



Intellectual Property Rights Yearbook 2019

*A summary of developments in intellectual property law
and related areas prepared by Westerberg & Partners.*

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Foreword

Last year was the premier for our Yearbook in our new context of Westerberg & Partners, a boutique law firm with special focus on IP law and high value arbitration/litigation (see www.westerberg.com for more information).

We have had a great and exciting first year during 2019 and continue to hope the Yearbook can serve as a convenient source of information for anyone interested in keeping up to date with recent developments in the Swedish IP arena (with some outlooks into EU law in the IP field).

A quick overview of this year's content is as follows.

In the patent area Sweden is, as noted before, from the legislative point of view ready to go whenever the UPC finally comes alive and the Swedish patent litigation community closely follows recent developments where Brexit now appears certain and the German constitutional complaint might be resolved during 2020.





Swedish case law in the patent area covers both procedural aspects of burden of proof for infringement and substantial patent law.

A few decisions from the CJEU on the conditions for grant of SPCs has also occurred during the year (as usual) and we report the core findings.

In respect of trademarks we report on, among other things, case law related to absolute grounds for refusal, jurisdiction and the developments regarding bad faith applications.

In the copyright area, the Swedish and CJEU case law is perhaps more intertwined than usual, as they cover similar issues and include CJEU referrals from Swedish courts. The reported cases discuss, among other topics, the threshold of originality, distribution of counterfeit products and the never-ending discussion on communication to the public.

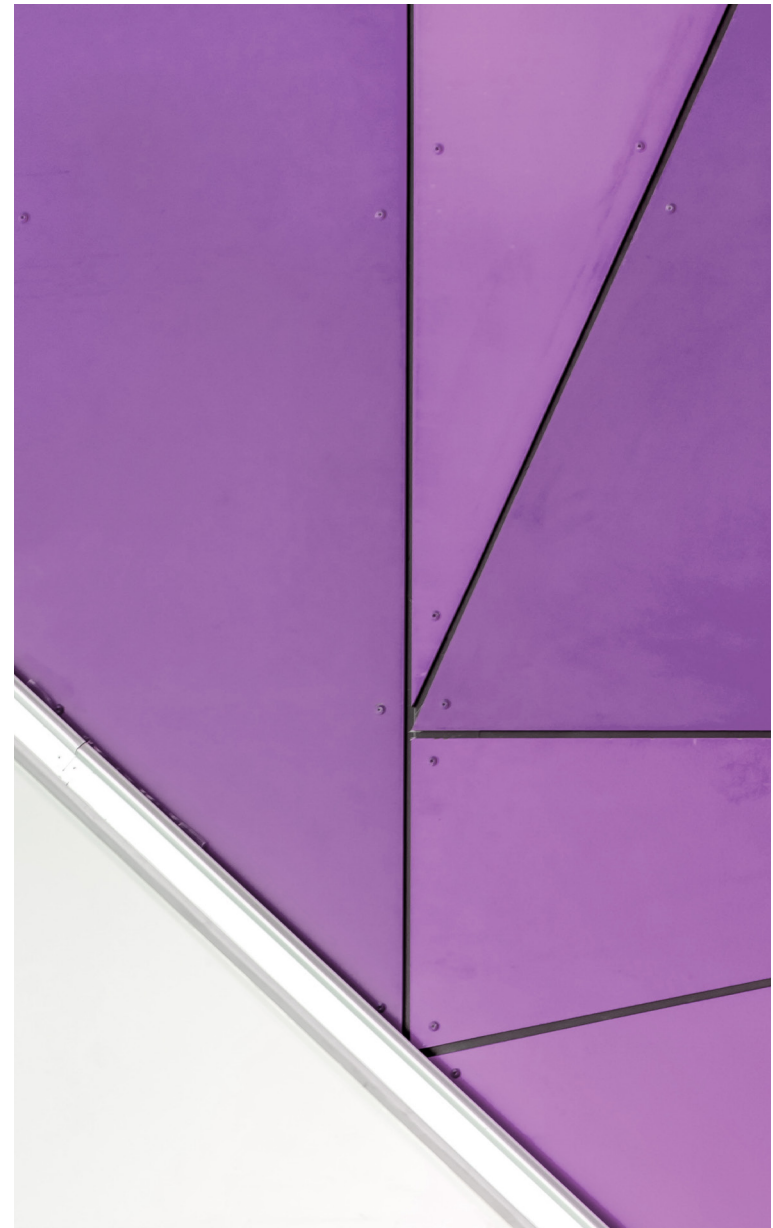
For designs, the notable case law relates to the classic motor vehicles Porsche 911 and Vespa.

Last but not least we report on cases under the Marketing Act and cover e.g. influencer marketing and marketing within the highly regulated field of alcoholic beverages.

You meet our dedicated team of specialised IP lawyers in the list of contributors at the end. We all hope you enjoy the reading and wish you a successful New IP Year in 2020!

Definitions

BoA	<i>Board of Appeal</i>
CJEU	<i>Court of Justice of the European Union</i>
EUTM	<i>EU trademark</i>
EUTMR	<i>Regulation (EU) 2017/1001 on the European Union trade mark</i>
GC	<i>General Court</i>
PMC	<i>Patent and Market Court</i>
PMCA	<i>Patent and Market Court of Appeal</i>
SPC	<i>Supplementary Protection Certificate</i>



Patent law

General introduction

Following a slow year in patent case law, 2019 have seen more cases and the PMCA has handed down seven judgments in the course of the year, as well as one request for a preliminary ruling being referred to the CJEU. These judgments concern both procedural issues and substantial patent law. The referral to the CJEU relates to the interpretation of Regulation No 469/2009 concerning the supplementary protection certificate for medicinal products (the "SPC Regulation") which still is a hot topic following the, now almost eight years old, Neurim case (C-130/11).



Article 3(d) of the SPC Regulation (CJEU C-443/17)

Introduction

In this case, the CJEU clarifies that market authorisations (“MA”) for new formulations of known active ingredients cannot be qualified as the first MA which puts a product on the market as a medicinal product under article 3(d) of Regulation No 469/2009 concerning the supplementary protection certificate for medicinal products (the “SPC Regulation”).

Background

A company applied for an SPC based on a marketing authorisation (“MA”) for a new formulation of a known active ingredient.

The High Court of Justice in England and Wales asked the CJEU whether article 3(d) of the SPC Regulation should be interpreted as permitting the grant of an SPC in a case where the MA within the scope of a basic patent is the first MA to place the product on the market as a medicinal product but where the product is a new formulation of a known active ingredient.

Decision

Article 3(d) provides that the MA which the SPC application is based on must be the first MA to place the product in question on the market.

In answering the question, the court firstly held that the concept of “product” had to be interpreted. In accordance with article 1(b) of the SPC Regulation, a product is defined as an active ingredient or a combination of active ingredients. Furthermore, the court held, an added substance which not on its own has a therapeutic effect,

cannot be considered as an active ingredient and thus not a “product”. Therefore, an alliance of such a substance with a substance that has a therapeutic effect could not, according to the court, give rise to a “combination of active ingredients” as provided in the definition of “product” in article 1(b) of the SPC Regulation. In the case in question, a substance had been added to an already known active ingredient. The new substance was merely acting as a carrier of the active ingredient. The court found that such a formulation could not be considered as a product being distinct from the product consisting solely of the active ingredient.

The court then assessed whether an MA granted for a new formulation of an old active ingredient could be considered as the first MA pursuant to article 3(d) in the SPC Regulation when the MA in question is the first MA within the scope of the basic patent. In reaching its conclusion, the court held that the SPC Regulation aimed to protect research which resulted in the first authorisation to market an active ingredient or a combination of active ingredients as a medicinal product. That aim would, the court continued, be jeopardised if it would be possible to take into account solely the first MA which consists of a formulation of an old active ingredient that is covered by the scope of the basic patent and thus disregard a previously granted MA which relates to the same active ingredient in another formulation. Thus, the court concluded, an MA granted for a new formulation of an old active ingredient cannot be regarded as being the first MA granted for that product as a medicinal product pursuant to article 3(d) of the SPC Regulation when the active ingredient in question has already been the subject of an MA.

Lastly, the court briefly commented on the Neurim case (C-130/11) and concluded that the exception provided therein from the strict interpretation of article 3(d) in the SPC Regulation cannot be

applied even if the MA for the new formulation would be the first to be encompassed by the basic patent invoked in support for the SPC application.

Comment

By the CJEU's preliminary ruling it is clear that it is not possible to obtain an SPC by virtue of an MA for new formulation of a known active ingredient when that ingredient already has been subject of another MA. The case is generally in line with previous restrictive case law from the CJEU and appears to rule out the possibility of SPCs for formulation patents. Little guidance is given on the scope of Neurim (C-130/11) and it remains to be seen how the CJEU will approach the references relating to its finding in that case – which has bearing on SPC's for second medical use patents now before the court.

Compensation for wrongfully issued preliminary injunction (CJEU C-688/17)

Introduction

The core issue of this case was whether article 9(7) of Directive 2004/48 (the "Enforcement Directive") gives the right to compensation to a party subject to a preliminary injunction which was later lifted, even if national law does not provide any such right. However, the CJEU also elaborates on the general conditions for grant of preliminary injunctions and defendants' right to compensation when a preliminary injunction is lifted. The CJEU expresses the view that a preliminary injunction is justified when there is a risk of irreparable harm to the rightsholder and that such risk normally is at hand when a granted patent exists and is considered infringed upon a preliminary review. The defendant's right of compensation on the other hand does not follow automatically

from the fact that the preliminary injunction was later lifted, but is only guaranteed if the injunction was unjustified. The question of whether the preliminary injunction was justified shall be assessed based on the situation at the time it was granted, not based on a *post facto* analysis of the final outcome of the case.

Background

A patent holder in Hungary requested and was granted a preliminary injunction against two competitors with regard to a medicinal product. The injunction was later lifted on appeal due to procedural errors and when tried on the merits, the infringement claim was dismissed since the patent was declared invalid.

The defendants filed an action for damages caused by the injunction and the issue arose how the Enforcement Directive affected the application of Hungarian national law on damages in this respect. Pursuant to article 9(7), in circumstances where a provisional measure has been (i) revoked or (ii) lapsed due to any act or omission by the applicant or (iii) when it is subsequently found that no infringement or threat of infringement has occurred, the national courts shall have authority to order the applicant to provide appropriate compensation for any injury caused by such measure.

The Hungarian court requested a preliminary ruling by the CJEU. The referring court asked whether article 9(7) of the Enforcement Directive, and specifically the expression "appropriate compensation" entailed that each member state must establish the rules of law governing the liability of the parties, the amount and the method of compensation due to a wrongfully issued preliminary injunction or if it should be interpreted uniformly throughout the EU. Further, the CJEU was asked to try whether the article in question and the relevant expression precluded national legislation which provides

that a party shall not be compensated for losses suffered due to that the party has not acted as may generally be expected in order to avoid or mitigate his loss and which, in circumstances such as those in this case, entails that the court does not order the party which has sought preliminary relief to compensate this party – even if the preliminary injunction which first was granted has subsequently been lifted.

Decision

In relation to the first question the CJEU held that, in light of recital 10 of the Enforcement Directive, the directive's objective is to approximate legislative systems so as to ensure a high, equivalent and homogenous level of protection in the internal market. If member states were to interpret the expression "appropriate compensation" in different ways, this objective would fail. Thus, the court held that the expression "appropriate compensation", i.e. both the amount and conditions for it, must be given a uniform interpretation throughout the EU. The CJEU consequently held that it is for the national courts to assess whether, in the specific circumstances in the case before them, it is appropriate that the defendant is awarded compensation. Appropriate, the court held, means justified in light of the specific circumstances.

The CJEU then proceeded to set out the conditions for when compensation is appropriate. Quoting recital 22 of the Enforcement Directive, the court held that appropriate compensation is a guarantee necessary to cover costs and injury to which the defendant is subject due an "unjustified application" for provisional measures. Furthermore, the court observed, the same recital provides that provisional measures are particularly justified if any delay would cause irreparable harm to the rightsholder. The court referred to the

case before the Hungarian court and held that in a situation where someone begins marketing a product which is subject to a patent application or is patent protected, such conduct may, *prima facie*, be regarded as objectively indicative of the existence of a risk, for the holder of that patent, of irreparable harm in the event of delay in the adoption of the measures sought by that patent holder. Consequently, if the rightsholder seeks a preliminary injunction in this situation, this measure cannot *a priori* be considered as unjustified.

Furthermore, the court noted, for compensation due to a wrongfully issued preliminary injunction to be ordered, it is a precondition that the preliminary injunction has been lifted. This is, however, not sufficient for the national courts to find that the issued preliminary injunction was unjustified. Was that the case, the court held, this would discourage rightsholders from seeking preliminary injunctions which would in turn oppose the Enforcement Directive's objective in ensuring a high level of protection of IP rights.

Lastly, the court stressed that the national courts must also take all relevant facts into consideration, including the parties conduct, when applying article 9(7) in the Enforcement Directive, and ensure that the rights thereunder have not been abused.

In its decision the court thus concluded that the expression "appropriate compensation" in article 9(7) must be interpreted as not precluding national legislation that provides that a party shall not be compensated if that party has not acted as can be expected to mitigate his or her own loss, and that results in the court not ordering another party which has sought a preliminary injunction to compensate the defendant even if the preliminary injunction has subsequently been lifted. This however, the court held, requires that

the national legislation permits the court to take into consideration all objective circumstances of the case, including the conduct of the parties, to decide that these measures have not be abused.

Comment

Even if the specific question answered by the CJEU concerns its effect on Hungarian national law the general reasoning leading up to said answer raises several interesting questions in the Swedish context.

The Swedish Patents Act provides that a preliminary injunction may be granted in case the claimant can show probable cause of infringement and that it can be reasonably assumed that the value of the exclusive right will be diminished by a continuing infringement. The risk for irreparable harm is thus not a criterion for obtaining a preliminary injunction.

Furthermore, a defendant's right to compensation due to enforcement of preliminary measures are governed by general legislation (Chapter 3, Section 22 of the Enforcement Act), which thus not only addresses preliminary measures granted in intellectual property disputes. It would appear problematic to apply the same provision differently depending on the legal ground for the preliminary measure in question.

The Supreme Court has in a recent judgment (NJA 2017 p. 9) also established that the applicant's liability for damages caused by a preliminary injunction is strict. In the decision, the Supreme Court noted that pursuant to the Enforcement Act, if an enforcement

order has been lifted, the applicant has a strict liability for the damages which the defendant has suffered due to the execution of the order. The Supreme Court then also noted that when assessing the Enforcement Code in the light of article 9(7) of the Enforcement Directive, the liability due to a wrongfully issued preliminary injunction must also be strict.

Even if the CJEU makes its assessment regarding the prerequisites for compensation due to a lifted preliminary injunction under the Enforcement Directive in the context of a question dealing with national law which did not appear to allow for such compensation and expresses itself in quite general terms, it appears that the CJEU takes a position in principle that is almost the opposite of the current legal situation in Sweden.

It can be noted that the ruling has been criticized for being unclear and *inter alia* not recognising and analysing the fact that article 9(7) not only sets forth a right to compensation for the defendant when a preliminary injunction has been lifted but also "when it is subsequently found that no infringement or threat of infringement has occurred". The latter wording appears to necessitate the *post facto* analysis of the final outcome of a case in order to establish the defendants right to appropriate compensation which the CJEU now appears to have dismissed.

It remains to be seen which effect the current ruling will have on case law and legislation in Sweden and there might very well be a need for further clarifications from the CJEU.

Request for preliminary ruling regarding SPC (PMCA PMÖÄ 9354-17)

Introduction

The PMCA has requested a preliminary ruling from the CJEU in order to clarify whether an SPC can be granted for a medicinal product if the applicant previously has been granted an SPC for the same product which is based on another basic patent and another MA with different a therapeutic indication.

Background

In December 2013, a pharmaceutical company applied for an SPC regarding a product protected by a basic secondary medical use patent and an MA from 2013 for the therapeutic indication protected by said patent. Since the company had previously been granted an SPC for another basic product patent covering the same product, the Swedish Patent and Registration Office rejected the application. However, the previously granted SPC was based on another MA with other therapeutic indications than the one protected by the later secondary medical use patent.

Upon appeal, the PMC referred to article 3(c) of the SPC Regulation pursuant to which an SPC can only be granted if the product has not already been subject to an SPC. The PMC further held that the “product” in article 3(c) should be interpreted as the “active substance”. Since the same active substance was the subject matter also of the previous SPC, the PMC rejected the appeal. The medicinal company took the case to the PMCA.

Decision

Firstly, the PMCA noted that “product” according to article 3(c) in the SPC Regulation means “active substance”. The court then

observed that the purpose of the regulation was to stimulate new research resulting in that new products were discovered. The court also held that article 3(c) aims to prevent that one product becomes the subject matter of several SPC’s. The court noted, however, that since the CJEU had established that the general interests of encouraging research (i.e. not only directed at discovering new active ingredients), the interests of the pharmaceutical industry and the public health in general must be taken into consideration.

Having stated the above, the court referred to the CJEU’s judgment in *Neurim* (C-130/11), wherein the CJEU established that an SPC can be granted when a basic patent protects the use of an already known product, irrespective of whether the product as such is patent protected, for example when a new basic patent protects a new therapeutic use of a known active substance, given that a valid MA is in place. In addition, the PMCA held, the CJEU had found that several proprietors of different basic patents should be able to obtain SPC’s without anyone of these being given priority. In light of this, the PMCA held that the purpose of the grant of an SPC also covers stimulating pharmaceutical research relating to new therapeutic uses, rather than only stimulating research resulting in new products.

Another factor to take into consideration when interpreting the purpose of the SPC, the court held, was to read Regulation No 1610/96 regarding SPC’s for plant protection products. The court noted that according to article 3(2), one holder of several patents for the same product cannot be granted more than one SPC for that very product. However, the court also observed that holders of different patents regarding the same product can be granted SPC’s regarding that product if the application is still pending. The application of said article, entailing that several SPCs can be granted to holders of different basic patents, corresponds well to the purpose

of stimulating pharmaceutical research leading to new therapeutic uses of already known products.

Taking the above into consideration, the PMCA concluded that the application of the articles at issue entailed a wider purpose than just stimulating research which leads to new products. Thus, the court held that the interpretation of said articles was unclear and the PMCA referred the following question to the CJEU:

“In view of the fundamental purpose which the supplementary protection certificate for medicinal products is intended to fulfil, namely that of stimulating pharmaceutical research in the European Union, does article 3(c) of Regulation No 469/2009, having regard to article 3(2) of Regulation 1610/96, preclude an applicant who has previously been granted a supplementary protection certificate in respect of a product by a basic patent, in force in respect of the product per se, from being granted a supplementary protection certificate for a new use of the product in a case such as that at issue in the main proceedings in which the new use constitutes a new therapeutic indication which is specifically protected by a new basic patent?”

Comment

The circumstances in this case will hopefully allow the CJEU to shed further light on what constitutes a product eligible for an SPC in the context of secondary medical use patents. The product subject to the application has the same active substance but with a new second medical use patent and an MA for a different therapeutic indication. The PMCA thus seem to be open to the possibility of protection under the SPC Regulation also for second medical use inventions. Hopefully, we will also get an answer on what the regulation aims to stimulate – research resulting in new products only,

or if it has a wider scope aimed at stimulating medical research which contributes substantially to the public health?

The concept of infringing object (PMCA PMT 10710-17)

Introduction

In this case, the PMC previously found liability for directors for companies held to infringe a patent. The appeal resulted in the alleged infringer being released from liability and turned on whether the objects on which the claimant based its infringement analysis originated from the defendants and thus were attributable to them. The case demonstrates that it can be precarious for a rightsholder to secure evidence of infringement.

Background

A company held an exclusive license for two patents claiming inventions in the field of stone cracking cartridges. Another company manufactured cartridges which the licensee considered infringing. The licensee used a third party to procure specimens of the cartridges in question. After having ascertained the properties of those specimens, the licensee brought infringement proceedings against both the manufacturer and the distributor of the cartridges in question as well as certain directors of those companies. The infringing object, relative to which an injunction and a declaration for liability in damages was sought, was defined based on the properties of the specimens acquired by virtue of the third party. Based on various parameters said to differ in the infringing object compared to the defendants' products, e.g. labelling and load weights, the defendants made various claims as to the authenticity of the cartridges which formed the subject matter of the claimant's action.

The PMC found infringement of one of the two patents and granted the request for an injunction and a declaration of liability in damages. In the appeal proceedings the defendants emphasised the stated differences between the infringing object, as defined by the claimant, and their products. The defendants claimed that the cartridges, the properties of which were said to be infringing, did not originate from them.

The claimant emphasised that the specimens acquired by the claimant were marked with the product name and the manufacturer's company name and provided a copy of the order confirmation from the third party's purchase with the name and contact details masked. Directors of the claimant testified to how the purchase occurred, but the third party did not give testimony.

