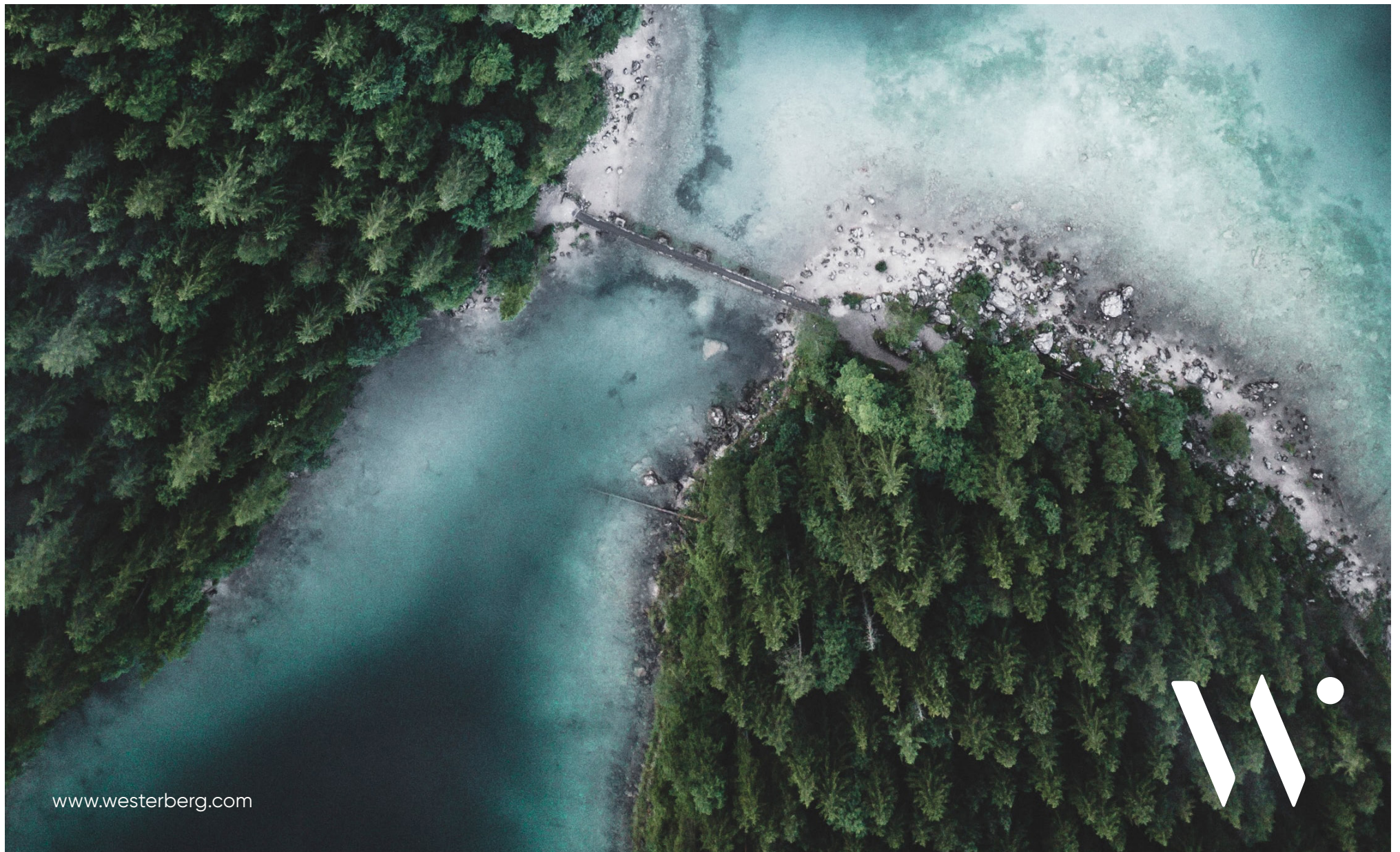


Intellectual Property Rights  
Yearbook 2020



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# Intellectual Property Rights Yearbook 2020

*A summary and analysis of developments in Swedish and EU case law pertaining to intellectual property rights and related areas.*

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# Foreword

The year 2020 has been a challenging and extraordinary year in many ways. The outbreak of the Covid-19 pandemic has overshadowed both the way of living, get together and working. As vaccination against the virus now has started, we hope that life will go back to normal in 2021.

