

ES – TWO-WAY MEDIA v. TELEFÓNICA

Commercial Court No. 4 of Barcelona, 17 October 2022, case number 517/2017

In an extensive judgment issued in the framework of patent litigation related to Internet TV services, Commercial Court No. 4 of Barcelona has addressed some issues of particular interest due to their unusual nature within the customary legal handling of patent matters in Spain, such as the invalidity of a patent based on its lack of technical character, or the liability of third parties who do not directly commit acts of infringement.

Two-Way Media Ltd. (“Two-Way”) instituted legal proceedings against several companies belonging to the Telefónica company group, the leading Spanish telecommunications operator: Telefónica de España, S.A.U., Distribuidora de Televisión Digital, S.A.U., and Telefónica S.A. (collectively, “the Telefónica companies”). In its complaint, Two-Way brought legal actions for the infringement of two patents corresponding to the validations in Spain of European patents EP 2278775 and EP 2323333, as well as a claim for the compensation of damages suffered as a result of the patent infringement.

The patents at stake -lapsed back in May 2017- related to a multicasting method and apparatus. Plaintiff Two-Way thus addressed its infringement complaint against three different embodiments related to the Telefónica group’s subscription platform for digital television and to some of its related functionalities, which were developed and had been commercially exploited in the Spanish market by the Telefónica companies, for allegedly falling within the scope of several claims of Two-Way’s patents. The three contested embodiments were, in particular:

- The pay television distribution and broadcasting platform (IPTV services) “MOVISTAR+” (formerly known as “Movistar TV” or “Imagenio”).
- The product/service “MOVISTAR+ EN TUS DISPOSITIVOS” (formerly known as “Yomvi”, “Multipantalla” or “GO”), which allows access to the “MOVISTAR+” platform through different devices.

- The product/service “MOVISTAR+ READY”, which allows access to the “MOVISTAR+” platform through Smart TVs.

The Telefónica companies objected to the alleged patent infringement and in turn raised a plea for the invalidity of the patents (which was processed as a counterclaim) based on several grounds: lack of technical character, lack of novelty, lack of inventive step, and added subject-matter.

On 17 October 2022, Commercial Court No. 4 of Barcelona, competent to hear the dispute, made its decision in an extensive judgment in which, after analyzing all grounds, it dismissed the claims for invalidity raised by the Telefónica companies, while fully accepting Two-Way's claim, declaring the commission of patent infringement activities and awarding the claim for damages.

Of all the issues addressed in the judgment, we find it appropriate to focus on the analysis specifically of two due to their infrequent or even novel nature in the Spanish jurisprudential landscape:

- The allegation of patent invalidity on the grounds of lack of a technical nature.
- The liability of companies in the same group that do not themselves directly engage in acts of patent infringement.

The lack of technical contribution as a ground for patent invalidity.

As mentioned above, one of the reasons alleged by the Telefónica companies to challenge the validity of the patents in suit enforced by Two-Way, and in particular of patent EP 2278775, relied on the alleged absence in this patent of any technical character.

As may be inferred from the judgment, the Telefónica companies had contended that the only feature that differentiated patent EP 2278775 from the prior art was that the patent foresees a stage of transmission to a server and its possible recording of information on the selection and delivery of the media stream. Based on this information, the Telefónica companies had maintained that the patent therefore did not contribute to improving the existing streaming or transmission techniques of a media stream, nor the transmission of information between client and server, but simply provided “*abstract and vague ideas that could define any known audio or video streaming system*”. The only differentiating stage in relation to the prior art, the Telefónica companies argued, did not provide any technical contribution, as it did not improve any technical aspect of streaming, nor did it provide for any application of the information transmitted to the server for the solution of a technical problem. Therefore, the patent claims were void of any technical content, “*because they lack any teaching on how to modify or create a state of things by the use of forces of nature or other means of a technical nature*”.

The above, according to the Telefónica companies, should lead to the nullity of patent EP 2278775 under Article 138(1)(a) EPC for protecting non-patentable subject-matter and thus not an invention, since the patent claims consisted of “*vague and abstract ideas*” comparable to the “*schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers*” envisaged in Art. 52(2)(c) EPC.

Commercial Court No. 4 of Barcelona, however, rejected the Telefónica companies’ approach to the patent claims and hence that the patent EP 2278775 should be nullified for lacking technical character in application of Art. 52(2) EPC.

The Court considered that isolating one feature to assert the invalidity of a patent claim or, even further, of the entire patent, for lacking technical character, was an improper approach which conflicted with the doctrine set forth by the EPO in its Guidelines for Examination and in its Case Law, thus a reason to dismiss this allegation of nullity.