Decision

The PMCA began its judgment by explaining that a finding of infringement assumes that an infringing object in all respects corresponds to a patent claim and that it thus is important that the infringing object is clearly defined. The PMCA also emphasised that the infringing object must be attributable to the alleged infringer. The court noted that the infringing object before it was cartridges marked with the product name used by the defendants but that it was contentious that the cartridges in question originated with the defendants. The PMCA then observed that the burden of proof for infringement rests on the party which alleges infringement. The court proceeded to consider whether there were any reasons to lower the evidentiary threshold in this respect and answered that question in the negative.

The PMCA then turned to the evidence before it, noting that the cartridges in question bore the name of its manufacturer (one of

the defendants) and the product name of the defendants' product. The volume and weight of the load were contentious. It was a crucial aspect of both inventions that the cartridge interacted with the load in certain respects. The court noted that all measurements before it, were made by the parties and not by any neutral expert. The PMCA placed particular emphasis on a statement made by a director for the defendants in his testimony to the effect that load weights for their cartridges were marked on a paper label. On the cartridges which the claimant demonstrated, the load weights were written on the cartridge with a pen.

The court observed that the third party who had acquired the infringing object had not given testimony. The court also noted that the order confirmation for the purchase had been submitted, albeit in masked form, but appears to have wanted to have seen further documentation in this respect and labelled the testimony of one of the directors of the claimant incomplete as to the actual purchase.

On balance, the PMCA held that it could not find that the cartridges which the claimant had brought before the court originated from the defendants. In this respect the PMCA also stated that nothing on the record suggested that the cartridges in question were manipulated by the claimant. On the finding that the infringing object before it had not been proven to originate from the defendants, the court rejected all relief sought by the claimant.

Comments

As noted already in the introduction, this case demonstrates the difficulties of obtaining proof of infringement for certain kinds of products. An alleged infringer is rarely willing to sell its products to the rightsholder and it might accordingly be necessary for the rightsholder to use agents to acquire the products. Such agents may

not always be willing to participate in subsequent infringement proceedings as they may, for example, be mindful of a commercial relationship with the infringer. In such cases it is often difficult to establish a full chain of evidence for the purchase of the infringing objects against which infringement proceedings are brought. It will remain to be seen if this case marks a very stringent practice from the PMCA in this regard or whether the outcome is specific to the facts in this case.

Contributory infringement and implied license (PMCA PMT 360-18)

Introduction

This relates to the appellate decision on a case decided in 2017, where an interesting judgment on contributory infringement and implied licenses was handed down by the PMC in the first instance. On finding the patent invalid, the PMCA unfortunately could not rule on the issues of more general interest discussed in the proceedings. The first instance judgment, however, remains relevant for the issues of infringement.

Background

The case concerned the alleged infringement and invalidity of a patent in the power transmission field, where the alleged infringer and patent holder both had participated in a public procurement. The patent, for present purposes, can be said to relate to the combination of two separate products – cables and converters – and the combined use of these. The procuring entity, however, decided to separate the procurement of cables and converters into two different procurements, where the patent holder won one (for cables) and the alleged infringer won the other (for converters).

The patent holder sued for contributory infringement through the supply of the converters. In addition to claiming invalidity of the patent, the defendant argued that the patent holder by its own actions had caused the alleged infringement and argued that its rights should be unenforceable for several reasons, including an implied license to the patent. The grounds for this argument was essentially that the patentee had:

- » actively marketed the patented invention as a whole to the procuring entity;
- » submitted offers for both procurements (cables and converters); and
- » signed the final agreement to supply the cables after the award of the converters had been given to the alleged infringer, an agreement which further included a guarantee for providing all necessary IP rights for the cables as well as a responsibility for the functioning of the cables.

Further arguments were submitted, including that the patentee should have actively informed the procuring entity of its patent and the possibility of infringement at various stages of and before the procurement.

The PMC established the basic principle that a patent holder's passivity in general cannot give rise to unenforceability of the patent and ruled that submitting the offers themselves could not be considered as a license to use the combination of the two procured products.

It also did not find that entering into the agreement to supply cables and guaranteeing to provide IP rights necessary for the

cables, could extend to the facility as a whole (cables combined with the converters). Even though there exists a general obligation to act loyally towards counterparties in contract law, that could not be extended to ensuring that individually procured products could be combined with another individually procured product. Rather, the patentee could with good reason assume that alleged infringers would be able to safeguard their own interests, by for example licensing the right required. The PMC thus found infringement of a valid patent.

Decision

On appeal, the PMCA overturned the first instance decision on validity, ruling the patent to be invalid, and thus refrained from commenting on infringement. The finding of invalidity was made despite the fact that the patent had been upheld in two instances by the EPO, in opposition proceedings based on the same prior art documents, where the only main difference was that the invalidity claimant had argued that a previously asserted prior art document disclosed more than it had originally argued in the opposition before the EPO. Supplemented by new and further evidence on the notion of the skilled person's common general knowledge, the court thus found the patent invalid.

Comment

While the PMC is well-regarded and the first instance ruling gives some precedence, the complex issues raised on public procurements and IP rights remain undecided by a higher court. For now, however, patentees may find some support in the findings of the first instance.

The appellate judgment is of course also a reminder of that the validity of a patent can never be taken for granted, even after success in lengthy opposition proceedings.

Denied application for SPC (PMCA PMÖÄ 2680-18)

Introduction

In this case the PMCA denies an application for an SPC since article 3(d) of Regulation No 469/2009 concerning the supplementary protection certificate for medicinal products (the "SPC Regulation") was not fulfilled. The court held that a marketing authorisation ("MA") could not be considered to be the first MA to place the product on the market since a product subject to a previous MA was also protected by the basic patent on which the SPC application was based.

Background

A company applied for an SPC for a medicinal product with a basic patent with the following claim.

"A botulinum toxin for use in the treatment of urge incontinence by increasing the bladder capacity of the patient, the botulinum toxin being for administration by injection into the lateral wall of the bladder."

A marketing authorisation from 2013 was invoked as the first MA for the medicinal product. The same medicinal product also had an older MA from 2011.

The 2011 MA contained, *inter alia*, the following indication.

“Urinary incontinence in adults with neurogenic detrusor over-activity resulting from neurogenic bladder due to stable sub-cervical spinal cord injury, or multiple sclerosis.”

In addition to the indications covered by the 2011 MA, the 2013 MA had the indication below.

“Idiopathic overactive bladder with symptoms of urinary incontinence, urgency and frequency in adult patients who have an inadequate response to, or are intolerant of, anticholinergic medication.”

Article 3(d) provides that the MA which the SPC application is based on must be the first MA to place the product in question on the market as a medicinal product.

The question was whether the 2011 or the 2013 MA was the first MA to place the product on the market as a medicinal product in accordance with said article.

Decision

Initially, the court noted that it was undisputed that article 3(a)-(c) of the SPC Regulation were fulfilled. In deciding on whether article 3(d) was fulfilled, the court noted that in accordance with the language of the article, the 2013 MA was not to be considered as the first MA to place the product on the market as a medicinal product.

Secondly, the court analysed whether the 2013 MA could be considered as the first MA when applying the ruling set out by the CJEU in *Neurim* (C-130/11). In that ruling, the CJEU held that if a new use of a product is protected by a basic patent, the fact that there

exists a previous MA for a different use of the same product (whether patented or not) does not automatically prevent an SPC from being granted. However, the court noted that in *Abraxis Bioscience* (C-443/17), reported above, the CJEU states that the *Neurim* case was an exception which cannot be interpreted extensively. Furthermore, the court held, the relevant assessment of what is the first authorisation to sell the product in accordance with article 3(d) in the SPC Regulation is connected to the concept of “product” in article 1(b) of the SPC Regulation.

The court then tried whether the exception provided by the CJEU in the *Neurim* case (para. 25-27) applied, i.e. whether the use according to claim 1 of the basic patent (which corresponded to the relevant indication of the 2013 MA) constituted a different use of the relevant product in relation to the use according to the 2011 MA and in order to reach a conclusion, it had to be assessed whether the use according to the 2011 MA was covered by claim 1 of the basic patent.

The court first held that claim 1 of the basic patent dictated that the product was to be used for treatment of urge incontinence by increasing the patient’s bladder capacity by administering the product to the lateral wall of the bladder. In order to understand the claim, the court noted that the concept of “urge incontinence” needed to be interpreted.

The court found that the patent did not define the concept of urge incontinence. However, the concept was mentioned in connection to a list of urologic conditions which according to the patent could be treated with the product. Further, the closest description on how the concept was to be interpreted concerned an example in the patent on different forms of use of the product. One particular

example concerned a partly paralyzed woman who was described as suffering from urge incontinence. Based on this, the court held that the basic patent must be considered to cover treatment of patients suffering from neurogenic urge incontinence who are partly paralyzed and, thus, can suffer from a sub-cervical spinal cord injury.

In light of this, the court held that claim 1 of the basic patent also covered the 2011 MA which had an indication that included urge incontinence due to sub-cervical spinal cord injury. The use covered by the basic patent, which also covered the 2013 MA, was thus not considered different from the use covered by the 2011 MA.

Consequently, the 2013 MA could not be considered as the first MA in relation to the basic patent and the application was denied.

Comment

This decision clarifying the scope of the Neurim case follows hot on the heels of the CJEU's decision in the Abraxis case intended to clarify the scope of the former. It shows that deciding what is a 'different use' in terms of the Neurim decision can be complicated and require an in-depth analysis of the scope of protection of the basic patent in relation to any previously existing MA.

Presumption of validity (PMCA PMÖ 10991-18)

Introduction

The presumption of validity for granted patents is usually considered rather strong. In this case, the PMCA examines whether this presumption had been rebutted and gives some useful guidance as to what constitutes new facts and evidence to be taken into account in this assessment.

Background

A pharmaceutical company was the holder of two European patents ("EP '138" and "EP '573"). The patent holder brought an action for infringement of EP '138 against a generics company and requested the court to issue a preliminary injunction prohibiting the generics company to offer for sale, market or import a certain medicinal product. The PMC issued a preliminary injunction, which was appealed to the PMCA.

Decision

The PMCA noted that a preliminary injunction can be issued if the claimant shows probable cause that a patent is infringed and that it can be reasonably held that the value of the exclusive right to the patent will be diminished by the continuing infringement. In showing probable cause for patent infringement, the patent holder must show both probable cause that the patent-in-suit is valid, and that it has been infringed. The court also confirmed that if a patent has been granted, there is a presumption that the patent is valid. That presumption, however, can be rebutted if new facts or evidence is presented, or if deficiencies in the initial assessment can be demonstrated, making it probable that the patent will be held invalid when the issue is heard on the merits.

In its assessment, the court noted that EP '573 (which was similar to EP '138) had been revoked by EPO's Opposition Division after the grant of EP '138. However, when the appeal against the preliminary injunction was heard, the Opposition Division's decision had been reversed by the BoA that accordingly held EP '573 to be valid. Consequently, the court found that the original decision of EP '573 by the Opposition Division was not a new fact which rebutted the presumption of validity.

The generics company had also claimed that new expert evidence had been produced but the court held that expert reports did not constitute that kind of new evidence which can rebut the presumption of validity in the context of the court's review of a request for a PI.

The court also held that the fact that no oral hearing had taken place during the initial opposition proceedings before the EPO did not constitute such deficiency in the application procedure which would likely render the patent invalid. Further, the court found that certain documents alleged to anticipate EP '138 had been reviewed already when the patent was granted and thus, were not new.

In the light of the above, the PMCA rejected the generic company's appeal and the preliminary injunction was thus upheld.

Comment

The case confirms the position taken in previous case law on what can, or rather cannot, rebut the presumption of validity. Of interest is however that the PMC, which is the first instance, found that the Opposition Division's decision to revoke EP '573 did not rebut the presumption of validity since EP '573 was a different invention than EP '138 (albeit similar).

The PMCA concluded that the decision of the Opposition Division did not have any bearing on the case before the PMCA since the BoA had reversed that decision and upheld EP '573. Consequently, the PMCA did not, at least not explicitly, disregard the Opposition Division's decision because it related to a different albeit similar patent.

SPC for embodiment of invention claimed by Markush formula? (PMCA PMÖ 12172-18)

Introduction

This judgment clarifies that SPCs enjoy a validity presumption for the purpose of a preliminary injunction ruling in the same way as patents. However, in these proceedings, the court found that Sandoz, against which the lower court had issued a preliminary injunction, had managed to rebut the presumption.

The court also ruled on the conditions on which an active ingredient which is covered but not specifically identified by a patent claiming a Markush formula can be considered protected by the basic patent. The court then applied the principles set out by the CJEU in its Teva decision (C-121/17).

Background

Searle held a patent claiming certain compounds defined by a Markush formula, and an SPC was granted in Sweden for darunavir based on said basic patent. It was not contentious that the active ingredient darunavir fell within the scope of protection afforded by the basic patent and the validity of the patent was not questioned. However, Sandoz objected on the grounds that the SPC should not have been granted as darunavir was not specifically mentioned by the patent and it would take an inventive effort to identify and characterise darunavir on the patent's priority date.

Decision

The PMCA reasoned that SPCs, just like patents, are granted only after a thorough examination of the conditions for such grant in administrative proceedings. An SPC should thus enjoy a presumption of validity in preliminary injunction proceedings, such as that afforded to patents.

The PMCA cited the CJEU's preliminary rulings in *Medeva* (C 322/10), *Eli Lilly* (C-493/12) and *Teva* (C-121/17) and referred to the criteria for determining whether a product is covered by a basic patent identified in *Teva*. The PMCA recognised that a reference for preliminary ruling on the interpretation of article 3(a) of the SPC Regulation in relation to patent claims framed as Markush formulae was pending before the CJEU.

However, the PMCA found that the *Teva* criteria are general in nature and as such can also be applied in relation to a claim using a Markush formula to define the claimed substances.

Turning to the case facts, the PMCA explained that the basic patent described approximately 100 preferred chemical compounds. Darunavir was not expressly mentioned in the basic patent, neither by name nor by formula. One of the substituents in the claimed Markush formula could be heterocyklyloxycarbonyl. According to the PMCA, the number of compounds which, in addition to darunavir, comprise the general heterocyklyloxycarbonyl group is huge.

The relevant SPC had been granted before the preliminary ruling in *Teva* and the criteria set out therein had thus not been

considered in the examination before the SPC had been granted. The PMCA held that the post-grant case law should be considered in determining whether the validity presumption for the SPC could be rebutted. Based on evidence offered by Sandoz to the effect that darunavir was developed only some years after the basic patent's priority date and that this required an inventive effort, the PMCA held that a person skilled in the art would be unlikely to specifically identify darunavir based on all of the information in the patent and the prior art on the patent's priority date. Therefore, the court ruled that the conditions for awarding a preliminary injunction had not been met.

Notably, the court's decision was not unanimous. The minority did not consider the principles set out in *Teva* to have decided the issue of what should be considered protected by basic patents using claims based on Markush formulae for the purpose of granting SPCs and also questioned whether Sandoz had proven that the development of darunavir required an inventive effort.

Comment

The PMCA's analysis means that every embodiment of the invention according to a basic patent claiming chemical compounds identified by a Markush formula cannot be considered "protected by a basic patent" in the sense of article 3(a) of the SPC Regulation. It remains to be seen how the CJEU will rule on the matter. In the meantime, SPCs arising from patents claiming chemical compounds identified by a Markush formula will likely be harder to enforce in Sweden.

Consolidation of cases arising from patent infringement and breach of a license agreement (PMCA PMÖ 1490-19)

Introduction

Since the introduction of the specialised IP courts in 2016, rights-holders' possibility to litigate claims based on different rights (for example to include claims of unfair marketing in complaints regarding IP infringement) before one and the same court has increased. In this case, the PMCA examines whether it is possible to administer a claim for reimbursement based on either contractual breach of a patent license agreement or patent infringement in the same proceedings.

Background

A patent holder filed an action against another company and, as a main claim, requested reimbursement based on breach of a patent license agreement. Alternatively, the patent holder claimed reimbursement based on patent infringement of the patent contemplated by the license agreement. The question arose whether the claims should be consolidated or heard in separate proceedings.

Decision

The PMCA held that apart from the general rules on consolidation of claims in the Code of Judicial Procedure, the Patent and Market Courts Act (which applies to the administration of cases in the specialised IP courts) provides that two cases can be consolidated if it is appropriate given the circumstances in the case. Furthermore, the court found that the legislative history of the act suggested that it could be appropriate to consolidate two cases if the claims were based on essentially the same grounds. Such a situation could in particular be at hand when a claim based on IP law was prosecuted in parallel with a claim for damages due to breach of contract. As an example

of such a situation, the bill presented to the legislator discussed the situation where a claimant in a case regarding infringement also claimed that the defendant had breached a license agreement.

The court pointed out that since the claimant's main and alternative claims were based on the defendant's use of the patent, the claims were based on essentially the same grounds. In finding this, the court held that an essential question in the cases was the scope of the patent-in-suit to be able to determine whether the defendant had used the patented technology. If this would be found to be the case, that assessment would be of significance also in respect to the questions relating to the license agreement.

In light of the above, the court concluded that the cases could be handled in the same proceedings and the claims should thus be consolidated.

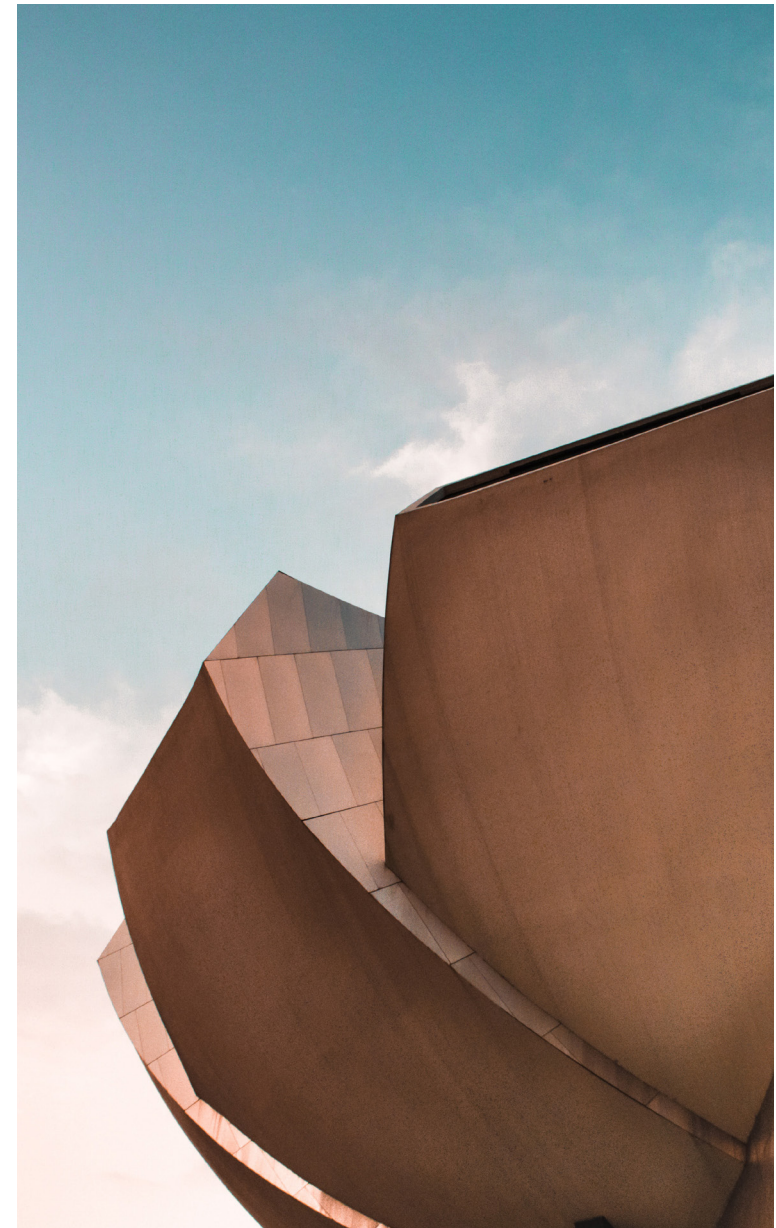
Comment

The court's finding is reasonable – not least as it significantly lowers the costs for litigation. As the PMC does not have exclusive jurisdiction in cases relating to contract law matters arising from agreements relating to IP rights, a different outcome would also have meant that the cases could have been tried by two different courts. It seems sensible that infringement and breach of a license agreement relating to the same patent (or other IP right), between the same parties and relating to the same measures undertaken by the defendant, can be heard in the same proceedings before the specialised PMC. This also simplifies the procedure, as evidence will only have to be presented once before one court at one hearing. Of course, many license agreements contain arbitration clauses and this judgment does not mean that a claim falling under such an arbitration clause can be brought before the IP courts.

Trademark law

General introduction

Looking back at the year of 2019 from a trademark perspective, the concept of “bad faith” has been a hot issue, both within the EU and internationally. In respect of EU case law, 2019 includes several important decisions in respect of “bad faith” relating to trademark holders. This new case law indicates a trend that will cause trademark holders to reconsider their filing strategies as it limits the possibilities to circumvent the use requirement by re-filing or to obtain broad registrations by using vague specifications. From an international perspective, rightsholders will applaud that new provisions on bad faith filings at different stages of the registration procedure have been adopted in Chinese trademark law.