From an IP point of view 2020 has been eventful. A quick overview of this year's content is as follows.

New provisions on gross infringement have introduced longer prison sentences for IP infringements.

Swedish patent case law covers both procedural aspects such as allocation of litigation costs and substantial patent law. A few decisions from the CJEU have also been handed down during the year and we report the core findings.

In respect of trademark law, we report on, among other things, cases relating to absolute grounds for refusal, liability for third party online advertisement and storage of infringing goods.

In the copyright area, the Swedish and CJEU case law cover similar issues and include CJEU referrals from Swedish courts. The reported cases deal, among other topics, with questions such as whether evidence submitted in court proceedings

constitute copyright infringement and whether the prerequisite "communication to the public" is at hand when car rental companies lease cars, equipped with radio, to third parties.

We also report on cases under the Marketing Act which cover marketing of gambling bonuses and the use of "recommended prices" when marketing one's own and others' products.

Last but not least, we report on trade secret cases illustrating the trend of the growing size and scope of trade secret litigation, and the considerations needing to be made regarding e.g. evidence necessary for trade secret proprietors before enforcing their rights.

You will meet our dedicated team of specialised IP lawyers in the list of contributors at the end. Do not hesitate to contact us should you wish further discussion on any IP matter.

We all hope that you will enjoy the reading and we wish you a successful New IP Year in 2021

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# Introduction

## Longer imprisonment for gross IP infringement

Following a review of the criminal sanctions for IP infringements, the legislator has introduced longer prison sentences for gross patent, design, trademark or copyright infringements. In the government bill (prop. 2019/20:149), the Swedish government concludes that the importance of IP rights has increased significantly since the last review of the criminal sanctions while infringements have grown larger in scale and more commercial in kind.

Gross infringements are generally at hand if the infringement has been carefully planned, formed part of organised criminal activities, been conducted in large scale or otherwise of a particularly dangerous kind. Criminal liability for gross infringement shall result in imprisonment between six months and six years.

While long prison sentences for IP infringements have been rare, this is a welcome development that reflects the legislator's view on the seriousness of IP infringements.

# Definitions

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

# Patent law

Following a slow start, the patent area picked up speed towards the end of the year and six judgments on patents were handed down by the PMCA. One judgment has also been issued by the Supreme Court on the joint handling of infringement claims and contractual claims before the PMC and the PMCA. It is also noteworthy that the PMCA has issued a decision which touches upon compulsory licence, where it confirmed that the mere assertion that the requirements for a compulsory licence are fulfilled, is not by itself sufficient to prevent a preliminary injunction.

From the PMCA's judgments it shall be noted that the court seems to hold the position that licence agreements without a stipulated term shall be construed as if the licence is granted for as long as the licensed patent is in force. Another trend which can be seen is that the bar for proving infringement is continuously set high by the court.

From an international perspective, the CJEU has handed down another decision on SPCs in the wake of C-130/11 Neurim, reversing said case and potentially putting an end to the discussions which have followed thereafter.



## Pay-for-delay (CJEU C-307/18, Generics UK and Others)

### Introduction

This competition law case concerns settlement agreements in the pharmaceutical field between a patent holder (the originator) and a generic company, where the agreement includes a so-called *pay-for-delay* or *reverse payment*. Pay-for-delay agreements essentially entail that the generic company agrees not to enter the market in return for payment (direct or indirect transfer of value) from the patent holder. The judgment highlights the potential tensions between IP law and competition law.

### Background

The originator had been granted a patent for a prescription-only pharmaceutical. When the patent expired, the originator had obtained several secondary patents with a longer term. After the expiry of the first patent, several generic companies were planning to enter the market in the UK by offering a generic version of the pharmaceutical.

