

Joint handling of patent infringement claims and contractual claims in Swedish IP courts

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Introduction

It is not unusual for patent infringement litigation to include an alternative claim based on a licence agreement. In the Swedish legal system, the specialist IP courts (ie, the first-instance Patent and Market Court (PMC) and the second-instance Patent and Market Court of Appeal (PMCA)) handle patent infringement claims, while the general courts handle contractual claims. But such different claims can be combined and handled jointly by the specialist courts under certain circumstances. In a recent case, the Supreme Court clarified under which circumstances patent claims and such civil claims can be combined and handled jointly.⁽¹⁾

Facts

The patent holder sued the defendant before the first-instance PMC. The primary claim was based on the existence of a licence agreement between the parties. Under this agreement, the defendant should compensate the claimant for the use of a patented invention, but the parties had not managed to agree on the level of compensation. Nonetheless the defendant had used the invention commercially over several years and the claimant now demanded payment under the alleged agreement. The secondary claim alleged that the defendant had infringed the patent and should therefore pay fair compensation for the unlawful use of the invention under patent law.

The defendant contested the claims and sought to have the primary claim based on the contractual ground dismissed, as it was related to civil law and should be handled by the general courts, rather than the specialist IP courts according to Swedish procedural rules.

The PMC and PMCA both in turn found that joint handling was appropriate in this case and rejected the defendant's motion for dismissal. The Supreme Court agreed to decide the matter to clarify under which circumstances such claims should be handled together.

Decision

In 2016 the specialist IP courts were established back in order to:

- strengthen the courts' competence;
- create conditions for improved precedent setting; and
- improve the efficiency and cost-effectiveness of Swedish IP litigation.

The specialist courts are the exclusive forum for cases concerning IP, marketing and competition law. The preparatory works state that to limit the specialist courts' exclusivity, civil cases with only tangential connections to IP law should not generally be under the specialist courts' jurisdiction. Reasons for this include that the specialist courts are generally a two-instance rather than a three-instance system, where the parties cannot appeal the PMCA's judgment, unless granted leave to appeal.

The law's preparatory works recognised that it sometimes may be appropriate for the specialist courts to handle IP claims together with contractual claims concerning the same or similar circumstances. This was expressed Chapter 1, Section 5 of the Act on Patent and Market Courts, which stated that IP and civil cases can be handled jointly in one case by the specialist courts if appropriate under the circumstances. Such circumstances include if the different cases are based on substantially the same circumstances and both cases

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involve the same evidence. Other factors that may suggest the appropriateness of joint handling include the interest of avoiding conflicting judgments and making the litigation as cost effective and speedy as possible.

The Supreme Court pointed out that these arguments in favour of joint handling must be balanced against the disadvantages of such joint handling. Factors to be taken into account included:

- the different composition of the courts (ie, in patent cases the PMC consists of two judicial and two technical judges);
- the aforementioned limited possibility to appeal the second-instance judgment to the Supreme Court; and
- the defendant's right to have litigation handled in its court of domicile.

When deciding on the appropriateness of such joint handling, the Supreme Court found that the specialist courts have substantial discretion but should not consider the merits of the case.

In the current case, the Supreme Court found that the primary and secondary claims were based on different legal grounds (ie, contractual and patent infringement grounds), but that the factual background and the circumstances applicable to both scenarios were the same. The Supreme Court held that the overall character of the cases meant that it would be economically beneficial for the parties and courts to handle the cases jointly and that it would be unnecessarily complicated with significant risks of delay if the cases were handled separately before different courts, with different opportunities to appeal. The Supreme Court also found that joint handling would avoid the risk of conflicting judgments based on the same circumstances and evidence.

On these grounds, the Supreme Court found it appropriate for the specialist courts to handle the patent infringement claim and contractual claim jointly in one case.

Comment

This judgment is good news for rights holders that wish to litigate IP claims along with contractual claims in Sweden. The judgment clarifies the appropriateness of such joint handling by the specialist courts, which can apply their expert knowledge and competence in a cost-effective and speedy manner, instead of separating the different claims between specialist courts and general courts. Since the provisions that enable cases to be handled jointly by the specialist courts cover all IP rights, not only patent holders but all rights holders have reason to take note of this decision.

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Endnotes

(1) Supreme Court decision Ö 5697-19.

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