On 1 January 2019, several important changes were also implemented in the Swedish Trademark Act. One important change is that the Swedish PTO will now accept trademarks that can be attached as sound files, motion pictures or multimedia files. Moreover, holders of newly registered trademarks that are subject to oppositions can, under certain circumstances, demand that the opponent proves that the opposing trademark has been in use.

As regards Swedish trademark case law, 2019 has been a slow year in terms of cases from the PMCA. However, we dare to promise that 2020 will turn this trend as we note several interesting cases in the pipeline.

Use of out-of-date quality label may constitute trademark infringement (CJEU C-690/17)

Introduction

In this judgment, the CJEU addresses the three different trademark infringement situations; cases of double identity, cases where both the signs and the goods or services are similar and there exists a likelihood of confusion, and infringement of trademarks with a reputation. While it relates to a quality label registered as a trademark (and not a trademark in the traditional sense, used to promote one's own products or services), the detailed discussion can serve as useful guidance when establishing infringement.

The judgment is also illustrative of the parallel application of the provisions of the EUTMR and Directive (EU) 2015/2436 (the "Trademark Directive") respectively.

Background

ÖKO-Test is an undertaking which evaluates and scores different products based on performance and compliance tests. It held an EUTM as well as a national trademark consisting of a label intended to be affixed to products which had been tested, as a way of informing consumers of the results of the testing. The trademarks were registered for e.g. printed matter and for "services that consist in conducting tests and providing consumer information and consultancy".

ÖKO-Test independently selected and tested products without requesting the manufacturers' consent and published the results in its own magazine. In some instances, it also offered the manufacturer a license agreement where the manufacturer was given a right to

affix the quality label with the result (which had to be shown in the designated space) to its products. The licence was valid until a new test had been carried out for the relevant product.

ÖKO-Test became aware that a company marketed its products using its trademark protected label, but using an old test result.

ÖKO-Test therefore brought trademark infringement proceedings against the manufacturer, alleging that the manufacturer was no longer authorised to use the mark based on the license agreement, as a new test for the product had been conducted and as the name, description and packaging of the relevant product had changed since the test.

The national court found that the license agreement had been terminated, and that it was clear that the manufacturer had used, without ÖKO-Test's consent, a sign identical with or similar to the trademarks. However, it considered it unclear whether the use was infringing as it was not used for identical or similar goods, and it could be considered that the sign was not used 'as a trademark'. It therefore referred the following questions to the CJEU:

- (i) Is a trademark infringed on the basis of there existing a likelihood of confusion (based on article 9(1)(b) of the EUTMR or article 5(1)(a) of the Trademark Directive) in a case where:
 - » *the trademark is affixed to a product in respect of which the trademark is not protected;*
 - » *the trademark is perceived by the public as a quality label; and*
 - » *the trademark is registered for e.g. "consumer information and consultancy with regard to the selection of goods and services, in particular using test and investigation results and by means of quality judgments"?*

- (ii) If the answer to the first question is no, is a trademark infringed on the basis of taking unfair advantage of, or being detrimental to, the reputation of that trademark (based on article 9(1)(c) of the EUTMR or article 5(2) of the Trademark Directive) in a case where:

- » *the trademark has a reputation only as a quality label; and*
- » *the trademark is used as a quality label by the third party?*

Decision

In its assessment of the first question, the CJEU noted that the wording "in relation to goods or services" in relation to situations of double identity (i.e. both signs and goods or services are identical) covered by article 9(1)(a) of the EUTMR and article 5(1)(a) of the Trademark Directive relates, in principle, to goods or services of a third party who uses a sign identical with the trademark. It can, however, also refer to goods or services of another person on whose behalf the third party is acting. On the other hand, that wording does not in principle cover goods and services of the trademark holder; they are covered by the expression "those for which the trademark is registered".

As set out in previous case law, use of a sign by a third party to identify the goods of the trademark holder where the goods constitute the actual subject matter of services provided by that third party can, exceptionally, be covered by those provisions. This concerns in particular situations where a service provider makes unauthorised use of a sign identical to the trademark of a manufacturer of goods in order to inform the public that he is a specialist in those products.

In the present case, however, it appears that affixing the sign identical to the protected quality label had neither the purpose nor the effect of carrying out an economic activity consisting in the provision of

consumer information and consultancy services (as covered by the registration). Nor were there any indications to suggest that the manufacturer sought to present itself as a specialist in the field of product testing, or that there was an economic link between the manufacturer and ÖKO-Test. On the contrary, the CJEU found it apparent that the manufacturer affixed the sign identical to the quality label to its products for the sole purpose of drawing consumers' attention to the quality of those products and thus promoting the sale of the products. This situation is different from the situations described above.

Regarding article 9(1)(b) of the EUTMR and article 5(1)(b) of the Trademark Directive relating to situations where there is no double identity, but exists a likelihood of confusion, the CJEU held that it was apparent from the wording of those provisions that they apply only in cases where there is an identity or similarity not only between the sign used and the registered trademark, but also between the goods or services covered by the use of the sign on the one hand and those covered by the trademark on the other. The words "goods or services covered by ... the sign" cover, according to the CJEU, the goods marketed or services supplied by the third party. In the absence of any similarity between those goods or services and those for which the mark is registered, the trademark protection granted by these provisions is not applicable.

The CJEU further stated that article 9(1)(c) of the EUTMR and article 5(2) of the Trademark Directive differ fundamentally in this regard, as they expressly state that such similarity is not required where the trademark has a reputation.

From this it follows, according to the CJEU, that the holder of a trademark that consists of a quality label registered in relation

to printed matter and services of conducting test and providing consumer information and consultancy may, if all the conditions are fulfilled, rely on the right of prohibition set out both in relation to situations of a likelihood of confusion and of unfair advantage of the trademark's reputation, against competitors who use a sign identical to the trademark in relation to identical or similar services, but not against manufacturers of tested products using the sign for those consumer products.

Consequently, it answered the first question by concluding that the articles at issue do not entitle the holder of a trademark consisting of a quality label to oppose the affixing of a sign identical with or similar to that trademark to products that are neither identical with nor similar to the goods or services for which that mark is registered.

In relation to the second question, the CJEU noted that the relevant articles determine the scope of the protection afforded to trademarks with a reputation. They entitle such trademark holders to prohibit any third party from making use, without due cause, of an identical or similar sign – irrespective of the goods or services concerned – that takes unfair advantage of or is detrimental to the distinctive character or the repute of those marks. The exercise of that right does not require a likelihood of confusion on the part of the relevant public.

The CJEU also held that the word "reputation" within the meaning of those provisions does not mean that the public must be aware that a quality label has been registered as a trademark.

It is sufficient that a significant part of the relevant public knows that sign. It followed from the documents on record that the trademark protected quality label did enjoy such reputation.

In light of the above, the CJEU answered the first question by concluding that the articles at issue entitle the holder of a trademark with a reputation, consisting of a quality label, to oppose the affixing of a sign identical with or similar to that trademark to products that are neither identical with nor similar to the goods or services for which that mark is registered, provided that it is established that the third party thus, without due cause, takes unfair advantage of or is detrimental to the trademarks distinctive character or reputation of the trademark.

Comment

With established case law as its starting point, the CJEU provides rather detailed guidance regarding the requirements of identity or similarity between goods and services for trademarks in general, or the lack thereof for trademarks that enjoy a reputation, in this judgment. The outcome seems fair and sensible, where the different provisions are given a reasonable scope of application.

In light of this judgment, companies engaged in product testing would do well to register their quality marks in order to ensure control over their use. Rightsholders benefit from the clear statement that a reputation does not require the relevant public to be aware that the quality label is also a trademark, potentially having one less issue to litigate.

Is the motif of a placemat a sign which consists exclusively of a shape? (CJEU C-21/18)

Introduction

In this case, the CJEU clarifies which signs are to be considered as “exclusively consisting of a shape” under Regulation 207/2009 (the “Community Trademark Regulation”) and are thus in some situations always excluded from trademark protection. The CJEU has previously stated that the colour red, applied to the sole of a shoe does not consist exclusively of a shape and provides further guidance to the application of this exception by establishing that signs, consisting of two-dimensional decorative motifs that are affixed to certain goods, also fall outside the scope of the exceptions for signs exclusively consisting of a shape and may thus – provided that other requirements regarding distinctive character etc. are met – be registered as trademarks.

Background

The architect Joseph Frank worked with and designed various patterns for the Swedish company Svenskt Tenn during the 1930s, including the pattern MANHATTAN. Svenskt Tenn has marketed and sold this pattern on furniture and decorative accessories and registered it as a figurative EUTM. Svenskt Tenn also claimed to be the holder of the copyright of the pattern. Textilis, a company active in the United Kingdom, marketed and sold fabrics and goods affixed with the MANHATTAN pattern, which Svenskt Tenn alleged infringed its trademark. Textilis objected that the trademark was invalid as it consisted exclusively of a shape which gives substantial value to the goods.

The first instance court ruled in favour of Svenskt Tenn. The PMCA turned to the CJEU for clarification regarding the interpretation of

the exception for trademarks which consist exclusively of a shape, and in particular shapes that give substantial value to the goods.

Decision

The first question referred to the CJEU concerned which version of the Community Trademark Regulation to apply; the provision in the Regulation setting out the exception from trademark protection at issue had been amended after the trademark at issue had been registered, to include signs consisting of shapes, “or other characteristics”, which e.g. give substantial value to the goods. The PMCA asked for clarification whether the extended wording should be applied also to trademarks registered prior to its entry into force.

With reference to the principles of legal certainty and protection of legitimate expectations, the CJEU held that substantive rules of EU law must only be applied to situations existing before their entry into force if it clearly follows from the terms, objectives or general scheme that such effect must be given to them. As this was not the case for the amended provision in the Regulation, and with special consideration to the importance of the mentioned principles of legal certainty, the CJEU held that the amended provision was not to be applied.

The second question considered if a sign, consisting of two-dimensional decorative motifs that are affixed to products such as fabric or paper, consisted “exclusively of the shape” within the meaning of article 7(1)(e)(iii) of the Community Trademark Regulation. The CJEU noted that the Community Trademark Regulation does not include a definition of “shape”, and that the concept therefore had to be determined by its usual meaning in everyday language, while taking into account the context in which it occurred and the purposes of the applicable rules. “Shape” is

usually understood as a set of lines or contours that outline the product in trademark law. In the light of the mentioned, the CJEU had previously concluded that the colour on the sole of a shoe did not constitute a “shape” if the registered trademark did not seek to protect the form of the product or part of the product.

The CJEU acknowledged that the trademark in question, contrary to a colour, contained lines and contours but stated that the sign could not be regarded as consisting “exclusively of the shape” within the meaning of Community Trademark Regulation. Even though the sign represented shapes formed by the external outline, the sign also contained decorative elements within and outside of those lines. The sign also consisted of words, whereas the word “Manhattan” was particularly highlighted. Lastly, the CJEU concluded that, under no circumstances, could a sign consisting of two-dimensional decorative motifs be inseparable from the shape of the goods that the sign is affixed to, such as fabric or paper, the form of which differed from the decorative motifs. Therefore, the sign did not consist exclusively of the shape and the exception in article 7(1)(e) (iii) was not applicable. The court also concluded that the fact that a sign is protected by copyright has no bearing on the determination of whether it consisted exclusively of a shape.

As the answer to the second question was negative, the CJEU did engage in discussion of shapes which give substantial value to the goods in situations where the shape can be affixed to a wide range of goods.

Comment

The CJEU is somewhat brief in their reasoning but the message is clear: a two-dimensional sign with decorative motifs falls outside the scope of the absolute grounds for refusal in article 7(1)(e)(iii)

of the Community Trademark Regulation. However, it is important to keep in mind that for signs registered after 23 March 2016, the regulation was amended to include signs which consist exclusively of the shape, or another characteristic, which gives substantial value to the goods. It is still uncertain whether a situation such as this – where the sign consists of a motif – constitutes such “other characteristic” that is excluded from trademark protection.

We hope that the CJEU will have chance to develop this case law further under the amended regulation, as such signs could be of immense value for trademark holders if allowed. Further, that discussion would likely provide some useful guidance regarding the use of copyright protected works on other goods and whether such use can also be afforded trademark protection.

Cross-border online marketing – jurisdictional issues (CJEU C-172/18)

Introduction

In this case, the CJEU addresses the jurisdictional issue when a trader directs infringing online marketing to consumers in a different member state. In sum, the court concluded that the fact that the decision behind the marketing was taken in a different member state or that the marketing is provided by servers situated in a different territory does not preclude a rightsholder from initiating proceedings in the jurisdiction targeted by the marketing.

Background

In 2015, two UK entities and the company representative of one of the entities lodged a trademark infringement suit in a UK court against a Spanish entity on the basis of infringement of one EUTM

and two UK trademarks. The claimant asserted that the defendant had marketed and sold copies of the claimants' products with marks that were identical or almost identical to the trademarks and that the marketing had been directed towards the UK market as the sales offers were in English and several UK retailers were listed.

The defendant disputed the fact that the marketing targeted the UK market, and therefore contested that the UK court had jurisdiction. In October 2016, the court held that it did not have jurisdiction to try the case in relation to the EUTM. The case was appealed to the Court of Appeal which decided to stay the proceedings and refer the following questions to the CJEU:

- (i) does the EU trademark court in a member state have jurisdiction to hear a claim for infringement of the EUTM in respect of the advertisement and offer for sale of the goods in that territory?
- (ii) if not, which other criteria are to be taken into account by that EU trademark court in determining whether it has jurisdiction to hear that claim?
- (iii) in so far as the answer to (ii) requires that EU trademark court to identify whether the defendant has taken active steps in that member state, which criteria are to be taken into account in determining whether the defendant has taken such active steps?

Decision

The CJEU started by clarifying that the jurisdiction in infringement cases concerning national trademarks is governed by Regulation 1215/2012 and in infringement cases concerning EU trademarks, by Regulation 207/2009. Under article 97(5) of the latter, the claimant may commence proceedings in a court of the member state where the trademark has been infringed.

Addressing the issue of the location of the infringement, the CJEU referenced its decision in L'Oreal (C-324/09) which establishes that when the infringing measures are constituted by electronic advertising, the measures should be considered as conducted in the territory of the consumers or traders to whom that advertising and those offers for sale are directed. This applies regardless of whether the defendant or the server of the electronic network used is established or located elsewhere or the fact that the products at issue are being offered for sales in other territories.

Consequently, and upon citing further case law to support its conclusion, the court concluded that a rightsholder may commence infringement proceedings in the territory of the consumers or traders who are targeted by the marketing, regardless of the fact that the infringer may have made its decision or taken its actions in a different jurisdiction.

Comment

The court's decision is highly sensible with regard to the objective of offering alternative forums for rightsholders. As explained by the court, an opposite conclusion would have enabled for simple circumventions of this objective since infringers would easily be able to manoeuvre their actions via a server located in the jurisdiction of their choice etc.

While the court's decision is welcomed, the core issue remains – namely which circumstances that should be considered in the assessment of whether marketing is directed towards a certain territory. Arguably, language will always be an important factor and even

though the adoption of the Euro slowly is taking over, an indication of prices in certain currencies will certainly also be of relevance. As regards language, this issue might face effects from Brexit as Ireland might soon be the sole EU state with English as its native language.

Developments around bad faith within the EU

The concept of "bad faith" in connection with trademark filings and registration has been a hot topic during 2019, both within the EU and globally.

When speaking about bad faith trademark filings, one would traditionally refer to trademark squatters trying to benefit from filing a (blocking) trademark application in a country where the rightful trademark holder has, for any reason, not yet obtained trademark protection. During the last few years we have experienced an increased number of bad faith filings, particularly in China.

To prevent trademark squatters from securing unlawful rights, and also to prevent other coincidentally similar trademark rights in the trademark registries, there has been a reverse trend amongst rightsholders to spread out their trademark protection to the extent possible, by using a broad list of goods and services, by filing 3D trademarks for packaging and products, by re-filing trademarks that have not been used, or by filing defensive applications, just to mention a few ways to ensure wide and eternal IP protection.

During 2019, Chinese trademark law was revised. New provisions will hopefully help rightsholders deal with bad faith filings at

different stages of the registration procedure, making it possible to also target agencies and law firms acting on behalf of trademark squatters.

We continue to monitor the development and note that during 2019, several interesting and important decision relating to bad faith have been issued within the EU. Not all of these cases however target the traditional issue of trademark squatters. A couple instead focus on when the trademark holder, in one way or the other, could be considered to act in bad faith, i.e. acting with an intention to distort and imbalance the European Union trademark system.

The cases reported cover issues such as the risk of being considered acting in bad faith in connection with:

- » re-filing for the same trademark for the same goods or services (MONOPOLY);
- » filing without an intent to use (SKYKICK);
- » using vague or too broad specification (SKYKICK).

These cases indicate that trademark holders may need to adjust their previous filing strategies in order to avoid invalidation actions or not being able to fully enforce their trademark rights. For international trademark holders, a further challenge will be to adjust their overall strategy taking into account also the different practices globally, including US with its use and specific specification requirements, the EU adapting to a regime which will probably require more detailed specifications in the future and China with its problems with trademark squatters which, to some extent, encourage trademark holders to file in all classes, covering all

sub-classes, every third year simply in order to avoid having to deal with the possible problem of bad faith filings.

Also, two cases reported concern third party filings which could constitute bad faith. These cases cover:

- » issues implying bad faith in connection with the filing for a similar trademark without existence of any risk for confusion in relation to an earlier trademark (KOTON); and
- » issues to be considered in relation traditional bad faith filings relating to famous unregistered trademarks (NEYMAR).

Both these cases (KOTON and NEYMAR) clarify what factors to take into consideration within the overall assessment of whether there was bad faith involved at the time of the filing of the contested trademark registration.

Re-filing of a trademark could constitute bad faith (R 1849/2017-2 Monopoly)

Introduction

Re-filing to avoid risk for vulnerability due to non-use or to develop the trademark portfolio, in connection with expansion of the business into new areas or to modernize the coverage, has for long been issues to consider for trademark holders.

In this case, new light is shed on these considerations since the decision, now from the BoA, indicate under what circumstances such re-filings could be seen as made in bad faith and therefore vulnerable for invalidity.

The decision has been appealed to the GC.

Background

The case concerns an application for a declaration of invalidity of an EUTM on the ground of bad faith (article 59(1)(b) of the EUTMR), which was initially rejected by the Cancellation Division and thereafter appealed to the BoA.

In this case the cancellation applicant alleged that the contested EUTM covering goods and services in classes 9, 16, 28 and 41 was a repeat filing of the trademark holder's earlier EUTMs, including an application in April 1996 for goods in classes 9, 25, 28, an application in May 2008 for services in class 41 and an application in March 2010 for goods in class 16, all of them covering the identical word MONOPOLY. The cancellation applicant claimed that the trademark holder, in view of the already existing rights covering the identical trademark and, to some extent, identical goods and services, had a dishonest intention at the time of filing the contested EUTM.

Decision

In this decision, the BoA commenced by referring to EU's fundamental principle to promote and safeguard effective competition on the market and that the EU trademark system is based upon the first-to-file principle. A trademark registration provides the trademark holder with an exclusive right, but also impose an obligation to genuinely use the trademark within five years from the registration. An EUTM which is not used could obstruct competition by limiting the range of trademarks which can be registered and used by others for similar or identical goods or services. Consequently, non-use of EUTMs also risks restricting the free movement of goods and services.

The concept of "bad faith" as an absolute ground for invalidity, referred to in article 59(1)(b) EUTMR, is not defined, delimited or described in any way in the legislation. The aim of the provision is to sanction dishonest behaviour and prevent trademark registrations that are abusive or contrary to honest commercial and business practices. Referring to established case law, the BoA stated that when determining if bad faith was at hand at the time of filing of the trademark, account must be taken to all relevant factors in the case and concluded that to register a trademark and then periodically register an identical mark can serve to improperly and fraudulently extend the five-year grace period to evade the legal use obligation.

In relation to burden of proof, the BoA stated that when the objective circumstances of the particular case relied on by the applicant for invalidity may lead to the rebuttal of the presumption of good faith of the trademark applicant, it is up to the proprietor (the applicant) to provide plausible explanation (a subjective factor informing about the applicant's intention at the time of filing) of the objectives behind the filing of the contested registration. For instance, one should take into consideration the origin of the contested trademark, its use since its creation, the commercial logic underlying the re-filing and the chronology of events leading up to such filing.

In this case it was an undisputed fact that at the time of filing of the contested EUTM registration, the trademark holder had already registered the identical trademark three times and the earlier registrations, still maintained, covered, to some extent, identical or closely related goods and services. During the proceedings, the trademark holder also admitted that one advantage of this re-filing strategy was to not have to prove genuine use of the mark in opposition proceedings.

Taking all this into consideration, the BoA found that the contested EUTM, in so far as it included goods and services already covered by earlier registrations, was made in bad faith. However, as for those goods and services which are different from those covered by the earlier registrations, the BoA found a commercial logic behind the re-filing and concluded that these had not been filed in bad faith.