When this came to the originator's attention, the originator entered into several agreements with the three generic companies, which in effect entailed the sale/distribution of originator products by the generic companies, payments from the originator to the generic companies, and an obligation for the generic companies to refrain from marketing their own generics. Two of the generic companies had been sued for patent infringement by the originator and had challenged the validity of the patent before entering into the agreements as part of settlements of the proceedings.

The Competition and Markets Authority (CMA) in the UK decided to impose financial penalties on all involved companies for breaches of the UK Competition Act. As the companies appealed the decision, the Competition Appeal Tribunal (CAT) decided to stay the proceedings and refer questions to the CJEU. The CAT referred ten questions to the CJEU concerning the interpretation of Articles 101 and 102 of the Treaty of the Functioning of the European Union (TFEU).

### Decision

For the potential competition situation, and the associated restrictions, to apply, the originator and the generic companies must be competitors. As the generic companies had not yet launched products, and thus had entered into the agreements with the originator prior to entering the market, it had to be examined whether the parties were *potential* competitors, as they were not yet actual competitors. The CJEU found that in this examination, which cannot be purely hypothetical, it was not necessary to demonstrate that the generic companies with certainty could have entered the market, lacking the settlement agreement. Instead, the assessment had to be based on the structure of the market and the economic and legal context within which the companies operated.

Considering the pharmaceutical market, the court stated that preparatory measures, such as applying for market authorisation and securing adequate stock of the generic product, are relevant to consider. Legal steps taken by the generic company to challenge the relevant patent were also relevant. The fact that there was a patent which could potentially (if valid and infringed) legally block a launch as such, was not considered as an insurmountable barrier to enter the

market, based on a finding that there was uncertainty around the validity of the patent. This despite the arguments by the companies that there is a presumption of validity for granted patents, that the outcome of patent litigation is uncertain, and that there had been granted preliminary injunctions against sellers of the generic. The CJEU argued that the presumption of validity is an “automatic consequence” of registration of a patent and that said presumption “sheds no light” on the outcome of validity proceedings regarding a patent. If the presumption of validity would be interpreted as excluding potential competition, this would deprive Article 101 TFEU of all meaning and that would be liable, thereby, to frustrate EU competition law. In a quite long comment on its view of the pharmaceutical patent market (paragraph 51), the CJEU listed several arguments to support its conclusion that, in summary, pharmaceutical patents may often not constitute a sufficient barrier to entry into the market. The fact that there was a genuine dispute regarding infringement and validity of the patent was not considered a barrier for entering the market, but rather taken as evidence of the existence of a competitive relationship between the parties. This was further substantiated by the fact that the parties had indeed decided to enter into the agreements in question. The parties could, therefore, be potential competitors.

Secondly the CJEU’s examination concerned “restriction by object”, i.e. conduct by the parties regarded as anti-competitive by its very nature and where actual distortion of competition needs not to be proven. The court stated that restriction by object shall be strictly interpreted and assessment be made in the context of the market where the companies operate. The pharmaceutical sector has strong barriers to enter the market, with a pricing mechanism strictly controlled by legislation, and is strongly affected by generic market entry.

As there were genuine disputes underlying the settlement agreements, the CJEU did not immediately consider them to fulfil the criteria for an objectively restrictive agreement but went on to assess them in more detail. The CJEU concluded that if the transfers of value by an originator to a generic company has no other explanation than a commercial interest of the parties to not engage in competition on the merits, a pay-for-delay agreement being a part of a settlement agreement during ongoing disputes shall be considered as “restriction by object”. Again, prior preliminary injunctions and the uncertainty of ongoing litigation were not found to be sufficient to rule out the presence of “restriction by object”. Proven pro-competitive effects of the settlement agreement could affect the assessment, providing that these are sufficiently significant to raise reasonable doubt regarding the actual harm to competition and thus its anticompetitive object. In that regard, on the pharmaceutical market, it was however noted that a small reduction in price would not be sufficient, as greater price reductions would have been expected by true generic competition.

