Neto Galvão with SRS Advogados in Lisbon.

A lack of speedy judicial decision-making inevitably has an impact on foreign investor comfort, say lawyers. In an effort to speed up disputes Portugal has seen the introduction of dedicated IP arbitration courts, ARBITRARE.

Nonetheless there remains some way to go before such a process is wholly accepted, say many.

"While we are well used now to alternative dispute resolution processes for issues like domain name disputes, there is no tradition of arbitration in Portugal and even less so in the IP arena. There is a demand for the services ARBITRARE provides, and for those deciding disputes to have the requisite technical understanding, but even so it is still having limited success." says João Paulo Mioludo, Rui Pena, Arnaut & Associados.

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