Comment

In the present case it was quite clear that the trademark holder had re-filed in order to avoid its registrations becoming vulnerable due to non-use, especially since the trademark holder had admitted that this was one of the tactics behind the re-filing. One interesting issue to consider is if the outcome would have been different if the trademark holder would have dropped the earlier registrations when the new one was approved. In our view that may be the case, since then the contested registration could rather be seen as a way to collect earlier registrations in different classes into one new registration covering all relevant classes lowering the costs and simplifying the administration of the portfolio. The effect would however still be that the proprietor extends the five-year grace period which in turn indicate a risk of being considered to act in bad faith. If the filing could, in any way, be considered a way to try to disguise bad faith, re-filing by merely adding additional goods or services the behaviour is risky. However, if there are commercial logics behind the addition of goods or services this could serve as an acceptable explanation. The best solution within the EU is, to our minds, not to "bite off more than you can chew", i.e. apply for what you have an interest in and intent to use within three to five years or actual use and also to have a system in place to track and provide evidence of use.

One interesting issue in the matter is that the BoA commented that some of the goods and services were identical in the sense that they fall under the more general terms already included in the earlier registrations and therefore were considered hit by the bad faith argument. For instance, “entertainment in the form of films, television programmes and radio programmes” was considered covered by the more general term “entertainment services” included in one of the earlier registrations. Taking into account the findings in the Skykick case (reported below) this might be seen as the proprietor being “punished” for adapting to a new practice of using more detailed specifications and move away from broad general terms.

Advocate General’s decision whether “imprecise” specifications could constitute ground for invalidation and filing without intent to use could be bad faith (Opinion C-371/18 Skykick)

Introduction

This case stems from a request for preliminary ruling from the High Court of Justice (England and Wales) in relation to the scope of protection awarded to trademarks within the EU when taking into consideration the specification of goods and services.

The decision deals with issues such as whether use of broad terms, e.g. “computer software” and “telecommunication services”, in specifications could be contrary to the public interest or public order and whether filing for a broad specification without intention to use the trademark for all or some of the goods/services could be considered bad faith.

The Advocate General found that broad specifications could be contrary to the public interest and that specifications for which the applicant had no intention to use, could, under certain circumstances, constitute bad faith and a ground for partial invalidity. Since the CJEU often follows the decision of the Advocate General, this opinion forms an important indication that use of too broad specifications or filing without an intention to use could back-fire on the trademark holder making the registration vulnerable for at least partial invalidity.

Background

The claimants alleged that the defendants had infringed four EUTMs and one UK trademark.

The defendant denied infringement and counterclaimed that the trademarks were invalidly registered, in whole or in part, on the grounds that:

- » the specifications of goods and services lacked clarity and precision; and
- » the applications were made in bad faith.

The UK Court stayed the proceedings and referred five questions to the CJEU, the ones of main importance being in summary as follows:

- (i) Can a trademark registration within EU be wholly or partially invalidated on the ground that terms in the specification are lacking in sufficient clarity and precision?

- (ii) If so, is “computer software” too general or sufficiently clear and precise?
- (iii) Can it constitute bad faith simply to apply to register a trademark without any intention to use?
- (iv) If so, does the bad faith affect the entire registration or just the terms for which no intention to use apply?

Decision

In its opinion, the Advocate General initially found that the requirement of clarity and precision in the specification used in a trademark registration is not among the grounds of invalidity exhaustively laid down by EU legislation. However, the Advocate General thereafter concluded that while lack of clarity and precision was not a ground for invalidity on its own, it could be connected to the ground for invalidity relating to marks which are contrary to the public policy. In relation hereto, the Advocate General stated that terms such as “computer software” are unjustified and contrary to the public interest because it confers on the proprietor a monopoly of immense breadth which cannot be justified by any legitimate commercial interest of the proprietor. Finally, in relation to the response to the first and second question, the Advocate General concluded that lack of clarity and precision in the specification may also be considered when assessing the scope of protection of such a registration.

In responding to the third question, the Advocate General concluded that if the applicant does not intend to use the mark the applicant is improperly seeking a monopoly to exclude potential competitors from using a trademark which he has no intention of using. In the Advocate General’s view this amounts to an abuse of the trademark system and in fact, he concludes, that bad faith could exist from the moment when an actor obtains an undue advantage from the EU trademark system.

Finally, the Advocate General concluded, in relation to question four, that where the ground for invalidity, such as bad faith, exists in respect of only some of the goods or services, the trademark is to be declared invalid as regards those goods or services only.

Comment

Since general, broad terms have been used quite extensively within the EU, not having had the same requirement on specifications as for instance the US, the decision could imply that there is a huge amount of registrations that may be vulnerable for partial invalidation if they cover such general terms which could be lacking in clarity and precision and therefore could be contrary to the public policy.

Even if such risk of a possible invalidity action could be handled by amending the broad general terms, the trademark holder would also risk having the registration limited too far depending on the claim in a possible invalidation action and the trademark holder’s ability to show actual intent to use the trademark or actual use if more than five years have passed since registration. In the beginning of a trademark project it could sometimes be difficult for the proprietor to know exactly in what direction the project will lead, and the use of more general terms could then be a way to ensure that coverage for all relevant goods or services is gained. As commented above in connection with the MONOPOLY case, setting up a strategy and being able to show the commercial logic behind the decisions in connection with the filing and the intent in relation to the plans for the trademark is a good start in order to avoid or be able to handle possible attacks. Here, reference could also be made to Japan where a way to get approval for a broad specification (covering goods and services in very different classes) need to be backed up with a (albeit very simple) business plan to prove that

the applicant has an intention to actually use the mark within such different fields.

The problem with too vague terms is also something that is already being targeted by the EUIPO in their examination. If the CJEU follows the Advocate General's opinion, the practice with the EUIPO together with case law will assist trademark holders in adapting to the new regime. It is, however, in our view evident that there will always be some uncertainty (especially in view of the constant development in relation to different goods and services) as regards what should be considered a sufficiently clear specification.

Invalidation based on bad faith when NEYMAR was registered not by Neymar, but third party (GC T-795/17)

Introduction

In this judgment, the GC finds it inconceivable that the applicant of the EUTM NEYMAR had not been informed of the famous footballer Neymar Da Silva Santos Júnior's existence at the time of filing the EUTM for NEYMAR. The applicant could not have been unaware of the fact that Neymar was already a professional footballer whose talent was recognized internationally. Furthermore, the applicant did not put forward any explanation on why the applicant chose the trademark NEYMAR other than to "free-ride" on Neymar's reputation and take advantage of that reputation.

The objective circumstances of the case led to the conclusion that the applicant was acting in bad faith when he filed the application of the trademark NEYMAR. Consequently, the EUTM was cancelled.

Background

The EUTM application for NEYMAR was filed by a Portuguese citizen on 17 December 2012, for "Clothing, footwear, headgear". The famous footballer, Neymar, filed an application for a declaration of invalidity in respect of all goods covered by the trademark NEYMAR, which had matured to registration. The application for a declaration of invalidity was based on the assertion that the applicant was acting in bad faith when he filed the application for the trademark.

The Cancellation Division of the EUIPO upheld the application for a declaration of invalidity. The applicant appealed the invalidity decision, which the Second BoA of EUIPO confirmed. The applicant contested the decision by claiming that the GC should annul the invalidity decision, declare the EUTM NEYMAR valid and order EUIPO to pay the costs of the proceedings.

Decision

The GC pointed out that an EUTM must be declared invalid on application to the EUIPO or on the basis of a counterclaim in infringement proceedings where the applicant of an EUTM was acting in bad faith when he filed the application for registration of that mark. Further, the GC stated that the concept of bad faith is not defined, delimited or even described in any way in the legislation. However, the CJEU has previously given some clarification regarding the way in which the concept of bad faith should be interpreted (C-529/07, Chokoladefabriken Lindt Sprüngli).

The concept of bad faith relates to a subjective motivation on the part of the trademark applicant, namely a dishonest intention or

other sinister motive. It is up to the applicant of the application for a declaration of invalidity to prove the circumstances which substantiate a finding that the trademark holder was acting in bad faith when the application for registration of the mark was filed.

In the present case, the applicant of the trademark NEYMAR had sought registration of the trademark IKER CASILLAS, being the name of another famous footballer, the same date as he applied for NEYMAR. The applicant had also stated during the hearing that he was aware of Neymar at the date of the application, but that he did not know that Neymar was a rising star in football. The applicant denied having intended to benefit illegally from Neymar's renown by seeking registration of NEYMAR.

First, the applicant claimed that he chose the name NEYMAR only because of the phonetics of the word and was at no time thinking of the image of the footballer Neymar. Secondly, the applicant maintained that he did not seek to obtain the registration so that it could be invoked against Neymar. Thirdly, the applicant added that any possible finding of bad faith on his part may have been established only if he had continued to pursue the procedure for registration despite Neymar's oppositions, which was not the case here. No opposition was filed against the trademark. Fourthly, the applicant stated that Neymar was not registered as a trademark at the relevant date or even used as a trademark. Finally, the applicant maintained that the BoA never put forward any document or evidence in support of its argument that the applicant's intention was to take undue advantage of Neymar's renown.

Neymar had submitted evidence in support of the application for a declaration of invalidity which consisted of press articles and website

excerpts from 2009 to 2012, which showed that Neymar was highly publicized already before the filing of the EUTM for NEYMAR.

The GC found that none of the arguments by the applicant were capable of challenging the findings of the BoA which did not err in law in concluding, after an overall assessment, that the evidence showed that the applicant was acting in bad faith when filing the trademark application for NEYMAR.

Comment

The case provides guidance on the evidence to submit in support of a bad faith claim, when the trademark (or in this case name) has obtained recognition without enjoying registered trademark protection. It shows how an overall assessment of the objective circumstances is to be made. The court considered the high recognition of Neymar at the time of the filing of the trademark application, the applicant's knowledge of the world of football and the applicant's parallel bad faith trademark application for IKER CASILLAS when concluding that the application was made in bad faith.

Invalidation of an EUTM based on bad faith even in a case of different goods and services (CJEU C-104/18 P)

Introduction

This case was brought before the CJEU through appeal, with a request to invalidate an EUTM registration that had allegedly been filed in bad faith. The CJEU emphasizes that likelihood of confusion is only one relevant factor for determining whether a trademark applicant has filed the trademark application in bad faith. The GC should

have taken into account the fact that the applicant had originally sought EUTM registration of a figurative sign comprising the word KOTON, not only for services in class 39, but also for goods and services in classes 25 and 35, whereas class 25 and class 35 had been considered similar to the goods and services of the earlier marks in the opposition proceedings, and hence invalidated.

Background

On 25 April 2011 the applicant filed an EUTM application with EUIPO for goods and services in classes 25, 35 and 39. On 26 August 2011, the claimant filed a notice of opposition against the same trademark, based on earlier figurative marks, registered for goods and services in classes 18, 25 and 35. The opposition was upheld partly insofar as it related to goods and services in classes 25 and 35. The opposition was rejected in relation to services which were not considered similar to the goods and services of the earlier marks.

The claimant filed an application for a declaration of invalidity based on bad faith. The Cancellation Division of EUIPO rejected the application, finding that it had not been proven that the applicant had filed the trademark in bad faith.

The claimant appealed the decision, but the BoA dismissed the appeal. It took the view that, notwithstanding the similarity of the signs at issue and the fact that the applicant had knowledge of the claimant's earlier marks, there could be no bad faith since there was neither identity nor similarity between the respective goods and services.

In support of its application for annulment of the BoA's decision, lodged before the GC, the claimant argued that the BoA had erred

in law in finding that the goods or services covered by the opposite marks were required to be identical or similar for the purposes of applying the bad faith provision. The GC found that the existence of an earlier business relationship between the parties and the presence of a coinciding element showed that the applicant had knowledge of the earlier marks, but no dishonest intention. The claimant had not shown that, on the date on which the application for the EUTM application was filed, the applicant intended to prevent the claimant from using the earlier marks. Lastly, the GC found that the absence of likelihood of confusion implies that the BoA had been fully entitled to decide that the applicant's bad faith was not established. Thus, the GC dismissed the action.

The claimant appealed the GC's decision to the CJEU.

Decision

The CJEU annulled the GC's decision on the ground that the GC misread the case law and gave the bad faith provision a too narrow scope of application. Likelihood of confusion is only one factor while in an overall assessment of all the relevant factual circumstances as they appeared at the time of the filing of the application shall be taken into consideration.

The CJEU referred the case back to the EUIPO to adopt a new decision based on an overall assessment which takes into account the possible likelihood of confusion, but also other relevant factors.

Comment

In applications for invalidity based on bad faith, there is no requirement that the invalidity applicant must be the proprietor of an

earlier mark for identical or similar goods or services. In cases where, at the time of the application for the contested mark, a third party was using, in at least one EU member state, a sign identical with or similar to the mark as applied for, the existence of likelihood of confusion does not necessarily have to be established for the ground of bad faith to be successfully applied in an invalidity action.

In the absence of likelihood of confusion, or if there has been no use by a third party of a sign identical with or similar to the contested mark, other factual circumstances may be used to establish bad faith of the applicant.

Change in practise regarding black and white figurative trademarks (PMCA PMÖÄ 435-18)

Introduction

In this judgment, the PMCA changes the Swedish practise regarding scope of protection of figurative trademarks in the colours black and white. The PMCA states that the registration of a trademark in black and white cannot be granted a scope of protection that automatically covers all colours or colour combinations.

Background

On 11 January 2017 the Swedish Patent and Registration Office (“PRV”) refused the Swedish designation of the international registration for g (device) owned by ContextLogic. The PRV held that the international registration was confusingly similar to the earlier EUTM g (device). Both trademarks consisted of a square containing the letter “g” and covered identical or similar goods and services.



ContextLogic Inc.
international registration
(contested trademark)



Earlier EUTM

ContextLogic appealed the decision PRV and requested that the international registration should be granted protection in Sweden in its original form or in the combination of the colours green and white. The PMC dismissed the appeal in its entirety and confirmed the findings of the PRV. The PMC also held that there was no prerequisite for allowing the amendment of the trademark from the colours black and white to green and white.

ContextLogic requested that the PMCA set aside the decision of the PMC.

Decision

ContextLogic alleged that the amendment of the trademark from the colours black and white to green and white was merely a limitation of the scope of protection since, according to Swedish practise, a black and white figurative trademark covers all colours or colour combinations.

The PRV opposed the decision being changed. Regarding the importance of the colours of the trademark the PRV stated that Swedish practice, up until now, held a maximalist view of the scope of protection for black and white trademarks. According to this view, a black and white trademark's scope of protection covered all possible colours and colour combinations of the same trademark. However, a judgment from the CJEU in 2013 (C-252/12 *Specsavers*) indicated that the EU practise is more nuanced and that a black and white trademark's scope of protection does not cover all possible colours. The PRV therefore held that there might be reason to revise the Swedish practise.

The PMCA upheld the action brought by ContextLogic and annulled the decisions of the lower court. In its decision, the PMCA granted protection of the international registration for g (device) in its original form in Sweden.

The PMCA found that the outcome of the case depended entirely on whether the traditional Swedish practise regarding scope of protection of figurative trademarks in black and white was allowed in the light of the changed EU practise.

If the international registration should be considered to include colours, including red, the overall impression of the two trademarks would be virtually the same, and the similarity between the trademarks would be high. The deciding factor in the similarity assessment thus becomes whether a trademark registration in black and white also includes colours.

The court held that an interpretation of the Swedish trademark legislation in light of EU trademark law leads to the conclusion that a trademark registration in black and white cannot be granted a

scope of protection that automatically covers all colours and colour combinations. Consequently, an international registration in black and white cannot be considered as covering the same colour as an earlier trademark in a particular colour.

Comment

In accordance with preparatory works from 1958, the Swedish standpoint has long been that a black and white figurative trademark covers all colours or colour combinations. This practise is not in line with practise in most other EU countries and has therefore created uncertainty in this area of law. Recent case law from the EU also indicates that the EU practise is more nuanced and that a black and white trademark's scope of protection does not cover all possible colours.

This decision from the PMCA is much welcomed and further clarifies and harmonises the Swedish practise with the EU practise regarding the scope of protection of black and white figurative trademarks.

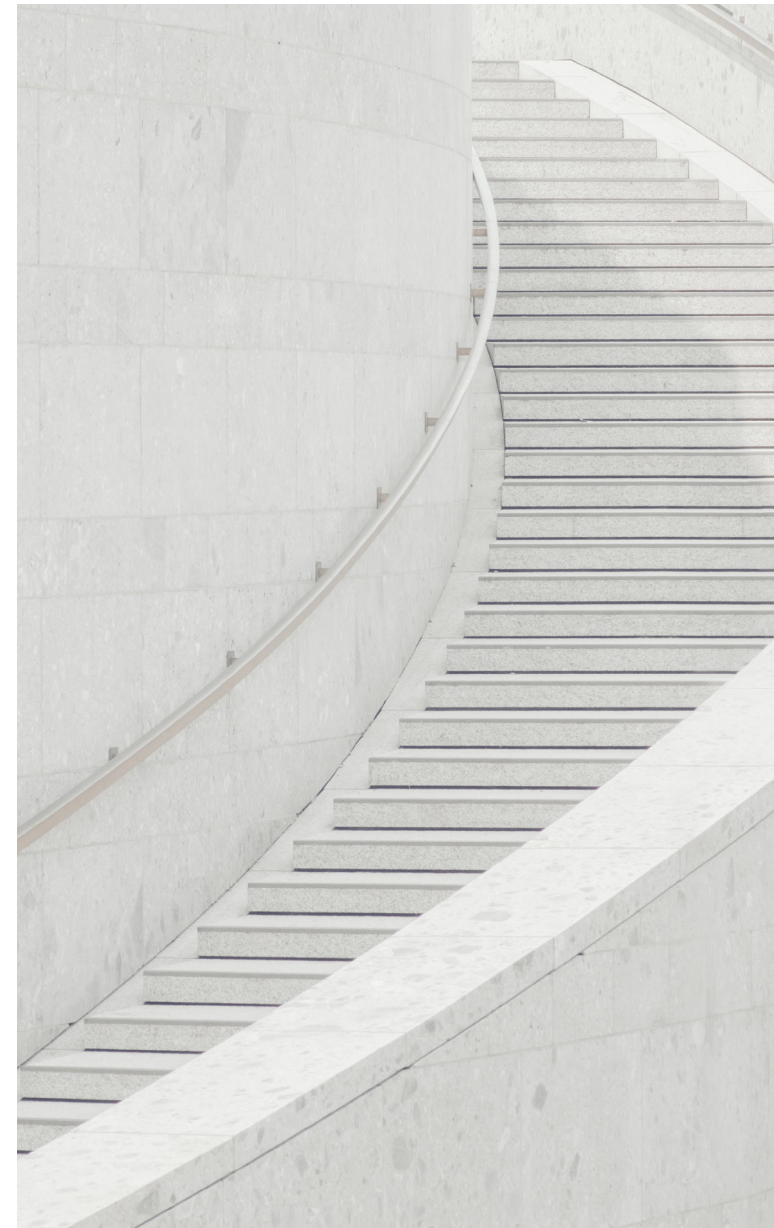
Design law

General introduction

Just like the previous year and unlike the year 2017, this year has not been the most notable year for design case law.

The trends relating to Nordic design protection is worth mentioning. The national applications and registration for design are decreasing in the Nordic countries with Norway as the exception to the rule – the correlation between the EU protection for designs and the national option for Norway becoming evident. The rate of EU applications as well as international applications under the Hague arrangement remains high, which indicates the continuing need and use of design protection globally.

The cases for design are both connected to the vehicle industry – Porsche (joined cases T-209/18 and T 210/18) and Piaggio (T-219/18) being the ones addressed in this year's yearbook. The cases themselves focus on novelty and distinctive character and provide some useful clarifications relating to both definitions.



The GC hinders the use of design adaptations to previous models to circumvent the life span of RCDs (GC T-209/18 and T-210/18)

Introduction

In this case, the GC provides an elaborate discussion on how to define the ‘informed user’. In essence, the court concluded that the Lucarno class at issue will serve as a starting point and that the informed user may not be defined on an *in casu* basis with reference to a particular model, but shall instead be defined in a general manner with reference to a person having standard capabilities within the field at issue. The court’s reasoning serves as an illustrative example that minor alterations to existing designs cannot be used to re-file for new design protection in order to circumvent the maximum term of protection of 25 years for RCDs.

Background

In 2014, a German entity filed applications to invalidate two RCDs relating to sportscars held by an exclusive German sports car manufacturer. The invalidity applicant argued that the RCDs lacked novelty and individual character in relation to prior similar car models of the rightsholder. The Invalidity Division of the EUIPO declared the RCDs invalid due to lack of individual character and the BoA of the EUIPO later confirmed this decision. The decisions were appealed to the GC.

Decision

The court initiated its reasoning by addressing the rightsholder’s argument that the informed user should be narrowly defined to sportscars and limousines only, or even the specific iconic sports car model at issue. In this regard, the court noted that the RCDs were

in fact registered for “cars, busses and trucks” and concluded that the informed user must be determined on this basis.