The CAT also referred a question on “restriction by effect”, i.e. that an agreement without fulfilling the criteria discussed above, still has an anti-competitive effect on the market. The question regarded whether an assessment should consider the hypothesis that the generic company would be more than 50 % likely to have succeeded in its proceedings against the patentor the probability the parties could have entered a less restrictive settlement agreement. The CJEU stated that settlement agreements such as the one in the present case, can be found to entail “restriction by effect” without finding that, in the absence of the agreement, the generic company would likely win the case or that a less restrictive settlement agreement could have been agreed upon. While the likelihood of success in infringement and validity proceedings for the alleged infringers would be relevant, it was considered only to be relevant factors among many more.

Lastly, the CJEU examined whether the originator, by entering into the settlement agreements with the generic companies, was abusing a dominant position under Article 102 of TFEU. The court declared that the agreements had a foreclosing effect on the market and deprived consumers of the benefits of generic companies entering into the market. Therefore, the court found that such agreements entered into as a precautionary measure or followed by a challenge of the patent, and if found to have the effect of keeping potential competitors off the market, could constitute an abuse of a dominant position.

### Comment

This judgment is the first from the CJEU to clarify the applicable criteria when assessing if pay-for-delay agreements are in breach of EU competition law, even though it follows from previous case law from the GC.

The case makes it quite clear that any preparatory steps taken by generic companies make them likely to be considered potential competitors of the originator, going as far as indicating that the mere entry into a horizontal settlement agreement shows such potential competition.

In this case, some of the agreements concerned were entered into as part of settlements of genuine disputes between the parties. However, the terms went beyond settling the immediate questions relating to the proceedings, by including compensation from the originator to the generic company. Such terms should thus be used cautiously; potential pro-competitive effects by the agreement would likely need to be very strong compared to the contrafactual to have any bearing on the assessment.

The CJEU's comments relating to patents, indicating more general points of view, are also of interest. While it is a fact that many

patents will be invalidated following litigation, the CJEU's comments on pharmaceutical patents suggests that such patents are not held in very high esteem by the court. Further, while it is easy to understand that the mere fact of a granted preliminary injunction will not prevent a subsequent settlement agreement from having unlawful anti-competitive effects, the CJEU states that a granted preliminary injunction "sheds no light" on the outcome of the dispute in question, which seems highly remarkable. While the burden of proof is generally lower for a preliminary injunction to be granted, it is often seen as a good indication of the potential final outcome. Essentially, for the competitive law assessment to disregard such decisions seems quite far-reaching.

## The first market authorisation to place the product on the market (CJEU C-673/18, Santen)

### Introduction

In this case, the CJEU reverses the previous finding in the Neurim case on the conditions for granting a SPC. The court holds that, if an active ingredient has already been the subject of an MA, although for a different therapeutic application, a new therapeutic application of the active ingredient cannot be considered as the first marketing authorisation ("MA").

### Background

A medicinal products company owned a patent protecting an ophthalmic emulsion with the active ingredient ciclosporin. In 2015, the company obtained an MA for a medicinal product containing ciclosporin used for treatment of severe keratitis in adult patients

with dry eye disease. The company later applied for an SPC for a product called “ciclosporin for use in treatment of keratitis”. The SPC application was rejected since an older MA also had ciclosporin as active ingredient. The product with the older MA was however indicated for different treatments of other conditions.

The decision was appealed and later referred to the CJEU.

### Decision

The court initially held that the case had been referred in order to interpret the concept of “first [MA for the product] as a medicinal product” for the purpose of Article 3(d) in the SPC Regulation. This required the court to define the concepts of “different [therapeutic] application” and “[therapeutic] application ... within the limits of the protection conferred by the basic patent”, in light of C-130/11 Neurim.

Article 3(d) provides that the MA on which an SPC application is based, must be the first MA to place the product on the market. In the Neurim case, the CJEU had held that the mere existence of an earlier MA (which in said case was obtained for a veterinary medicinal product) does not preclude the grant of an SPC for a different therapeutic application of the same product provided that the application is within the limits of the protection conferred by the basic patent relied upon in the application for the SPC. The questions referred by the national court were thus based on the premise that in certain circumstances, it is possible to obtain an SPC for a new therapeutic application of an active ingredient which has already been subject to an MA.