Recalling the EPO’s doctrine in this respect, the Court noted that the assessment of whether the claimed subject-matter is an invention is subject to the so-called “two-hurdle approach” established by the EPO Boards of Appeal. Under this test, the first hurdle is the “patent eligibility” hurdle, pursuant to which the claimed subject-matter shall not fall within the “non-inventions” envisaged in Arts. 52(2) and (3) EPC; to overcome this hurdle, it is sufficient for the claim to comprise at least one technical feature, determined without reference to the prior art. The second hurdle then refers to the assessment of inventive step, considering that patent claims may comprise a mix of both technical features and non-technical features (i.e., those that, on their own, would be regarded as “non-inventions”); in these cases, the EPO “COMVIK approach” shall apply to determine whether a patent claim involves an inventive step, and requires establishing which features of the invention contribute to its technical character, because features that do contribute to the technical character of the invention cannot support the presence of an inventive step.

Thus, after noting these principles and differences between the assessment of patent eligibility and inventive step, and on the role that technical and non-technical features play in each, the Court highlighted the significance of Decision T 0258/03 of the EPO Technical Board of Appeal, pursuant to which the relevant issue concerning the concept of “invention”, within the meaning of Art. 52(1) EPC, is that the technical character may be implicit in the physical features of an entity, or in the nature of an activity, or may be conferred onto a non-technical activity by the use of technical means. As noted in the cited Decision, since it is often difficult to separate the technical and non-technical features of a patent claim, and while technical aspects thereof may sometimes be hidden in a largely non-technical context and may be easier to identify when assessing inventive step, “*there may be practical reasons*

for generally regarding mixes of technical and non-technical features as inventions in the meaning of Article 52 (1)”.

Due to all the above considerations, the Court found that the Telefónica companies’ assessment was not admissible, as it was based on the premise -contrary to the EPO doctrine- that the patent’s lack of technical character stemmed from the fact that the only distinguishing feature as compared to the prior art lacked any technical contribution.

The liability of group companies that do not themselves infringe the patent.

Having rejected all the invalidity arguments raised by the Telefónica companies, the Court analyzed in its judgment the three contested embodiments in light of the patent claims, and determined that Two-Way’s exclusive rights had indeed been infringed.

At this point, the judgment moves on to another interesting issue particular to this case, namely resolving the allegation made by the defendant Telefónica S.A. (parent company of the group) denying its legal standing to be sued for patent infringement, and therefore declining any liability for such infringement and for any related damages.

Telefónica S.A. had objected to its lack of passive legal standing in the proceedings on the grounds that it did not provide any of the controversial services or partake in their commercialization; it was not the owner of the equipment supplied to customers; it was not the recipient of payments made by users; nor was it in charge of the installation of the equipment the users need to receive the services.

While admitting, based on the submitted evidence, that it was actually the two other defendant companies (Telefónica de España, S.A.U. and Distribuidora de Televisión Digital, S.A.U.) that engaged in a relationship with the users of the services, the Court nonetheless remarked that this did not necessarily preclude Telefónica, S.A. from liability. Nor could the consequences of the infringement committed by these two companies be attributed to other companies within the group (like Telefónica, S.A.) just because they belonged to the group; indeed -the Court continued- it was necessary for the other companies of the group to also commit acts of infringement, so the conduct of Telefónica, S.A. had to be analyzed.

In this respect, the Court observed that Telefónica S.A. was the owner of the several Internet domains from which the contested services (and access thereto) were offered to users. As the licensor of those domains, the Court noted that its liability was not precluded, since, under the Spanish Patents Act, this would have required its licensees to have breached the limits of the license, an allegation not put forth.

Having noted the above, the Court remarked that, while the Spanish Patents Act does not allude to the potential liability of third parties -beyond that one of main infringers-, *“it is a general principle of liability that, if there are two or more persons who, through their physical or mental cooperation, commit an act of infringement of a patent, the damage caused must be attributed in its full extent to each of the co-perpetrators”*.

On this premise, the Court reached the conclusion that Telefónica, S.A. facilitated the infringing activities committed by Telefónica de España, S.A.U. and Distribuidora de Televisión Digital, S.A.U., to the extent that it could have implemented measures and limits in the use of its domain names (and trademarks), especially considering that the licenses at stake were non-exclusive and Telefónica, S.A., therefore, retained its right to use the licensed domain names and trademarks. Moreover, the Court also noted that Telefónica, S.A. earned profits from the exploitation of its domain names and trademarks under the license agreement.

Consequently, the Court ruled that the legal actions prompted by Two-Way could indeed be addressed against Telefónica, S.A. as well, thus admitting its passive legal standing, in the understanding that this company collaborated and/or participated in the patent infringements committed by Telefónica de España, S.A.U. and by Distribuidora de Televisión Digital, S.A.U.

This judgment is noteworthy in that, to the best of our knowledge, it is the first one in Spain to recognize the liability of third parties for patent infringement, who did not carry out acts of infringement themselves but acted as cooperators or facilitators of their commission. And, as can be deduced from the judgment, this is not so much based on the provisions of the Spanish Patents Act, but on the general principles of liability.

It is not known whether the judgment has been appealed.