The court further addressed the rightsholder’s argument that consideration must be had to the design constraint as the consumers expected that the iconic design concept of the prior, original sports car model was maintained. In this regard, a lower threshold for differences in the design should apply for the informed user to perceive the new design as novel compared to the previous model. Again, the court rightfully rejected the rightsholder’s attempt to narrow the assessment by stating that the issue of constraints must be considered on the basis of the product category in which a design is to be incorporated and not with reference to a particular model.

Moving on to the comparison of the designs, the court concluded that the overall impression of the informed user was highlighted by the shape of the body of the car, the doors and the shields and that the minor differences did not provide a different overall impression. The court therefore confirmed the decisions of the BoA and declared the RCDs as invalid.

Comment

The judgment is clarifying in the sense that it provides further understanding of how to define the informed user and how to consider design constraints. As is clear from the reasoning, both these issues should be assessed with a wider perspective and on the basis of the product category at issue instead of the specific model within that category.

In sum, the decision functions as a welcome reminder that rightsholders may not circumvent the maximum time frame of 25 years for RCDs by re-filing applications which only contain minor alterations to existing designs.

Piaggio & C. SpA v EUIPO and Zhejiang Zhongneng Industry Group Co. Ltd (GC T-219/18)

Introduction

During the past years, there has been an ongoing legal dispute relating to Piaggio's intellectual property rights and the Vespa LX scooter. As of September 2019, the GC has concluded that Vespa's community design rights have not been infringed. This has been something that has been followed with great attention and suspense – especially for the rightsholders within the community who has continuous troubles with passing off and highly similar, but not identical, designs emerging from other companies and markets.

Background

In 2010, the Chinese company Zhejiang Zhongneng Industry Group were granted design protection from EUIPO for the below depicted design (“Zhejiang scooter”):



In 2014, Piaggio filed for a declaration of invalidity for the Zhejiang scooter's design protection. Piaggio claimed that the design should be declared invalid due to lack of novelty and individual character in light of their own design “Vespa LX”. The Vespa LX had first been made available in 2005. It was a design that intended to in-

corporate the lines and shape characteristics of the famous motorcycle (“the Vespa”) which of many is considered to be an icon of Italian design, dating back all the way to 1945. Apart from design protection, Piaggio argued that the new Vespa LX scooter was to be considered to be protected in Italy as an unregistered three-dimensional trademark and, in France and Italy, as a copyright protected intellectual work of art.



Decision

By decision in the Invalidity Chamber in 2015, which was later confirmed in 2018 by the BoA, the EUIPO rejected Piaggio's request for a declaration of invalidity on the grounds that they did not consider the overall impression to be the same in the eyes of the informed user. The new design was considered sufficiently new and possessing individual character. This was not something that Piaggio were the least content with and proceeded to appeal to the GC. On 24 September 2019, the GC dismissed Piaggio's action and thus confirmed the legality of the Zhejiang scooter. The GC concluded that, first of all, that a design can only be protected under the Community Design Regulation on the grounds that it is new and has individual character.

The court firstly noted that Piaggio no longer claimed that the Zhejiang scooter lacked novelty. Secondly, Piaggio had also chosen merely the later dated and modern Vespa LX scooter as the only previous presence in the design corpus. The court concluded that EUIPO had correctly deemed the Zhejiang scooter and the Vespa LX scooter as products which gave different overall impressions and that the former has an individual character compared to the latter.

Granted, the Zhejiang scooter is dominated by substantially angular lines while the Vespa LX scooter favours rounded lines and features. The characteristics and signature shapes of the Vespa LX scooter are, in addition, not found in the Zhejiang scooter; the differences between them are thus many and sufficiently significant that they will not escape the attention of an informed user.

When it came to the trademark aspects of the case, the GC further observed that, on the basis of the evidence presented by Piaggio, EUIPO could not establish if the Zhejiang scooter had made use of the unregistered three-dimensional mark corresponding to the Vespa LX scooter.

The court further remarked that the relevant public who are inclined to purchase scooters will perceive the style, lines and appearance that characterise the Vespa LX scooter as visually different from those of the Zhejiang scooter. Due to the different impressions of the two scooters, there is no likelihood of confusion on the part of the relevant public. Finally, the court confirmed the analysis made by the EUIPO; excluding infringement of Piaggio's copyright on the Vespa LX scooter in Italy and France. The Vespa LX scooter – protected by Italian and French copyright as a concrete expression as applied art. The court concluded that the “Vespa”, although it encompasses its shape characteristics and its specific overall

appearance, endowed with a “rounded, feminine and ‘vintage’ character” – had not been the subject of unauthorised use in the Zhejiang scooter.

Comment

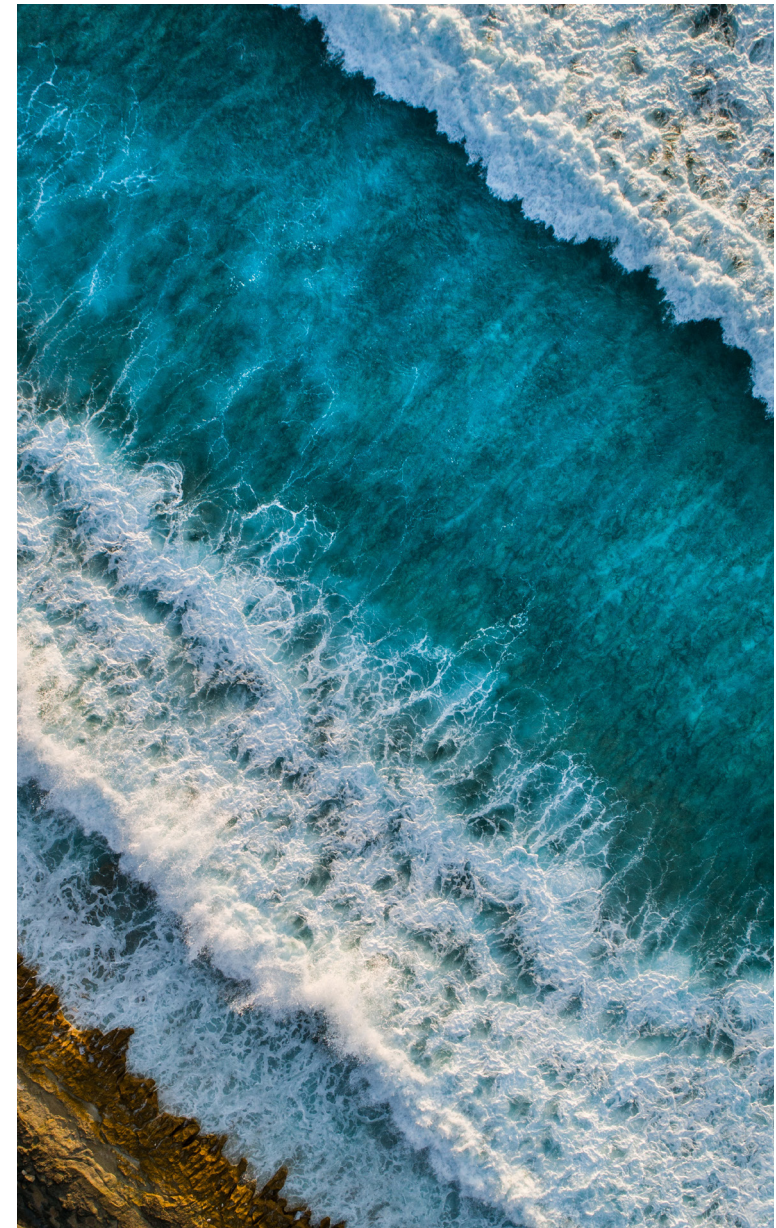
The case shows that you cannot rely solely on the design registration of a newer design, should you wish to claim protection for an “icon” that has been around since the end of World War Two. Any evidence relating to invalidity claims should be thorough and rightsholders should always keep in mind that they have the burden of proof.

The Community design of the Chinese company Zhejiang's scooter remains registered.

Copyright law

General introduction

2019 was yet another year where arguably the most interesting IP developments internationally and nationally in Sweden was within the field of copyright law. The theme of the year was the clash between copyright and other fundamental human rights (or lack of a clash, as the case turned out to be). This was evident in the three July 27 grand chamber decisions from the CJEU as well as in the PMCA's decision in PMT 1473-18, all reported here. Earlier in the year, copyright enthusiasts applauded the PMCA's dual decisions on works of applied art in PMT 3854-18 and PMT 5885-18, and the CJEU's Cofemel decision added even more to this interesting part of copyright jurisprudence. As an early Christmas present, the PMC also unexpectedly issued the first ever Swedish dynamic blocking injunction against an internet service provider. This led rightsholders to rejoice, at least until the PMCA has had its say.



The 29 July decisions on the balancing of copyright and fundamental rights (CJEU C-476/17, C-469/17 and C-516/17)

Introduction

On 29 July, the CJEU delivered the three most eagerly awaited IP decisions of the year. All three cases were decided by a grand chamber (15 judge panel), were prepared by the same Advocate General, handled by the same Judge Rapporteur, were all referred to the CJEU by German courts and in different ways concerned the interplay between copyright and (other) fundamental rights like freedom of expression, freedom of the press and freedom of information. Seen as a whole, the three decisions clarify the role of fundamental rights in copyright law and mark the culmination of a recent trend of copyright cases concerning collisions between different rights and the exceptions and limitations in article 5 of Directive 2001/29/EC (“InfoSoc”).

Background and decision in Pelham (C-476/17)

It is surprising that the basic legal question whether the act of sampling, that is the creative use of short pieces of a phonogram in the creation of another phonogram, requires the rightsholder’s authorisation, has not been authoritatively decided earlier. But following almost 20 years of litigation concerning the musical work Nur Mir, in which the producer Moses Pelham used a two-second rhythmic background sample from one of the rightsholders’ phonograms, the CJEU finally got to answer this question and whether national exceptions that go beyond article 5 InfoSoc are acceptable.

Article 2 InfoSoc mandates an exclusive right of reproduction “in whole or in part” of a phonogram. The fundamental question was whether using something as short as a two second sample of rhythmic background music, i.e. a beat, in another phonogram could constitute a violation of the reproduction right in part. Since the meaning of “in whole or in part” is not specified in the article, the CJEU interpreted it in light of the common understanding of the phrase, while also taking into account the purpose and context of the InfoSoc Directive. As the CJEU is wont to do, it found that “in whole or in part” is an autonomous concept of EU law and must thus be given a harmonised interpretation.

The court found that a reproduction of a sample, no matter how short, should in principle, be regarded as a reproduction “in part” of that phonogram within the meaning of the provision. The reproduction therefore needs the authorisation of the rightsholder. But in a stroke of Solomonic musicology, the court coined a new copyright term and found that in order for the reproduction of a sample to constitute a reproduction in part under article 2, the sample has to be “recognisable to the ear”. If the sample is not recognisable, the rightsholder’s authorisation is not needed.

Another way to argue that sampling did not constitute infringement was by arguing the application of the exceptions and limitations in article 5(3)(d) for quotation. Charged with interpreting the meaning of “quotation”, the court again investigated the common understanding of the word, while also taking into account the purpose and context of the InfoSoc Directive. The quotation defense was found to only be available if the use of the sample “entered into

dialogue” with the original work by illustrating an assertion, defending an opinion or allowing an intellectual comparison between the works.

As for national exceptions and limitations to copyright that go beyond those in article 5 InfoSoc, like the German exception for “free use” under certain circumstances, the court found that such additional exceptions are not possible. The fair balance between fundamental interests mentioned in recital 32 of InfoSoc is achieved within the directive itself and article 5. National legislation may not further derogate the rightsholder’s copyright interest.

Background and decision in Funke Medien (C-469/17) and Spiegel Online (C-516/17)

Case C-469/17 Funke Medien concerned the online publishing of a tranche of classified military reports called the Afghanistan Papers. The sensitive documents detailed German military activities in Afghanistan and had been made available to Funke Medien through an apparent governmental leak. The publication led to a political debate about the use of German armed forces in Afghanistan. The Federal Republic of Germany took the novel approach of arguing that Funke Medien’s publication constituted copyright infringement and off to court the parties went.

Case C-516/17 Spiegel Online concerned the online publishing of another sensitive German document, this time a politically charged manuscript originally written by a German politician who claimed that the manuscript had subsequently been edited and changed by a previous publisher.

Large parts of the CJEU’s decisions in Funke Medien and Spiegel Online concern identical questions and are highly similar, and

they are therefore reported together. The central question in both cases concerned the interplay between the fundamental freedom of information and freedom of the press on the one hand, and copyright on the other.

In Funke Medien, the court preceded the discussion regarding fundamental rights with an encore presentation of what constitutes a work under copyright law. It follows from the CJEU’s jurisprudence that to qualify as a “work”, two conditions must be satisfied. First, the subject matter must be original in the sense that it is its author’s own intellectual creation. In order for an intellectual creation to be regarded as an author’s own it must reflect the author’s personality, which is the case if the author was able to express his creative abilities in the production of the work by making free and creative choices. Second, only something which is the expression of the author’s own intellectual creation may be classified as a “work”.

The Advocate General had in his opinion questioned whether military reports like the Afghanistan Papers would in practice satisfy these conditions and constitute works. The court found that if the reports are purely informative documents, the content of which is essentially determined by the information which they contain, it would have been impossible for the author to express his or her creativity in an original manner and to achieve a result which is that author’s own intellectual creation and these reports would not constitute works.

On the central question in the cases, the referring court asked whether the existing exceptions and limitations to copyright for quotation in article 5 (3)(d) InfoSoc and reporting on current events in article 5(3)(c), which are commonly relied on by the press, were fully harmonised or leave room for differences in their national implementation.

Interpreting InfoSoc, the court found that these exceptions and limitations were not subject to full harmonisation. National courts thus had some freedom in implementing these exceptions and limitations in national law as concerned their scope. But the national implementation's freedom was circumscribed in several aspects. The implementation may for example not violate the general principles of EU law including proportionality and may not compromise the objectives of the legislation.

As in *Pelham*, the court found that the fundamental rights like freedom of information and freedom of the press cannot justify, beyond the exceptions or limitations provided for in article 5 InfoSoc, a derogation from the author's exclusive rights of reproduction and of communication to the public. The exceptions and limitations in article 5 are exhaustive. They safeguard the balance between the fundamental rights of the author, of others and of society and are the result of a weighing of fundamental interest, including a weighing of the freedoms of information and press against the fundamental interest of copyright.

There is, however, of course room for interpretation of the exceptions and limitations in article 5. Interpreting these, the court found that article 5(3)(c) precluded a national rule like the German restricting the application of the exception or limitation for reporting on current events, in cases where it is not reasonably possible to make a prior request for authorisation from the rightsholder, and found that a quotation according to article 5(3)(d) may be carried out through linking to the quoted work.

Comment

The 29 July cases firmly cement the interpretation that fundamental rights such as freedom of expression, freedom of information and freedom of the press, no matter how fundamental, cannot justify the use of copyright protected works outside the scope of the existing exceptions and limitations in article 5 InfoSoc. In this sense, the decisions confirm the CJEU's earlier jurisprudence and come as a surprise to no one.

But the challenge of interpreting those exceptions and limitations and their application to the modern digital word remains. A particularly challenging question is the degree of latitude afforded member states in their national implementation of the exceptions and limitations in article 5. In the view of the court there is no easy answer here, whether an exception or limitation is fully harmonised must be assessed for each individual exception or limitation. It is clear from the wording of the quotation and reporting of current events exceptions and limitations that member states do enjoy some freedom in implementing these, but others are not so clear.

By also establishing wholly new copyright terms like "recognisable to the ear" which raises fundamental questions like to whose ear the sample should be recognisable; a judge, a rightsholder, the general public or a musicologist, the 29 July decisions take as much as they give.

Through these interesting decisions, the CJEU effectively guarantees that the copyright docket will be full of request for years to come.

Jeans – copyright protected work or “just” a design? (CJEU C-683/17)

Introduction

The CJEU continues to develop its case law on copyright protection for, more or less, industrial designs, in this case the recognisable G-Star Raw jeans. The CJEU seeks to clarify the requirements for copyright protection and to determine the threshold for when a work is to be deemed protected by copyright, as opposed to significantly more limited protection under the EU industrial design protection.

Background

The Portuguese clothing manufacturer Cofemel had designed jeans which G-Star claimed were similar to its own design. G-Star brought an action before the national courts and sought compensation and a prohibition against Cofemel to infringe its alleged copyright protection, as well as an injunction for the same. G-Star argued that its jeans were original intellectual creations, and thus were to be qualified as a work and protected by copyright. To its defense, Cofemel argued that the jeans could not be viewed as works and thus did not qualify for copyright protection.

The Portuguese Supreme Court was uncertain as to whether the relevant designs constituted works and thus sought the guidance of the CJEU. The question to the CJEU was whether article 2(a) InfoSoc should be viewed as limiting national legislation from granting copyright protection to designs such as clothing, considering

that the designs, in addition to their functional purpose, create a visual effect distinguishable in an esthetical point of view.

Decision

The CJEU noted that it is clear from established case law that the concept of a work is to be interpreted uniformly within the EU in a way so that two cumulative criteria must be fulfilled. The design must be original, i.e. it must be a result of the originators’ intellectual creation. This is a requirement that the originators’ personality as well as free and creative choices are to be evident in the work. Secondly, only elements that express such creation may be qualified as a work. This is a requirement that designs should be identifiable with precision and objectivity.

The CJEU noted that article 17(2) of the EU Charter of Fundamental Rights sets out a requirement that intellectual property rights must be protected but noted that not all intellectual property must be granted identical protection.

The CJEU then went on to try whether G-Star’s jeans fulfilled the relevant criteria and were to be qualified as works, or if the jeans were “only” protected by design rights. The CJEU found that a distinguishable visual effect is not sufficient for a design to be afforded copyright protection and G-Star’s jeans could thus not be deemed as works and granted copyright protection.

The CJEU thus found that national legislation must not allow for copyright protection of designs solely on the basis that a design, in addition to its functional design, creates a visual effect that is

distinguishable from an esthetical point of view and the CJEU thus stated that G-Star's jeans could not be protected by copyright.

Comment

The CJEU's judgment helps further clarify which designs are to be regarded as works – and thereby protected by copyright for a significant period or time – as opposed to protected as industrial designs. This is particularly interesting within industrial design, as the CJEU notes in its judgment, and even more so within the ever-fast-moving fashion industry, where a balance must be found between originators' right to protection for creations and the industry's need for availability of creative choices within an otherwise quite limited design catalogue. Ultimately, industries where originators have limited choices when contributing with distinguishable designs may very well be unjustifiably limited, if this had been left unchecked by the CJEU. The CJEU's position in this very delicate question appears to be on the right side of a sensible balance.

No digital exhaustion of e-books (CJEU C-263/18)

Introduction

Following the CJEU's 2012 decision in *UsedSoft* (C-128/11), where the court found to the surprise of many that there could be digital exhaustion of copies of computer programs under Directive 2009/24/EU, there has been an argument in legal circles about extending the scope of digital exhaustion from the narrowly defined category of computer programs (for example not including video games, *Nintendo C-355/12*) to other digital works under Directive 2001/29/EU ("InfoSoc"). In an early Christmas present to rightsholders, the CJEU firmly shot down that notion in

this highly awaited case, finding that the download of an e-book constitutes a communication to the public under InfoSoc article 3 and thus is not subject to exhaustion under article 4.

Background

Tom Kabinet owned and operated a second-hand marketplace for e-books, that is digitised versions of books readable on electronic devices that constitutes works under InfoSoc. Organisations representing rightsholders argued that Tom Kabinet's second sale constituted copyright infringement and sued.

The national court found that Tom Kabinet's second-hand sale did not constitute a communication to the public under InfoSoc article 3 but still found reason to doubt whether the act of making these works available under article 4 could be exhausted under these circumstances. Four questions were lobbed over to the CJEU.

Decision

In perhaps the most brutal rewrite (read: re-imagining) of the national court's questions since *VCAST* (C-265/16), the CJEU rephrased the national courts question to be whether Tom Kabinet's supply by download for permanent use of an e-book constituted a communication to the public within the meaning of article 3, or a distribution to the public within the meaning of article 4 (i.e. the question the national court had already answered...but wrongly as it turned out).

According to article 3, rightsholders have the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public

may access them from a place and at a time individually chosen by them.

According to article 4, rightsholders have, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise. That right may however be exhausted where the first sale or other transfer of ownership in the European Union of the original or of a copy of the work is made by the rightsholder or with the rightsholder's consent.

According to settled case law, the CJEU interpreted the provisions in articles 3 and 4 in their context. Looking at the World Copyright Treaty and the preparatory works for InfoSoc, the court found that the underlying intention behind InfoSoc was that any communication to the public of a work, other than the distribution of physical copies of the work, should constitute a communication to the public. The concept of communication to the public should thus be interpreted broadly, covering all communication to the public not present at the place where the communication originates, in order to establish a high level of protection for rightsholders.