Hereto, the court held that the MA to which Article 3(d) refers must be granted for a specific product. A “product” is defined in Article 1(b) as an active ingredient or combination of active ingredients.

The court then held that the term “product” is not dependent on the manner in which it is used and that the intended use is not a decisive factor when granting an SPC. The court referred to the Explanatory Memorandum, a predecessor of the SPC Regulation, which indicated that a new dose, such as the use of a different salt or ester or even a different pharmaceutical form, will not lead to the issue of a new SPC. A new therapeutic application does therefore not confer to it the status of a distinct product.

The court then assessed whether, in light of Article 3(d), an MA granted for a new therapeutic application of an active ingredient may be regarded as the first MA, when this is the first MA to fall within the scope of protection of the basic patent relied upon in support of the SPC application (again, cf. the Neurim case).

The court pointed out that nowhere does Article 3(d) refer to the “limits of the protection of the basic patent”. Instead, as reiterated by the court, it refers to a “product”, defined as an active ingredient or a combination of active ingredients. Contrary to the finding in the Neurim case, the court held, there is no need to take into account the limits of the protection of the basic patent.

The court thus held that Article 3(d) of the SPC Regulation shall entail that an MA cannot be considered to be the first, when covering a new therapeutic application of an active ingredient which has already been the subject of an MA for a different therapeutic application.

### Comment

The decision reverses the Neurim case and clarifies how to interpret Article 3(d) of the SPC Regulation – a “product” is an active ingredient or combination of active ingredients. While the

decision can be expected to lead to large numbers of withdrawn SPC applications, the clarification of the application of the relevant Article will at least hopefully lead to increased foreseeability, making the SPC Regulation more easily navigated.

As second medical uses of known compounds can be important for medical treatment, and may require significant investments in research and development, it remains to be seen if the loss of the further incentive of a potential SPC will lead to fewer such products in the future.

## Joint handling of patent infringement claims and contractual claims (Supreme Court, Ö 5697-19)

### Introduction

It is not unusual for patent infringement litigation to include an alternative claim based on a license agreement. In the Swedish legal system, the Swedish specialist IP courts (the first instance PMC and the second instance PMCA) handle patent infringement claims, while the general courts handle contractual claims. Under certain circumstances, however, such different claims can be combined and handled jointly by the specialist courts. In this recent case, the Supreme Court clarifies under which circumstances patent claims and such civil claims can be combined and handled jointly.

### Background

The patent holder sued the defendant before the first instance PMC. The primary claim was based on the existence of a license 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 during 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 the claim pertained to civil law which according to Swedish procedural rules should be handled by the general courts rather than the specialist IP courts.

The PMC and PMCA both 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

The purpose of the establishment of the Swedish specialist IP courts back in 2016 was among other things to strengthen the courts' competence, to create conditions for improved precedent-setting as well as improve the efficiency and cost-effectiveness of Swedish IP litigation. 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 do not have the right to appeal the PMCA's judgment, unless granted leave to appeal.

The law's preparatory works did recognize 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 in Chapter 1, Section 5 of the Act on Patent and Market Courts, that states that IP cases and civil cases can be handled jointly in one case if appropriate under the circumstances. Such circumstances include if the cases are based on substantially the same circumstances and both cases involve the same evidence. Other factors that may suggest the appropriateness of joint handling are the interest of avoiding conflicting judgments and the interest of having the litigation being as cost-effective and speedy as possible.

The Supreme Court pointed out that these arguments in favour of joint handling had to be balanced against the disadvantages of such joint handling. Factors to be considered included the different composition of the courts (in patent cases the PMC consists of two judicial judges 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 the 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 (contractual grounds and patent infringement grounds), but that the factual background and the circumstances applicable to both scenarios were the same. 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 rightsholders wishing 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 rightsholders have reason to take note of this decision.

## Availability of corrective measures (PMCA, PMT 8135-19)

### Introduction

In this judgment, the PMCA rules on the validity of the patent in suit as well as the availability of corrective measures with respect to products manufactured in countries where the consent of the patent holder is not required. The court's examination of the latter issue reveals that Sweden has failed to properly implement Directive 2004/48/EC ("Enforcement Directive") with respect to corrective measures.

## Background

The plaintiff brought an action for patent infringement against the defendant, who had marketed a certain generic medicinal product. The defendant brought a cross-action for patent invalidity, arguing that the invention claimed by the patent was obvious. The PMC dismissed the invalidity action and granted an injunction under a penalty of a fine against the defendant for patent infringement. The court also ordered the defendant to pay reasonable compensation for the use of the invention, to inform its costumers that the product was infringing on the patent and that it could no longer be sold, to destroy all remaining infringing products, pay for the destruction and publication of information and to pay the patent proprietor's litigation costs. The judgment was appealed to the PMCA by the defendant.

## Decision

The PMCA started by assessing the issue of invalidity. The court confirmed that the patent had inventive step, discussing – among other things – if, the skilled person would be deemed to adopt a try-and-see attitude. Having found factors pertaining to the invention which reasonably could have made the skilled person sceptical to the teaching of a specific disclosure solving the objective technical problem as formulated by the PMCA, the court ruled that no such approach would be adopted by the skilled person.

In the event that the patent would be found to be valid, the defendant did not object to the claim of but challenged the corrective measures sought by the plaintiff. Under Section 59 of the Patents Act and under certain conditions, a court may order corrective measures – such as destruction – with respect to products covered by a patent, having been manufactured without the consent of the patent

proprietor. In this respect, Sweden is bound by Article 10 of the Enforcement Directive, which provides that the member states must ensure that the courts may order appropriate measures to be taken with regards to goods they have found to be infringing an intellectual property right. The provision in Section 59 of the Patents Act predates the Enforcement Directive, and while some amendments to the provision were made when the Directive was implemented in Swedish law, the wording making corrective measures available with respect to products manufactured without the consent of the patent proprietor (as opposed to products found to be infringing) had been kept.

The PMCA found the wording of the Patent Act in this respect to be limiting, preventing it from ordering corrective measures. The court discussed the possibility of construing Section 59 of the Patents Act in conformity with the Enforcement Directive but recognised that the permissibility of doing so is limited. The court furthermore compared the language of Section 59 of the Swedish Patents Act with corresponding remedies under certain other Swedish IP statutes and found that the wording of these provisions differed; some being clearly applicable to products found to be infringing and other limiting the remedy to a specific act of infringement.

The plaintiff had argued that the defendant had imported the infringing products to Sweden without the consent of the plaintiff and stored, marketed and sold them in Sweden. Corrective measures were sought to prevent the infringement. The court noted that the plaintiff had not argued the unlawful manufacture of the infringing products, and that remedy sought could therefore not be based on Section 59 of the Patent Act. The PMCA held that it would be neither appropriate nor possible to extend the availability of the

remedy beyond the actual language of the Patents Act. The court thus reversed the lower court's order for destruction of the goods. Leave to appeal was not given.

### Comment

The court's discussion of obviousness is instructive, but the principal point of interest is the court's finding that the wording of the Swedish Patents Act, contrary to the Enforcement Directive, makes corrective measures unavailable with respect to goods not manufactured without the consent of the patent proprietor. The consequence is that products manufactured in countries where there is no patent protection fall outside the scope of the courts' power to order corrective measures for patent infringement. This limitation in the availability of corrective measures seems to circumvent the Enforcement Directive and it will be for the Swedish legislator to remedy the imperfect implementation of the Directive.

## Invalidity and assessment of amendment claims (PMCA, PMT 5945-18)

### Introduction

The present judgment gives a useful overview of Swedish patent law concerning the determination of important validity issues under Swedish law and the interplay between Swedish patent law and EPO practice.

### Background

The defendant held a European patent for an inhalation capsule, which had been validated in Sweden. The claimant brought revocation proceedings against the defendant in respect of the patent in question.