The CJEU proceeded to distinguish the circumstances in this case from those in *UsedSoft* by emphasizing that Directive 2009/24/EU is *lex specialis* in relation InfoSoc and by finding that an e-book is not a computer program. Even if an e-book were to be considered complex matter comprising both an InfoSoc work and a computer program eligible for protection under Directive 2009/24/EU (as in *Nintendo*), for an e-book, such a computer program part of the

whole would only be incidental in relation to the work contained in the e-book.

Economical and functional aspects of exhaustion of e-books was also discussed in the context of *UsedSoft*. In that case, the court had found that the provision of a computer program in tangible form was essentially equivalent to the provision of that same computer program in digital form. In this case, the court however found several significant economical and functional differences between the purchase of a physical book (where there is a legal second-hand market not subject to rightsholders wishes) and the purchase of an e-book. An e-book does for example not deteriorate and will always appear “new”, also the second-hand sale of digital files would in practice be almost entirely without effort on behalf of the seller. For these reasons, establishing a second-hand market for e-books would likely have serious negative effect for rightsholders.

Comment

This case was nothing but a yuletide lump of coal for Tom Kabinet whose whole business model was branded infringing. The decision was not a surprise to most commentators and fully in line with Advocate General Szpunar's opinion released earlier in the year. It seems the only way the court could have found differently would have been through a blatantly policy-driven response of the “save the internet!” kind we have seen previously. This was unlikely in this case for many reasons, not the least of which is the technical development over the last few years where new streaming solutions are quickly eating up the market share of download solutions like Tom Kabinet.

The concept of distribution is extended to storage of products, but only when intended for sale (Supreme Court B 5089-16 and CJEU C-572/17)

Introduction

In this case, the scope of how to interpret the term “distribution to the public” which is entitled exclusively to a copyright holder, is widened. After having referred two questions to the CJEU for clarification, the Swedish Supreme Court found that storing copyright protected goods in storage facilities, both adjacent to the shop selling the goods located some distance away, constituted distribution in the sense of the Copyright Act.

Background

A person ran a retail shop in Stockholm in which he sold infringing goods consisting of clothes with copyright protected motifs. He also had two storage facilities in which he stored clothes identical to those which he sold in the retail shop. One of these was adjacent to the shop and the other was located in a suburb of Stockholm, i.e. some distance from the shop.

The question the Supreme Court had to assess was whether the storing of the clothes in said storage facilities constituted such distribution which is encompassed by the proprietor’s exclusive rights under the Copyright Act and thus whether the shop owner had conducted copyright infringement.

Since there is no provision in the Copyright Act regarding whether storage constitutes distribution, the Supreme Court asked CJEU two questions:

- (i) When goods bearing protected motifs are unlawfully offered for sale in a shop, can there also be an infringement of the author’s exclusive right of distribution under article 4(1) of InfoSoc as regards goods with identical motifs, which are held in storage by the person offering the goods for sale?
- (ii) Is it relevant whether the goods are held in a storage facility adjacent to the shop or in another location?

The CJEU

In answering the questions, the CJEU held that the conclusion and performance of a contract, at the very least, constitutes a distribution to the public. Further, it held that it cannot be excluded that also acts preceding the conclusion of a contract may fall within the concept of distribution in the sense of InfoSoc. This is the case, even if that act was not followed by a transfer of ownership of the protected work in question. However, it must be proven that the stored goods are actually intended for sale.

In light of this, the CJEU held that when a person sells, in a shop, goods bearing motifs without the rightsholder’s consent and stores identical goods at another location, this might be an indication that also the stored goods are intended to be sold in the shop and, thus, that the storage may constitute such an act prior to a sale which infringes the rightsholders distribution rights.

However, the CJEU emphasised that this is merely an indication of such infringement and that the national court must determine, taking all evidence available into consideration, whether all of the goods stored in the storage facilities are intended for sale in the shop. Furthermore, the CJEU held that while the distance between the storage facility and the place of sale may provide some indication, this cannot be solely decisive. Other factors to consider are

the regular restocking of the shop, accounting elements, volumes of sales and orders as compared with the volume of stored goods, or current contracts of sale.

The Supreme Court

In light of the CJEU's ruling, the Supreme Court thus noted that storing infringing goods may constitute distribution, and copyright infringement, if the stored goods are actually intended to be sold.

Consequently, the Supreme Court noted that the goods in question had copyright protected motifs and that the person that owned the shops and storages were the sole owner of the goods in question. Furthermore, the goods in the storage facilities were identical to those in the shop and the shop was, with some regularity, re-stocked with goods from the storage facilities.

In the light of this, the court held that it had been shown that the goods in the storage facilities were intended to be distributed to the public. The copyright owners' exclusive right to distribution under the copyright act was thus infringed.

Comment

Given the InfoSoc and the CJEU's ambition to maintain a high level of protection for copyright protected works, the judgment is a step in the right direction. However, both the CJEU and the Supreme Court put quite significant emphasis to the fact that the goods in the storage facilities were identical to those sold in the shop. Would the outcome have been the same if the goods had had just similar motifs, of even completely different motifs – but still counterfeit products?

While the crucial assessment should be whether it can be proven that the goods in storage facilities are intended to be sold, the Supreme Court asked the question to the CJEU on the basis that the goods in question had identical motifs and the CJEU answered the question taking just that into consideration. However, a reasonable interpretation would be that, in these cases, the national court's assessment should be limited to whether the stored goods are intended for sale, notwithstanding if the motifs are identical to the goods sold in the shops or not. It will be up to the courts to try this and, while this judgment is a step in the right direction, we are looking forward to further clarifications.

Calculating copyright infringement damages using hypothetical licence fees (Supreme Court B 1540-18)

Introduction

The Supreme Court recently rejected the application of a hypothetical licence fee to calculate reasonable compensation for massive copyright infringement through the operation of an illegal streaming site. The decision raises several interesting questions, including to what extent an infringer's illegal business model should be taken into account when calculating reasonable compensation.

Background

Dreamfilm was one of the largest illegal streaming sites in Sweden. When it was shut down by the Swedish police, the site had approximately 1,000 free movies available for streaming. In the criminal

case against Dreamfilm's operators, a Swedish rightsholder joined as an injured party seeking damages for copyright infringement. In what the rightsholder likely viewed as a pilot case to gauge the amount of damages that could be awarded on a per-movie basis, damages were sought for only one movie for which the rightsholder held the copyright.

The district court sentenced the operators to prison and ordered them to pay damages of approximately €125,000 to the rightsholder. The appeal court gave them conditional sentences instead of prison time; however, it increased the damages to approximately €400,000.

Regrettably, such differing damages awards, based on the same evidence and calculated according to the same legal principle, are not uncommon in Swedish cases of this kind. Calculating damages in cases of massive online copyright infringement is notoriously complicated due to many unknown factors, such as how many illegal streamers would have legally streamed the movie or bought a physical copy had it not been available illegally.

Unhappy with the legal uncertainty created by this situation, the Supreme Court has shed some light on how one type of damages under Swedish copyright law, so-called 'reasonable compensation', should be awarded in similar cases.

Decision

Under Section 54 of the Copyright Act, anyone who commits copyright infringement must pay the rightsholder reasonable compensation. Further, if the infringement is carried out intentionally or negligently, compensation must also be paid for additional

damage caused by the infringement. Swedish litigants can also rely on the general provision in Chapter 35, Section 5 of the Code of Judicial Procedure, which states that if full proof of the extent of damages cannot be invoked, the court may estimate the damages at a reasonable amount.

In Swedish case law, the application of hypothetical licences which correspond with infringing use has long been championed as the most efficient way to calculate reasonable compensation. It is a good method in cases where the rights infringed are available on the open market. However, applying this principle to cases where there is no licensing market or licensing model that corresponds with the infringing use has proven problematic. Further, its use in cases against file-sharing services has resulted in notably different compensation levels for arguably similar infringements. For example, one court of appeals judgment considered €70,000 per movie reasonable compensation against The Pirate Bay, while another found €200,000 per movie reasonable compensation against Swefilmer.

In the case at hand, the rightsholder based its claim for reasonable compensation on a hypothetical licence that was unlimited in time, number of views and geographical use, free for viewers; and free from copying safeguards (i.e. a near-exclusive licence to the movie). Such licences are rarely seen on the market. The rightsholder argued that the licence fee for such a licence would need to cover all of the movie's production costs, plus 20% as a profit add-on.

The Supreme Court found the hypothetical licence too broad and not based on the defendants' use of the movie (i.e. being time limited and covering only streaming). Such a broad licence is perhaps what the rightsholder would have demanded to license the

defendants' service, but it is not reasonable to think that it would have been accepted by the defendants. Interestingly, the court indicated that attempts to use a hypothetical licence as a tool to calculate reasonable compensation for infringement must take into account the infringers' illegal business model.

According to the court, the hypothetical licence in this case was too far removed from reality to serve as a tool for calculating reasonable compensation, which must instead be based on a model that accounts for the totality of the evidence invoked by the rights-holder. In light of the disparate data points on the period of infringement, the lack of data on the number of streams, the rightsholder's commercialisation of the movie and general licensing models for movie broadcasting and renting, the court deemed €40,000 to be reasonable compensation for the defendants' use of the movie's copyright.

Comment

It may seem surprising that the Swedish courts consider an infringer's illegal business model relevant when calculating damages for copyright infringement. However, under the Copyright Act, this principle makes sense. Claims for reasonable compensation that are based on a hypothetical licence must accord with a licensing model that bears a resemblance to a real-world licensing market. If no real-world licensing model corresponds with the infringing use, litigants must base their claim for reasonable compensation either on the more nebulous basis suggested by the court in this case (i.e. the court makes an educated guess based on the totality of evidence) or on additional damage.

In practice, if the evidence invoked to substantiate damages is strong, it will make little difference to litigants whether the claim is based on reasonable compensation or additional damage. Further,

as operators of illegal file-sharing or streaming sites have usually infringed the rights of hundreds (if not thousands) of movies by the time they are caught, litigants may simply base their claim for reasonable compensation before the Swedish courts on approximately €40,000 per movie multiplied by the number of movies required to get as much money from the infringers as possible.

Current news events and the Swedish parody exception (PMCA PMT 1473-18)

Introduction

The so-call iron pipe scandal was hot political news in 2012, when a 2010 video of altercations between Swedish right-wing Sweden Democrats parliamentarians Erik Almquist, Kent Ekeröth and Christian Westling leaked and was published by several Swedish news sources. Kent Ekeröth, who had filmed the video in question, later pursued an action against Sveriges Television ("SVT"), the Swedish national public television broadcaster, where he sought compensation for copyright infringement. The case is now finally decided in the PMCA, and the then hot political scandal has led to some interesting clarifications on how Swedish legislation on particularly parodies must be brought in line with EU case law.

Background

On a late night or early morning during the summer of 2010, Ekeröth, Almquist and Westling – at the time representatives of the Sweden Democrats, but not yet Swedish Parliamentarians – ended up in an altercation with Swedish comedian Soran Ismail and several members of the public. Ekeröth filmed a 20-minute-long video of the incident. The full-length video would later be published by the Swedish newspaper Expressen. The video con-

tained several racist statements by Almqvist, as well as violent actions by the trio. Particularly, the trio armed themselves with iron pipes, an action which later named the scandal. SVT published several excerpts and pictures from the video, and Ekeröth filed an action against SVT for copyright infringement.

Decision

The PMCA's judgment is detailed and lengthy, as is common when a case may become particularly interesting to the public. Some interesting questions are examined, such as the point in time when the video can be said to have been published, as well as what use SVT made of the material and whether any exception providing a right to use the material was applicable. As Expressen's previous publication of the video had not been consented to by Ekeröth, SVT could not rely on this as an argument that the video had already been made public. The court thus found that the material had not been made available to the public.

Interestingly, Ekeröth had not specified how many times the video had been made available and the court thus found that the video could only be said to have been made available once, as SVT had not accepted that the material was made available more times.

SVT sought to rely on an exception in the Copyright Act, under which newspapers can make available photographs in the connection to current events. The court found that the photographs must have been made available prior to SVT's own publication and the exception cannot apply when the photographs have been created for the purpose of being published (as is the case when publishing extracts from a video). An exception based on the same reasoning applies to videos. The court noted that the exception to make available photographs and videos depicting current events is more limited

when compared to the exception under EU law. However, the court simultaneously noted that a broader exception under EU law cannot be applied against the express wording of Swedish legislation and that the exception, as stipulated under national legislation, could not be applied in the current case.

SVT also stated that the publication, in parts, was a parody of Ekeröth's work. The parody exception is regulated under EU law and should be harmonised within the EU. A photograph or video must be different to the original as well as humorous or ridiculing, for the parody exception to apply. There is no requirement that the parody must be original. The court noted that Swedish legislation does not include a written parody exception, but that such an exception exists based on old case law. In contrast to EU law, however, Swedish case law sets out that parodies must be considered their own works. The court found that the requirement that parodies are works of their own conflicts with EU law, especially as EU case law does not require originality. The court thus found that the EU requirement must be applied. Applying the EU requirements, the court held that there were – at least in relation to some specific uses of the video – notable differences between the original video and the video published by SVT and that the later contained humorous or ridiculing elements.

The court also tried the question of whether there was an issue that freedom of speech was limited by the right to property. Ultimately, the court found that national courts are largely free to decide on these limitations and found that SVT could have published news regarding the incident without infringing Ekeröth's rights and that the limitations placed on SVT were acceptable limitations of the channel's freedom of speech.

Comment

This case is important as it highlights that the exceptions in the Swedish copyright law with regard to the right to publish photographs and videos of current events is more limited than under EU law. This can be viewed as a message to the legislator that the legislation is not in line with EU law and that it may be necessary to make amendments in this regard. The case also includes a change of current case law, where the Swedish parody exception is redrawn to be brought into harmony with EU case law on the matter.

Copyright infringement of electric candlesticks (PMCA PMT 3854-18)

Introduction

The PMCA clarifies how the Swedish definition of originality compares to the definition in EU case law. There has been uncertainty regarding the Swedish "independent double creation" criterion in relation to the originality criterion and the PMCA declares that the Swedish criterion may serve as an aid in assessing whether a subject is sufficiently original. The judgment also deals with aspects regarding standing to bring an action, the assessment of copyright for applied art and unfair marketing issues.

Background

A company that claimed to be the holder of the copyright to the electric candlestick Elflugan brought action against another company that sold and marketed candlesticks that were similar to Elflugan. The claimant alleged that the selling and marketing constituted copyright infringement as well as unfair marketing.

The claimant requested that the PMCA should prohibit the company from selling and marketing the products under penalty of a fine. The defendant objected e.g. that the claimant was not the rightsholder and referred to previous litigation where another company had brought an action in the capacity of rightsholder to Elflugan.

Decision

The PMCA examined whether the claimant had standing to bring the action. In this regard, it noted that the originators had granted an exclusive licence to a company that had merged with the companies that held the exclusive copyright at the time of the action, and that that the merged company had in turn granted an exclusive licence to the claimant. Even though the first licensee could still claim its rights as the copyright holder, the licensee had merged with the current licensor and therefore there was no risk that two competing rightsholders could bring the same action against the defendant. PMCA declared that the claimant had standing to bring the action pursuant to Section 53 b of the Copyright Act.

The court continued by examining whether the candlestick was protected by copyright. It noted that it follows from recent case law from the CJEU that two cumulative conditions must be satisfied for subject matter to be classified as a "work" within the meaning of Directive 2001/29/EC ("InfoSoc") and that this interpretation must be autonomous and uniform within the EU. The subject matter has to be original in the sense that it is the author's own intellectual creation and it has to be identifiable with sufficient precision and objectivity. In Swedish legislative comments and doctrine, the definition of "originality" (Sw. verkshöjd) has been

used in the meaning that a work must be the result of an individual spiritual creation and a certain degree of independency and originality. The PMCA stated that the Swedish definition of originality was equal to the originality requirement under EU law, as both definitions require a certain amount of individuality regarding the creative process and originality in the end result. The requirement that the work shall reflect the author's own intellectual creation set out in EU case law was, according to the PMCA, compatible with the Swedish requirement of "independent double creation" that entails that the risk that two persons, independently of each other, create identical works shall in principle be non-existent. Further, the analysis of the risk of an "independent double creation" could be used as guidance to determine whether a work is sufficiently original.

The court found that Elflugan was created without any source of inspiration and was therefore a result of independent creation. The court conducted comparisons to prior art referred to by the defendant and found that Elflugan clearly distinguished itself from the overall impression and form of the prior art and therefore fulfilled the requirement of originality of applied art. In the overall assessment, the court held that the scope of protection covered more than direct imitations but could not be extended to designs with a different form and visual effect. The court found that three of the litigious candlesticks constituted copyright infringement and issued an injunction against them.

Next, the PMCA assessed whether the marketing of the candlesticks constituted a breach of the Marketing Act. The claimant asserted that the marketing was unfair as the candlestick were misleading imitations, which requires that the original product is known to

the relevant public in a way that makes the product associated to a certain commercial origin. The PMCA held that the relevant public in this case was consumers in general. Even though the evidence supported that Elflugan was well-known within the lighting and design industry, there was not enough support to show that Elflugan was known to a significant share of the relevant public. The court therefore dismissed the unfair marketing claims.

Finally, the PMCA allowed for the judgment to be appealed to the Supreme Court due to the precedential issues in the case.

Comment

This judgment provides welcome guidance as it has been uncertain whether the Swedish definition of originality is compatible with the definition set out in EU case law. The PMCA has now clarified that there is no divergence between the definitions and that the established Swedish practices can be used as guidance in determining whether something constitutes a copyright protected work also under the EU law definition. As the EU definition contains a requirement of the work reflecting the author's intellectual creation, the Swedish "independent double creation" criterion can serve as an assisting rule to determine if a work is sufficiently original.

A bit more disappointing for rightsholders, the case also confirms the high threshold for proving that a product is well-known under marketing law. Companies whose products are becoming contemporary classics are therefore well-placed to ensure that any market research that is carried out for other purposes is structured and conducted in a manner so that it can also serve as evidence in potential litigation.

Watch out! Watch is found to be protected by copyright (PMCA PMT 5885-18)

Introduction

For the first time, the PMCA has found a watch protected by copyright as a work of applied art and called time on an infringing watch. The court reached its decision by applying EU case law on the harmonised copyright concepts of work and originality, concluding that the time had come for the Swedish courts to assess such concepts based on applicable EU case law, rather than outdated Swedish case law.

Background

In November 2016 a retailer imported and launched a minimalistic watch with a nato strap available in several colours on the Swedish market. In all material respects, the watch case and the strap pattern and colour options of the nato strap were identical to an international bestselling model from leading Swedish watch manufacturer Daniel Wellington.

Daniel Wellington sued for copyright infringement. The retailer contested the claim and invoked a substantial amount of prior art, arguing that the watch did not constitute a work of applied art protected by copyright as it merely constituted a simple combination of previously known design elements of watches.

Relying heavily on the prior art invoked and by reasoning that the watch design was based on simple variations of previously known design elements and thus lacked originality, the court of first instance denied the watch copyright protection as a work of applied art.

The case was appealed to the PMCA.

Decision

The appellate court structured its assessment of whether the watch constituted a work of applied art based on the CJEU's decision in *Levola Hengelo* (C-310/17), which reiterated that the concept of a work in copyright law should be interpreted uniformly within the EU. Accordingly, and as set out in *Infopaq* (C-05/08) and *Painer* (C-145/10), in order to be protected by copyright as a work of applied art, the court found that a watch must display originality in the sense of being the author's own intellectual creation, and be expressed in a manner which makes it identifiable with sufficient precision and objectivity.

As regards the watch at issue, the court paid particular attention to the evidence invoked which concerned the author's artistic considerations and creative process in creating it, as well as the expert witness who had testified to the vast design corpus in the field which still allows for watch designers to imbue their timepieces with unique individual character in an original way.

Therefore, taking into account the many large and small design choices that the author had made to create the impression of a slim and minimalistic watch design, the court found that the watch was the result of the author's intellectual creation, was original in the copyright sense and constituted a work of applied art.

Moreover, the court addressed the defendant's mosaic of prior art components by stating that the fact that a product consists of previously known elements does not rule out copyright protection if it displays originality when considered in its entirety. Thus, the watch was found to constitute a work of applied art.

Based on the strong originality of the watch and notable similarities with that of the defendant, the court found that even in a crowded

design field such as the watch industry, the defendant's watch had infringed Daniel Wellington's copyright. As it was not granted leave to appeal to the Supreme Court, the defendant's time had thus run out.

Comment

This case is of great interest to the watch industry as it is the first time that a Swedish court has confirmed that a watch can be protected by copyright as a work of applied art, even in a crowded design field. The decision enables rights holders to not only pursue counterfeits on the basis of trademark infringement, but also to prosecute copycat watch models on the basis of copyright protection in physical and digital environments. It will be interesting to see how the industry applies these new prosecution tools and strengthens brands' IP protection.

From a copyright law perspective, the case confirms how the harmonised concepts of work and originality should be applied by national courts, which will likely lead in practice to an expansion of copyright protection in other jurisdictions.