The defendant did not dispute that the patent was invalid as granted but argued that it could be maintained with amended claims. The PMC rejected the first five amendment claims put forward by the defendant but granted the sixth. The defendant appealed and the question before the PMCA was thus whether any of the five amendment claims rejected by the PMC could be granted. The PMCA's ruling sheds further light on how to navigate complex validity disputes involving amendment claims.

### Decision

The PMCA first outlined how amendment claims are to be examined by the courts. The court explained that the courts, on their own motion, shall determine whether the invention according to the amended claim is enabled, the amendment claim comprises added matter or extends the scope of protection post grant. The court shall also consider on its own motion whether the amendment claim remedies the invalidity argued in respect of the patent as granted and whether the amendment claim clearly defines the invention for which protection is sought. However, novelty and obviousness in respect to the amendment will only be examined if argued by the revocation claimant.

Turning to the amendment claims before it, the court held that the first claim, consisting of two alternatives, did not comprise any added matter. The court based its analysis on the so called "gold standard" laid down by the Enlarged Board of Appeal of the EPO in G 2/10, according to which "added matter" shall be understood as information that the skilled person cannot directly and unambiguously derive explicitly or implicitly from the patent application when it was filed. The court also relied on the rule on selection from multiple lists from EPO practice, explaining that a patent application is not a reservoir from which features could be drawn

and combined. A selection of two features from different lists cannot, according to the court, be deemed to have its basis in the original application if the skilled person does not have a clear incentive to combine the two. The features in question being particularly preferred is a clear indication that there is basis in the original application. In respect of the first amendment claim before it, the court ruled that the combination was obvious to the skilled person based on the original application and that was regardless of the fact that one of the features was not specified to be particularly preferred.

Having found that the amendment claim in question satisfied the mandatory criteria, the court turned to “obviousness” as argued by the claimant. It began by defining the skilled person. In this context the court explained that defining the skilled person is a legal assessment made by the court but the parties may nevertheless submit evidence for circumstances relevant to that assessment. The court defined the skilled person as team consisting of a pharmacist with a specific expertise and a physician also with a specified skill set. The court of first instance had ruled that the team comprised a specialist on regulatory issues. The PMCA held that an experienced pharmacist can be expected to have basic knowledge of regulatory issues and the team did not need a specialist on the topic.

The court then turned to the skilled person’s common general knowledge, and in this context explained that it was for the party alleging that a fact is common general knowledge to prove that allegation. After ruling on the common general knowledge, the court did a problem-solution analysis starting from the closest prior art. When determining the objective technical problem, the court observed that the technical effects of the distinguishing features were not substantiated by the patent. The court once again referred to

EPO practice, stating that a patent application must make the technical effect that the invention achieves, and which distinguishes it from the closest prior art, at least plausible on the application date. If the technical effect is made plausible by the application and the common general knowledge, post-published data may be taken in consideration. Only plausible technical effects may be used in determining the objective technical problem. In the case at hand the court found the technical effects distinguishing the patent from the closest prior art were found to be plausible, in light of the common general knowledge and substantiated by post-published data. However, the invention according to the amendment claim was ultimately considered obvious and the amendment claim was thus rejected.

The court then turned to the other amendment claims, rejecting each of them based on findings of added matter and post-grant extension to the scope of protection. The appeal was thus rejected.

### Comment

The PMCA’s judgment is a good illustration of how closely aligned Swedish court practice in patent law is with EPO practice. In essentially all controversial aspects before the court, rules used by the EPO boards were applied. The judgment is by no means a landmark ruling but gives a useful overview of several invalidity grounds and how amendment claims are to be decided under Swedish law.

One minor but still interesting aspect of the judgment is the discussion on whether the notional skilled team comprised a regulatory specialist. The PMCA found that it was not so in the case at hand, but did not exclude it by any means. Indeed, the court held that there was a basic understanding of regulatory issues in

the team. The effect is that the understanding of common general knowledge is widened to include information from the regulatory field which in its turn will be relevant for patentability.

## Suitable for the intended use without any modification (PMCA, PMT 585-19)

### Introduction

In this case, the PMCA rejects an action for patent infringement based on an assessment whether the allegedly infringing object was suitable to be used as indicated in the claims without modification. The case may entail that also structural claims shall be assessed in light of the infringing objects' functional suitability.