Although it might be too early to declare copyright cases on applied art the new copyright frontier for rightsholders, the trend certainly points in that direction. Moreover, the decision shows how the common strategy among Swedish defendants in IP litigation to mount a voluminous prior art defence is not always relevant in copyright cases where novelty is not the issue.

The case also marks a first for the court in its ordering a defendant to publicise the judgment on social media platforms such as

Facebook and Instagram. In Swedish case law, such orders for publication have previously specified only newspapers or similar traditional news platforms.

Blocking injunctions – proportionality and right of access to information (PMCA PMÖ 7648-19)

Introduction

In a recent interim decision, the PMCA ordered several internet service providers to take blocking measures against Sci-Hub and LibGen, the first of which proudly proclaims to be “the first pirate website in the world to provide mass and public access to tens of millions of research papers” free of charge.

The case is interesting in light of the court's decision in a similar case on interim blocking measures (PMÖ 9945-18, Dreamfilm). In that case, the court denied blocking injunctions due to a lack of proportionality and issued stern words about the evidence invoked by the claimant and the risk of overblocking legitimate content. This case provides well-needed, but insufficient guidance on the threshold for when a blocking injunction is warranted and how the sensitive issue of overblocking will be weighed in a proportionality assessment.

Background

In 2018 two Dutch entities holding the copyright to numerous scientific articles commenced proceedings against a group of internet service providers on the basis that the provision of access to certain websites (including their copyright-protected works) constituted contributory copyright infringement. The difference between this

case and similar previous cases was that the websites also contained an extensive amount of legal content, some of which was subject to licence and some of which was not covered by copyright.

The claimants requested the court to issue an interim blocking order, with which failure to comply would result in a fine. The PMC found for the claimants. The decision was appealed to the PMCA, which ordered a stay of execution in relation to the lower court's decision pending its interim decision.

Decision

In typical Swedish fashion, the court quickly concluded that the defendants' provision of access to the websites at issue constituted contributory copyright infringement. The court then addressed the proportionality of an eventual blocking order. Since the target websites included some non-infringing content and some of the domain names targeted by the injunction no longer led to the target websites, overblocking was a real concern.

In this context, the court referenced the CJEU's decision in *Telekabel* (C-314/12) and its recent decision in *Dreamfilm* regarding the importance of considering freedom of information for end-users before issuing a blocking order. On this basis, the court considered the amount of legal content on the websites at dispute. Without going into detail on the proportion of legal versus infringing content, the court stated that it had been established that there was a considerable amount of copyright-protected content on the sites and that issuing an order for blocking measures would not limit the end-users' freedom to information in an undue manner.

Hence, the appellate court revoked the stay of execution and ordered the service providers to administer blocking measures in relation to the websites within three weeks. The court took a strict view of which domains to target in the same manner as in *Dreamfilm*. Some of the domains which had previously linked to the infringing websites, but had already been closed down for the remainder of the domain registration period, were not subject to the blocking injunction.

The court did not exercise its option to grant the possibility to appeal the case to the Supreme Court, so blocking injunctions in Sweden will continue to be decided by the PMCA.

Comment

Even though the court's rejection of a blocking order in *Dreamfilm* earlier this year was seemingly based on evidentiary issues within the scope of the proportionality assessment, the current case indicates a more rightsholder-friendly move, as the interest of safeguarding the exclusive right to intellectual property was favoured over freedom to information and concerns of overblocking. Considering that the court has reached different conclusions in the assessment of proportionality in two similar cases in six months, it is worthwhile noting the differences between them.

While the court's examination was limited due to the claim's interim nature, its reasoning in the recent decision unfortunately leaves much to be desired. As is clear from the reasoning (and in view of *Telekabel*), the court will strive to counteract excessive blocking. Moreover, and as is clear from *Dreamfilm*, substantial ambiguities

ties regarding the sharing of infringing content of the websites at dispute will fall back on the claimant.

While there was no substantial mention of the proportions of legal or illegal content on the websites in the case at hand, the court's reasoning at least clarifies that the claimant must establish a considerable amount of copyrighted content included on the website at issue for a blocking order to be considered proportionate. Whether this threshold means a certain fixed share or merely an absolute minimum amount of protected content is unclear from the decision and may have to be clarified in future case law.

The handling of the case on its merits now returns to the first-instance court. Both service providers and rightsholders should await the court's upcoming judgments with interest to see if it is willing to elaborate on how best to strike a balance between safeguarding IP rights, providing access to information and addressing concerns over overblocking.

Threshold of originality for a song title (PMC PMT 16453-18)

Introduction

In this judgment, the PMC found that the song name "Alla vill till himmelen men ingen vill dö" (Eng. Everybody wants to go to heaven but nobody wants to die) and the lyrics in the same song, "Alla vill till himmelen men få vill ju dö" (Eng. Everybody wants to go to heaven but few want to die) did not possess such originality that it could be afforded copyright protection.

Background

In 2005, a Swedish musician released a song called "Alla vill till himmelen men ingen vill dö". The song included a similar sentence in the lyrics, "Alla vill till himmelen men få vill ju dö". In both the name and the lyrics, "heaven" is misspelled to correspond with the dialectical pronunciation of "himlen" of southern Sweden, "himmelen". In 2018, a political party used the slogan "Alla vill till himlen men ingen vill dö i vårdkän" (Eng. Everybody wants to go to heaven by nobody wants to die waiting for healthcare) on a poster. The musician and the musician's record label claimed that this constituted copyright infringement.

Decision

Firstly, in determining whether the disputed sentence was copyright protected, the court referred to EU case law and held that copyright protection is afforded if the work in question is an expression for the intellectual creation of the author, which mirrors his or her personality and that is expressed as a result of the author having made free and creative choices in connection with the creation. In connection to this, the court noted that the Swedish threshold of originality corresponded to EU case law regarding originality and thus were to be used in the case. Furthermore, the court noted that the requirement of "independent double creation" is applicable under Swedish law, which means that if two persons, independently of each other, create an essentially identical work, this indicates that the work in question does not reach the threshold of originality.

Having stated this, the court observed that there existed several English songs using the lyrics "Everybody wants to go to heaven

but nobody wants to die” or similar expressions. The court also noted that two Swedish songs with similar lyrics existed. In the light of this, the court held that it was at least possible that the English version of the disputed sentence was reasonably established among the public. The musician himself, however, asserted that he had heard the sentence for the first time when he spoke to a man in Ghana in English, telling him that “[i]n Ghana it is like everybody want to go to heaven by nobody wants to die”. The court did not question that the musician had not heard the sentence before that.

In the light of this, the court held that the assessment in this particular case should be based on which creative addition to the sentence the musician had made in translating the sentence he had heard in Ghana, from English to Swedish.

In making this assessment, the court found that “Alla vill till himlen men ingen vill dö” is a direct translation of “Everybody want to go to heaven but nobody wants to die”. While the musician had chosen to misspell the word heaven (Swe. himlen) to correspond to southern Swedish dialect, “himmelen”, and in the lyrics had added the words “få” (Eng. few) and “ju” (Eng. actually) to emphasise that some people actually want to die, the court found that this merely constituted simple variations of the English sentence. Thus, the individual choices made by the musician in translating the sentence into Swedish were not enough to consider find the “threshold of originality” fulfilled, and it could therefore not be awarded copyright protection.

Comments

Perhaps unsurprisingly, the court found that the disputed sentence did not merit copyright protection. Unfortunately, the court did

therefore not discuss damages, which would have been welcome as the musician had based his claims on his moral rights. The musician has publicly criticised the political party in question on several occasions prior to this dispute and is known as one of the party’s most famous opponents in the Swedish political debate. Thus, the musician based his claim for damages on his reluctance of being linked to a political antagonist. Such a claim is adjacent to marketing law doctrines such as passing off or discrediting. The possible connections, or absence thereof, between the copyright law and marketing law would indeed have been an interesting addition to case law. However, the judgment has not been appealed and we will have to wait further for judgments discussing moral rights of the author.

Who holds the copyright to Babblarna? (Labour Court A 69/18)

Introduction

With about half a billion views on YouTube, the concept of Babblarna, with characters like Babba, Bobbo, Dadda, Diddi, are well-known to children and parents in Sweden and abroad. The figures are developed as a language training resource and is used by Swedish pre-schools. When the illustrator and the publisher were unable to agree on who had the right to dispose of the copyright to Babblarna, the illustrator removed the videos from YouTube until the dispute was solved, as he claimed to be the originator of and copyright holder to Babblarna. The publisher claimed to be the idea maker behind Babblarna and to have acquired the rights through the employment of the illustrator. Now that the Labour Court has ruled that the publisher is the copyright holder, the videos are back on YouTube.

Background

Babblarna started off as a rather small concept and has grown over the last years. The publisher first contacted the illustrator in 2005 and asked the illustrator to produce the first original figures. He was hired as a consultant at separate occasions and was then hired as a fulltime employee in 2014 to develop the illustrations. The parties agreed that the illustrator had created copyright protected materials during his time as consultant and employee, but disagreed as to whether the company had acquired those rights through the employment agreements. The publisher, and the employer organization as co-claimant, requested that the court should declare the publisher as the copyright holder. The claimants based their arguments on the oral and written agreements between the parties or alternatively that they had acquired the rights through the illustrator's passivity and implied actions.

Decision

The court begun to examine the first oral agreement in 2005. The illustrator was contacted by the publisher and was given directives on how to create the first figures to be used for books, music videos and such. The publisher had the final say and the illustrator was paid a one-off payment. The illustrator knew the intended field of use for the illustrations and the court stated that he should therefore have realised that the publisher intended to continue to use the figures. In conclusion, the court ruled that the disposal rights to the copyright protected subject matter at the time belonged to the publisher.

The second agreement was a written agreement in 2007, denoted the "Royalty Agreement". During the years 2008-2017, the publisher paid the illustrator different amounts referred to as Royalty.

The parties argued whether the agreement constituted the basis for the payments and if this affected the disposal rights of the copyright. It was undisputed that the parties never discussed the copyright or the meaning of the Royalty Agreement in 2007. The agreement did not mention copyright or whether the royalty constituted payment for the publisher's disposal of the illustrator's creations, although it stated that the Royalty was calculated based on number of sales. Royalty is often paid by the party that has acquired the disposal rights to someone else's copyright, but the concept does not have a clear definition. According to the court, the agreement and the royalty payments did not constitute reasons for the illustrator to believe that the publisher gave up the rights received from the first agreement. The other agreements and the actions taken (and passivity) by the illustrator during the years 2008-2013 also showed that the publisher had acquired the disposal rights to the copyright protected works. The illustrator was hired by the publisher from 2014 to 2017. During these years, the illustrator knew about the disposal of the illustrations without contesting it. The court found that by accepting and not protesting against the use, the illustrator was considered to have agreed that the publisher had the disposal rights to the copyright. In sum, the court declared that the publisher had acquired the disposal rights to the copyright protected illustrations and had the right to change and sublicense the illustrations.

In light of the above, the court applied the established Swedish principle that an employer may dispose of work developed by an employee, if that work is a result of an employment within the scope of the employer's operations. This right of disposal applies to the intended uses that can be predicted at the time of the creation. On these grounds, the court declared that the employment agreements did not limit the copyright acquired by the publisher through the contracts.

Comment

The judgment highlights the importance for an originator to claim his rights as soon as possible after creation. In this case, the illustrator's passivity and actions – helping the publisher develop the concept of Babblarna and not protesting to the use of Babblarna by the publisher – cost him the right of disposing over the copyrighted material and the right to change or sublicense it. The absence of written employment agreements has been proven to not be of essential importance in cases as this one.

Marketing law

General introduction

This year has been unusually eventful in the field of marketing law. The PMCA has handed down several important judgments – not least the eagerly awaited decision regarding influencer marketing and hidden advertisements.

We also report on two judgments relating to marketing of alcoholic beverages and the requirement that such marketing must be made with particular moderation.

In all of the reported judgments, the PMCA emphasises that the Swedish legislation must be interpreted in light of the underlying EU directive. This trend can be seen not only in relation to marketing law, but also in judgments concerning other IP rights. It is evident that CJEU case law becomes more and more influential in the Swedish legal setting.



One small step for alcoholic beverage marketers, one giant leap for wine critics (PMCA 7401-17)

Introduction

The marketing of alcoholic beverages has long been subject to heavy regulation in Sweden, based on the belief that unbridled marketing in this field would promote drinking to the detriment of society.

Under the general rule in the Alcohol Act, all consumer marketing of alcoholic beverages must be carried out with "particular moderation", leaving scant room for the kind of aggressive marketing activities that many brand owners use to market thirst-quenching libations in other jurisdictions.

In this case, the PMCA assesses the use of quotations from wine reviews in ads and finds the terms "bargain" and "recommended" and the phrase "an excellent alternative for the big party" acceptable under the applicable Swedish and EU law.

The case marks a small but significant shift in the strict Swedish jurisprudence on the subject and may give market actors a reason to pop a celebratory bottle.

Facts

In 2015 an importer published a wine ad in a Swedish daily that quoted a number of wine reviews. The Consumer Ombudsman, which brings cases for violations of the Alcohol Act's marketing rules, found that the ad did not comply with the particular moderation requirement and sued for unfair marketing.

The PMC, handed down a split decision, which found the term "recommended" acceptable as it clearly referred to a review; however, it rejected the use of the term "bargain" and the phrase "an excellent alternative for the big party" as they were considered to contribute to a positive view of alcohol as such and thus risked contributing to an increased or maintained level of alcohol consumption in Sweden. No doubt fortified in their beliefs in one way or another, both parties appealed to the PMCA.

Decision

The appellate court framed the matter at issue as a balance of interests between the fundamental rights of market actors to market their products and the state's legitimate societal interests in limiting the deleterious effects of alcohol consumption.

Since Sweden is a comparative outlier in its heavy regulation of marketing in this field, the Swedish national rules have to be interpreted in the light of EU law. With reference to *Gourmet International* (C-405/98), the Swedish rules would have to be applied in a proportional manner.

On the merits, the court reiterated that Swedish legislation and case law clearly stipulate that the marketing of alcoholic beverages should not contribute to a positive view of alcohol as such, and may not contribute to an increased or maintained level of alcohol consumption in the Swedish society. The court went on to find that the legislature had intended for such marketing to be limited to factual claims about the marketed products and that such marketing should not be coloured by value judgments on the merits of the product. But this seemingly strict and inflexible Swedish

jurisprudence was about to run head first into the principle of proportionality and a more liberal EU-wide view of alcohol that Swedes sometimes refer to as “continental”.

Importantly, the court found that all three quotations referenced reviews of the wine, which is something other than a subjective value judgment from the market actor. The court agreed with the lower court’s assessment that the intent of the use was for the wine to be perceived as priceworthy.

Even though assertions that a wine is priceworthy may indeed increase the sales of the wine at issue, such information was also found to be of general value for consumers and to be commonly included in wine reviews. According to a proportional application of the Swedish rules in view of applicable EU law, marketing which incorporates such use must therefore be accepted.

On the terms “bargain” and “recommended”, the court noted that both conveyed a positive perception of the wine. However, neither assertion gave the impression that a customer would have had to act quickly to grasp the opportunity of a limited offering or similar. As regards “an excellent alternative for the big party”, the court found that the assertion neither linked alcohol to parties in an undue manner nor gave the impression that the wine was the only alternative for a big party. Consequently, the marketing was considered particularly moderate in its entirety and thus compliant with the Alcohol Act. Since no leave to appeal to the Supreme Court was allowed, it was last call for the Consumer Ombudsman.

Comment

This case marks a small but significant shift in the previously established strict case law on the marketing of alcohol in Sweden.

Most significantly, the court found that the marketing assertions conveyed a positive perception of the wine, but nonetheless accepted the marketing under the principle of applying the Swedish rules proportionally. Under previous strict Swedish case law, this fact alone would typically lead to a finding that the marketing risked contributing to an increased or maintained societal alcohol consumption, and would thus have been considered unfair marketing. For now, the scope of this precedent is likely limited to the explicit use of positive language from reviews.

The use of value judgments such as “bargain” or similar in alcohol marketing is thus still likely to be considered unacceptable and constitute unfair marketing if used without references to a review. But the practical implications of this decision on market actors in Sweden should not be underestimated, since it opens up new vistas of available marketing language.

Wine critics in Sweden should expect an increase in business about as quickly as you can say “skål!”.

High threshold for influencer marketing to be clearly identifiable as marketing (PMCA PMT 2054-18)

Introduction

This year, the discussion on hidden marketing in social media is – at least for now – settled by the PMCA. This case marks the first final judgment, and first judgment by an appellate instance, in relation to the requirements of marketing law applied to influencer marketing. The PMCA takes an even stricter view than the PMC (who’s judgment we reported on in last year’s year-

book) and sets the bar high for influencers and companies using their channels.

Background

The influencer behind one of Sweden's most well-read blogs advertised a service for returning old mobile phones on her blog and Instagram account. A company acted as an intermediary between the marketed service provider and the influencer. The company was also responsible for the blog's technical platform and provided server space for the blog.

The marketing consisted of three posts – two on the blog and one on Instagram. The first blog post included text presenting the marketed service, three pictures of the influencer and, at the end of the post, the Swedish phrase “I samarbete med” (Eng. “in collaboration with”), without further reference to the company that it was in collaboration with. The second blog post was identical to the first, but it had been edited by the intermediary to include a lightly coloured field in which “sponsored post” was written, placed between the headline and body of the text. It also included a reference to the marketed service provider at the end of the post. The Instagram post included a picture of the influencer holding a mobile phone and a short piece of text with “#samarbete” (Eng. “#collaboration”) at the end of the six-line message.

The Consumer Ombudsman requested that the court issue injunctions based on unfair marketing practices against the influencer (addressed to her limited liability company) and the intermediary. It alleged that the influencer gave the appearance that she acted as a regular person or consumer, that the advertisement was not clearly identifiable as marketing, and that the advertisement did not clearly state which entity was responsible for the marketing.

It also alleged that the intermediary was liable for complicity in the unfair marketing.

The PMC, taking into account quite extensive evidence presented by the parties, defined the average consumer as a female aged between 18 and 34 years who was a recurring visitor of the blog and Instagram account. She was also considered slightly more attentive in perceiving marketing in social media. In relation to the marketing, the PMC concluded that consumers must be able to identify the post as marketing at a cursory reading and then to choose whether to read the whole post. The statement “#collaboration” was considered sufficient, as long as it appeared at the very beginning of the post. As that was not the case for one of the blogposts and the Instagram post, they were considered unfair marketing.

Regarding liability, the PMC noted that the company whose services were marketed had the principal responsibility. As the marketing was not made to promote the influencer herself, she was held liable only for complicity. The PMC found the intermediary's actions insufficient for a finding of liability.

Decision

The PMCA began by noting that through its choice of influencer, the company whose products or services are marketed is able to direct the marketing specifically to the influencer's followers. Similar to the first instance court, the PMCA also noted that influencers can make recommendations through their channels both with and without having received compensation, and that recommendations of products may therefore be an important part of the influencer's content even where they are not paid for. When an influencer mixes paid and unpaid posts, there is a need for clarity to ensure that consumers perceive which posts constitute marketing

(in full or in part). The PMCA also pointed out that the Swedish Marketing Act implements the Directive 2005/29/EC (the Unfair Commercial Practices Directive) and emphasised that the Marketing Act must be interpreted in conformity with the directive.

Swedish case law has established an order where it is first examined whether the consumers understand that a post or other materials constitutes marketing (where it is not sufficient that consumers suspect, and ultimately understand, that they are presented with marketing – they must be able to identify marketing as such at a cursory reading) and then assessed whether this affects or is likely to affect the consumer's ability to make an informed transactional decision (the so-called “transactional test”). The PMCA noted that under the Directive, the transactional test is examined as an integral part of the assessment of whether the marketing is unfair. Consequently, the PMCA found that Swedish courts cannot impose a general requirement that marketing must be identifiable as such at a cursory reading. Courts shall instead make a case-by-case assessment, taking all relevant facts into account, of how quickly the average consumer must be able to identify a post as marketing in order to make an informed transactional decision.

The PMCA then defined the average consumer. It held that while the evidence supported the PMC's finding that the influencer's followers consisted of women of a certain age who were recurring visitors, the aim of the legislation is to ensure a high level of consumer protection and the general consumer shall therefore not be defined too narrowly. The PMCA found that the average consumer was a young woman in Sweden, who has experience in using social media and knows that influencers' content is, at least in part, commercial.

In its assessment of the marketing at issue, the PMCA held that e.g. the mix of paid and unpaid content and recommendations, the relatively high frequency of new posts (several posts per day) and the fact that the average consumer will often scroll through the channels and stop at posts which attract their attention support a strict requirement that marketing is clearly identifiable as such. The court also held that this is especially true in a digital environment, where consumers can easily make transactional decisions such as clicking on a link leading to the marketed company's website and performing a purchase.

The PMCA found that neither of the blog posts, nor the Instagram account, had been sufficiently identifiable as marketing. It took into account that the information that the posts were sponsored was given in the same font and size as the rest of the text (which was smaller than the heading) and that the post had the same general layout as unsponsored content.

In relation to the statements “in collaboration with” and “#collaboration”, the PMCA held that the average consumer did not understand from these statements that the collaboration was a paid collaboration. The PMCA therefore found that they were insufficient to identify the posts as marketing. In relation to the expression “sponsored post”, however, the court held that the average consumer understands that this means the post was paid content.

Turning to liability, the PMCA found that the influencer had been actively involved in and had final approval rights on the design and publishing of the marketing – including the wording and presentation to clearly identify the posts as marketing. She was therefore held liable for complicity. In relation to the intermediary, the PMCA

found that while the intermediary had undertaken certain actions regarding the posts, it had not contributed to the posts being insufficiently identifiable as marketing. Therefore, the PMCA confirmed the PMC's finding that the intermediary could not be held liable.

Comment

This judgment confirms the general developments in the PMCA's case law, looking not only at the Swedish legislation, legislative history and case law, but instead confirming the importance of EU law and of making an in-depth analysis of the directive underlying the Swedish provisions.

It is interesting to note that the concept of the "average consumer" was defined not in relation to the marketed services (as is usually the case for more "traditional" marketing channels), but rather in relation to the influencer's followers and thus the targeted audience. It remains to be seen if both of these aspects can be combined to achieve a narrower definition of the average consumer, or at least an average consumer who possesses additional qualities.

It should be kept in mind that the company whose services were marketed were not part of the proceedings. As noted by both the PMC and the PMCA, the company behind the marketing always has the principal responsibility for the presentation of such marketing. Companies should therefore be careful to ensure that they have final say regarding the wording and design of advertisements or that the agreement with the influencer imposes sufficient obligations on the influencer to include a clearly visible reference to the paid collaboration or sponsorship at the very beginning of the posts. It is also possible that the intermediary's liability may have been assessed differently, if the claims and facts of the case

had been argued differently. Companies and intermediaries are therefore advised to continue to carefully monitor further developments in this ever-changing industry.

Wine boxes in the shape of handbags and houses not considered "particularly moderate" (PMCA PMT 6997-18)

Introduction

In addition to the general requirements regarding truthfulness etc., marketing of alcoholic beverages must be presented with particular moderation. In this judgment, the PMCA applies this requirement on wine boxes that were given unconventional shapes.

Background

A company marketed and sold wine in packaging which was shaped as handbags in different patterns and colours as well as a house. In 2016, the Consumer Agency initiated a review of randomly selected packaging and labels for alcoholic beverages, following a notification by Systembolaget, which has a monopoly on sale of alcoholic beverages in Sweden.

The Consumer Ombudsman initiated proceedings in relation to the packaging, requesting that the court should prohibit the company from marketing alcoholic beverages using packaging shaped as a handbag, a house or a similar design. The first instance court found in favour of the Consumer Ombudsman and issued an injunction against use of the packaging at issue, or similar packaging, for wine.

The case was appealed to the PMCA.

Decision

Before the PMCA, the company argued that the assessment of the requirement of particular moderation must be made in light of the developments on the market. As boxes of wine is a fairly new concept, there is no “traditional” square shape and consumers are used to packaging in unconventional shapes.

The PMCA began by noting that consideration shall indeed be had to the developments on the market. The court also referred to its previous judgment in relation to use of quotations from wine reviews in marketing (reported above) and the balancing of interests to be made between the free movement of goods and the limitations of the right to market alcoholic beverages.

Before assessing the marketing at issue, the PMCA defined the average consumer as a person who was 20 years old (the minimum age for purchasing alcohol in Sweden) or older. In relation to the packaging, the court concluded that their shape did not have any relevant connection to wine. Instead, their shapes were an expression of creativity and playfulness, which contributed to a positive view of alcohol and thus to an increased or maintained level of alcohol consumption. The PMCA also held that the basic shape of the packaging differed significantly from other shapes present on the market, a difference which was further increased by their design (the different patterns and colours).

Consequently, the PMCA found that the packaging was incompliant with the requirement for particular moderation.

The PMCA also noted that there is a wide variety of designs of bottles or traditional boxes, and an injunction against the shapes at issue was not considered disproportionate. However, the PMCA

amended the wording of the injunction, to apply only to packaging shaped as handbags or houses as shown in an appendix, or substantially similar packaging.

Comment

This judgment confirms the high requirements on marketing of alcoholic beverages, and shows that companies should be careful when trying to include fanciful elements in their packaging.

When read in combination with the PMCA’s second judgment on marketing of wine from this year, it is evident that the requirement of particular moderation remains quite strict and that any judgments that allows for certain types of marketing should not be interpreted as extending to other situations.

Showing a pickup truck driving in high waters and on sand dunes considered to promote unlawful off-road driving (PMCA PMT 11881-18)

Introduction

This judgment discusses misleading marketing in the form of marketing which is incompliant with other legislation or that may induce unlawful behaviour. The case concerns marketing of a truck which emphasises its terrain technology and properties relating to driving in tough terrain. Under Swedish law, off-road driving is generally prohibited, and the question was whether the marketing induced unlawful off-road driving.

Background

A motor company marketed one of its pickup trucks using a range of photographs and statements on the part of its website relating

to the specific car model. The photographs showed the truck in different environments, such as driving on sand dunes, in water or on rocky slopes as well as parked in a forest and on a beach. The statements used included “You can trust this pickup [...] in the toughest terrain”, “for particularly demanding terrain” and other statements relating to driving in tough terrain.

The Consumer Ombudsman brought an action against the company, asserting that the use of ten different photographs and four different statements used together with the photographs was misleading regarding the lawful use of the car. The Consumer Ombudsman also argued that the use of the photographs and statements was unfair as it gave the impression that the pickup could be used for off-road driving in general, despite the specific requirements for off-road driving to be allowed, and thus induced unlawful behaviour.

The motor company contested the claims and argued e.g. that the marketing was justified since off-road driving is allowed in many different situations, and that the statements were merely descriptions of the car’s properties.

The PMC dismissed the action in its entirety, and the Consumer Ombudsman took the case to the PMCA.

Decision

The PMCA initially noted that the Swedish Marketing Act implements Directive 2005/29/EC (the Unfair Commercial Practices Directive), and that the Swedish provisions must be interpreted in conformity with the directive. The court also noted that marketing which is breach of other legislation or that may lead to criminal actions is incompliant with good marketing practice, and that marketing of a product which emphasises unlawful use of that product is generally misleading.

The court then assessed the average consumer, finding that the marketing had been used on the motor company’s website and that it had not been evidenced that it was aimed at any particular type of consumer. Consequently, the PMCA held that the average consumer consisted of a consumer that had a driving license.

The PMCA then progressed to assess each of the allegedly misleading photographs, and how these would be perceived by the average consumer. In this regard, it found that photographs that depicted the car parked in a forest or on a beach would be perceived as showing the car parked by the end of a road or otherwise in a place where off-road driving would be allowed. In relation to some photographs, the PMCA found that the average consumer would be likely to perceive that the car was driven on a road (albeit surrounded by rather harsh terrain). As using the car under such circumstances would be allowed, these photographs were not considered misleading.

However, three photographs depicted the car driving on sand dunes or in high water. In relation to these, the PMCA held that the consumer would perceive that the car was driven off-road. Moreover, the court held that the average consumer was not so familiar with the legislation on off-road driving that they could not be misled to believe that off-road driving was permitted.

The PMCA then pointed out that for the marketing to be misleading, it also had to affect the average consumer’s ability to make an informed transactional decision. In this regard, it is sufficient that the consumer proceeds to e.g. search for more information in preparation of a potential purchase. The PMCA held that the photographs gave a realistic and attractive impression, and that this requirement was therefore fulfilled.

In its assessment of the statements used in connection with the photographs, the PMCA found that the statements that had been used in connection with the misleading photographs were misleading. In relation to the statements used in connection with the photographs that had been allowed, the PMCA found that they were perceived as descriptions of the car's properties, and not as an enticement of unlawful behaviour.

Consequently, the PMCA issued an injunction against use of three photographs and the marketing statements made in connection therewith.

Comment

A discussion on marketing which is misleading based on a violation of other legislation is welcome – although this judgment does not provide too much clarity as it relates to a very specific situation. Rightsholders sometimes argue that marketing of clearly counterfeit products (such as counterfeit spare parts) is misleading as it violates intellectual property law, and this judgment unfortunately gives little guidance regarding how to apply this provision in such a situation.

It is interesting to note the rather wide definition of the average consumer – in particular as both the motor company and the Consumer Ombudsman had argued more narrow definitions. This illustrates the court's freedom, and willingness, to assess marketing not only based on what has been argued by the parties, but also from a wider consumer-protection perspective.

Injunction against "similar" marketing considered too vague (PMCA PMÖ 12242-18)

Introduction

This case regards fair marketing and marketing considered a breach vis-à-vis the "Black List", annexed to the Directive 2005/29/EC (the Unfair Commercial Practices Directive). The central legal issue was related to the framework and wordings presented in the interim prohibition under penalty of a fine and how precise it has to be in order to be proportionate and foreseeable.

Background

A company had, in its marketing material which it sent to customers by post, phrased its communication to imply that the recipient and car-owner would have to choose the services from that company in order to be covered by insurance or else the consumer would risk standing without protection and be liable to pay for all machine damage; an erroneous claim. These marketing campaigns were reported to the Swedish Consumer Agency by parties who had received the marketing material, and the Consumer Ombudsman then proceeded with legal actions.

The PMC granted an interim injunction against both the company and its authorised representative, prohibiting them – each under penalty of a fine of SEK 1,000,000 – that in marketing via mailings to consumers, as had been used in the marketing at issue or in similar ways, state that the consumer risks standing without insurance protection and must pay for all machine damage, when this is not the case.

The defendants appealed the PMC's judgment, arguing that it was too unprecise.

Decision

The PMCA first concluded that this was a case of breach of the "Black List" (item 12, which prohibits making a materially inaccurate claim concerning the nature and extent of the risk to the personal security of the consumer or his family if the consumer does not purchase the product) and concluded that the prerequisites for issuing an interim injunction were fulfilled.

The defendants had argued that the injunction should not apply to the mailings, as they were impossible to misunderstand and that the claims made therein were thus not inaccurate. This argument was dismissed by the PMCA. Secondly, the PMCA concluded that an interim injunction – or any injunction – shall not be given a too narrow wording, but rather must be given a wording so that it is effective. It must however, be concise and it must be obvious which party and/or marketing claim that it covers. The court did not consider the wording in the injunction issued by the PMC to be sufficiently concise. The phrase "or similar ways" was considered too vague and unprecise. The PMCA therefore amended the injunction, and specified the respective claims which had been used in the marketing materials and were thus covered by the injunction.

Comment

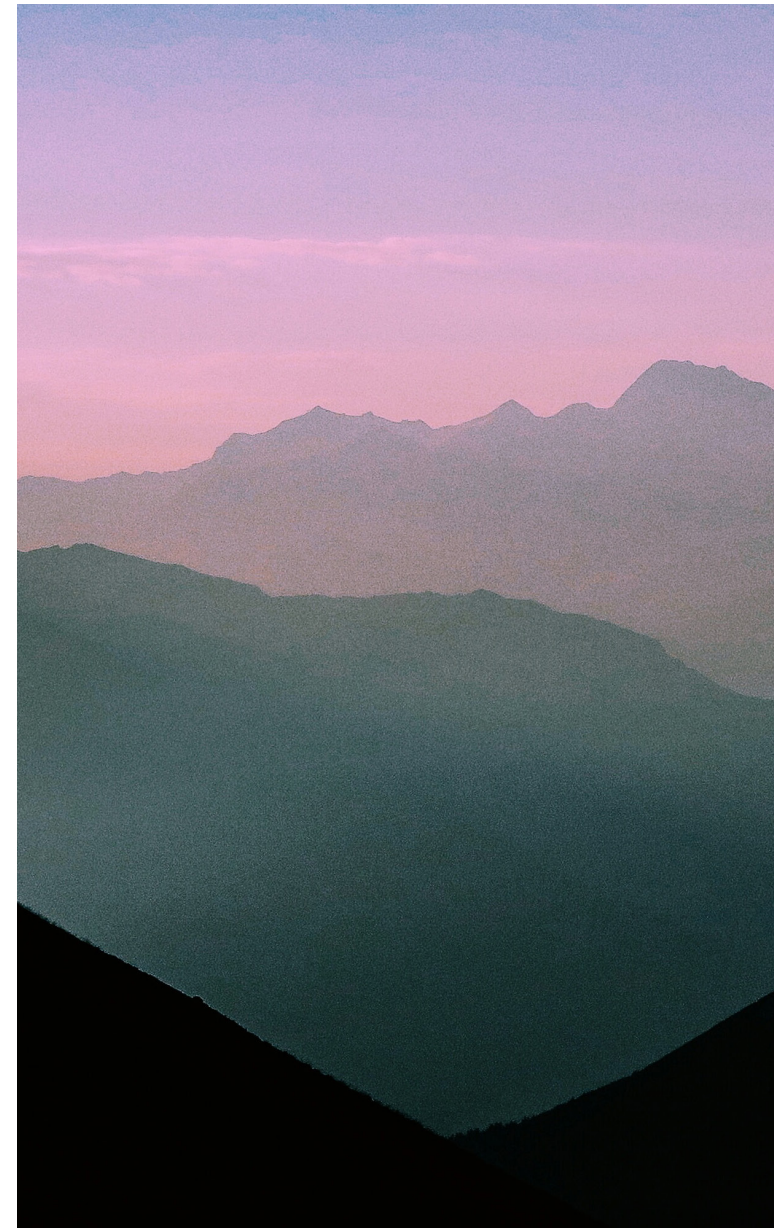
This serves as a notable case for clarity relating the framework and the wordings of interim injunctions. The mere fact that the claims were erroneous, and that the claims were contrary to the "Black List", was not sufficient for the court to automatically grant a wider injunction. Claimants in marketing law litigation will benefit from paying close consideration to the requested injunctions, as too

narrow injunctions may risk being ineffective, but too wide and unprecise requests risk being the subject of lengthy discussion, thereby increasing litigation costs which the claimant may have to bear.

Trade secrets

General introduction

Last year did not see any significant increase in the volume of trade secret cases. Unlike other IP disputes, cases relating to trade secrets do not fall under the exclusive jurisdiction of the IP courts. The jurisdictional rules for such disputes are complex. Depending on the facts of the case there are several courts that may have jurisdiction; a case can for example be brought before the IP courts, provided that the case is sufficiently strongly linked to a case over which those courts have exclusive jurisdiction and does not fall under the exclusive jurisdiction of another court, or they can often be arbitrated. This jurisdictional complexity has resulted in trade secrets cases being scattered. This year we are reporting on a very interesting trade secrets case which came before the IP courts because of its link to a copyright case.



No criminal liability for corporate espionage and copyright infringement (PMCA B 9265-18)

Introduction

Wilful infringement is typically criminalised under Swedish IP law and under the Trade Secrets Act there are criminal sanctions for, among other things, corporate espionage. Criminal liability for IP infringement is rare outside of piracy situations but may offer valuable protection for significant investments made by rightsholders. The present case involves medical research and the protection of data from a clinical trial and demonstrates that it often is hard to hold someone criminally liable in more complex situations.

Background

X was the CEO of a medical company in midst of a clinical trial concerning Alzheimer's disease. The medical company sponsored the trial, which was carried out by a consultant company, which in its turn hired medical professionals. The observations made during the trial were recorded in a database. The trial involved about 60 participants and appears to have been double blind. There was an independent Data Safety Monitoring Board ("DSMB") responsible for the continuing safety of trial participants.

X, who was a medical doctor, appears to have had no involvement in the daily work of the trial but at one stage he was unblinded in light of some side effects which needed to be discussed with the DSMB. In the later stages of the trial, X came into conflict with the medical company's owner, ultimately leading to X's employment with the company being terminated. After the termination of his employment, X accessed the database from the clinical trial and downloaded it in its entirety.

X was indicted for corporate espionage for the act of accessing the database without being authorised to do so and for copyright infringement for making copies of it.

Decision

The courts found it proven that X downloaded the database from home after having his employment terminated.

The PMC found X criminally liable for both charges, but the PMCA reversed the judgment and acquitted him. The PMCA agreed in the lower court's findings of facts but ruled that X had been vested with a responsibility for the welfare of the trial participants when the trial was unblinded for him. The PMCA held that X had thereby been given position tantamount to the DSMB, with an overall responsibility for patient welfare. This position, the court reasoned, was not connected to his employment as CEO. Furthermore, the court held, X needed the information in the database to discharge this responsibility. Thus, according to the court, he retained his lawful access to the database. By that finding, the indictment was rejected insofar corporate espionage was concerned.

As for the copying of the database, the court of appeal found that X had infringed the database protection afforded under copyright law. The PMCA then examined whether the conduct was lawful notwithstanding. The court found that uncoded rules on social adequacy lead to the conclusion that X should be acquitted. Social adequacy, which has no statutory basis, means that acts which fall under a criminal statute but are deemed societally desirable or tolerable may be permissible. The PMCA held that X had copied the database in the interest of patient safety and weighed that interest against the interest of protecting investments on which the database protection is based and found that the former outweighed the latter. X was accordingly acquitted.

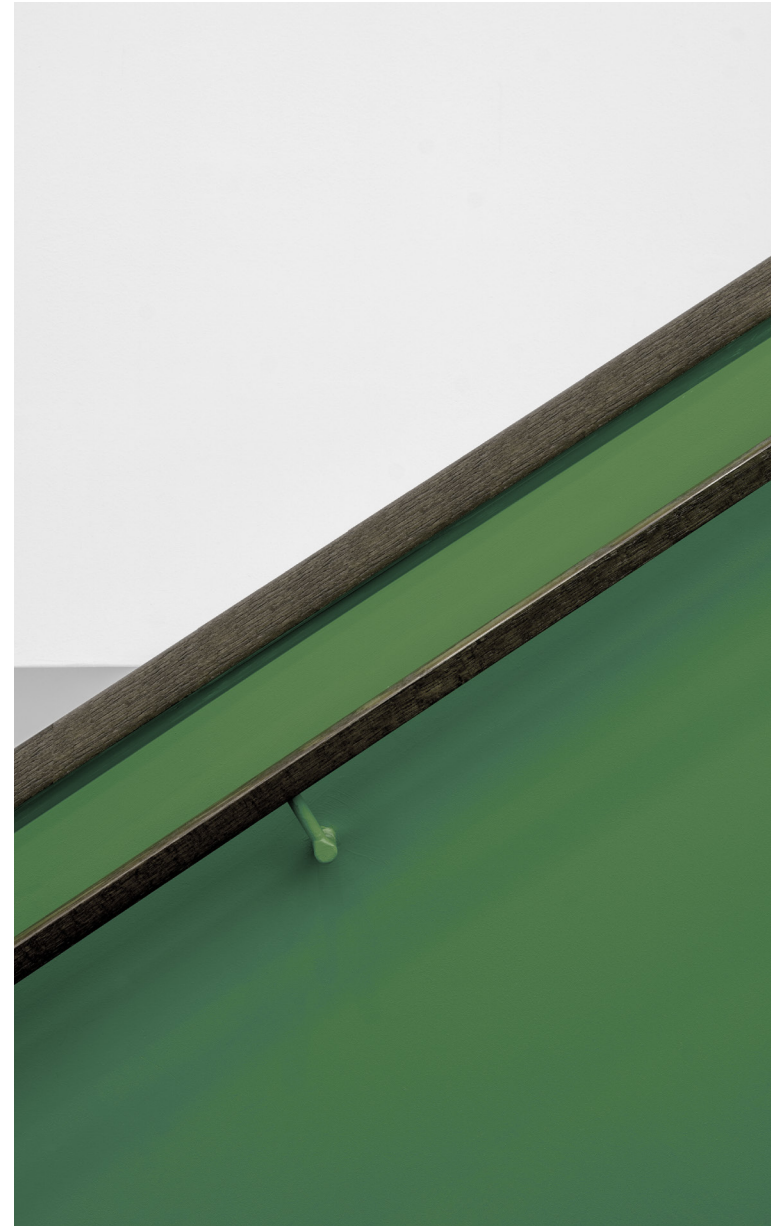
Comments

The PMCA's ruling seems highly debatable. The conclusion that X took a position tantamount to the DSMB is not based on law and practice in the clinical trials field. However, by virtue of this finding the PMCA gave X lawful access to the clinical trial data even after his employment was terminated. Trial participants must be protected, but as the CEO of the sponsor that was not the task of X. While X might have been very knowledgeable in the field of research and there might have been a wish to discuss side effects with him, it does not follow that he needed access to the database in its entirety.

The clinical trial data is the property of the sponsor and its disclosure might destroy the possibilities of patenting any invention involved in the trial as well as dissuade investment in continued research and commercialisation. In light of the very significant importance typically placed in this type of information by the proprietors and the investment it normally represents, there is a legitimate expectation of protection. In this case that expectation seems to have been frustrated. It is furthermore noteworthy that the PMCA apparently saw no need to refer appropriate questions for a preliminary ruling from the CJEU.

As a side note, it appears from the PMCA's judgment that X was held civilly liable in arbitration proceedings.

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