### Background

The claimant was the proprietor of a European patent that claimed an apparatus for use in relining. One aspect of the invention was that it comprised structural features that allowed heat dissipation.

The claimant initiated proceedings against a competitor and argued that the competitor infringed the patent. According to the claimant's understanding, the defendant's product was an aggregated system of individual components, two of which were apparatuses falling within the scope of protection of the apparatus patent claim. The aggregate system was not alleged to be an apparatus.

The defendant argued, insofar relevant here, that the components individually identified as apparatuses in the sense of the patent could not be used for relining as they could not achieve, among other things, sufficient heat dissipation. The position was thus

essentially that only when aggregated into a system could the components identified by the claimant achieve certain functions, such as cooling, and they accordingly did not in themselves exhibit all elements of the invention.

### Decision

The PMCA explained that in order to make a finding of infringement it is required that – when comparing the features in the patent claims and the infringing object – the infringing object exhibit all features of the patent claim. This comparison shall, the court held, be made in light of the definition of the infringing object as defined by the claimant in this case.

The claim was for an apparatus for use in relining. The PMCA held that if a claim indicates that the claimed apparatus is intended for a specific use, it must be suitable for that use. It was explained, that if an infringing object must be modified in order to be used as intended by the patent claim, the infringing object lacks in suitability for the use in question. Consequently, the PMCA examined whether the individual components identified as the infringing objects by the claimant were suitable to be used for the use indicated in the claim without modification.

The court ruled that the components in question could indeed be apparatuses for use in relining even if it had to be connected e.g. to an external power source and a source of pressurised air. However, it was another matter – the court explained – whether those components are suitable for the intended use without any modification.

This brought the court to the matter of heat dissipation. The aggregated system achieved sufficient heat dissipation but the issue was whether the separate components also did this themselves. The PMCA

explained that the claimant had the burden to prove that the infringing object could dissipate heat. In this regard, the court did not consider that there was any such compelling evidence before it, i.e. evidence that showed that sufficient cooling was achieved in the components.

While the court recognised that it was clear that some cooling could be achieved in the components themselves, no evidence was submitted which showed the extent of this cooling. It was common ground that certain aspects of the invention according to the patent would break down if not cooled. This meant, according to the court, that if sufficient cooling is not achieved in the components, they are not suitable for the intended use. Against this background the court held that the claimant had not met its burden of proof in respect of suitability.

Thus, the court found that the infringing object did not correspond to all of the features and rejected the infringement action.

### Comment

The patent claim at issue in the dispute was a product claim and included heat dissipation features. The PMCA did not examine whether the infringing object exhibited those features, instead dealing with heat dissipation as a suitability issue. It would have been illuminating if the court had discussed the relationship between its suitability analysis and the relevant features. As it stands, the PMCA's judgment can be taken to mean that an infringement claimant relying on a product claim which indicates an intended use of the claimed product has to demonstrate not only that the infringement object exhibits all features of the claim but also provide additional evidence to satisfy the court that it is suitable for a specific use.

While this may appear uncontroversial, one should consider what means of providing such evidence a claimant has. This burden of proof may be difficult to discharge if the claimant is unable to acquire a specimen of the infringement object.

## Term of licence agreements (PMCA, PMT 3243-19)

### Introduction

The PMCA provides guidance on the term of patent licences in cases where the licence agreement is silent on that point. Rather than finding the absence of a provision on the term of the licence to mean that the term is indefinite, the PMCA holds that it is not proven that the parties had intended anything other than that the licence should endure so long as the patent remained in force.

### Background

The claimant, a company in the heating, ventilation and sanitation field, held a Swedish patent for an articulated air admission device.

The claimant and another company (the "Sales Company", which was incorporated with one of the claimant's director's children) had agreed verbally that the latter would handle the sales of the claimant's products. A document labelled "Power of Attorney/Certificate" was subsequently made out by the claimant to the Sales Company wherein it was certified that the Sales Company had the right to manufacture all products in a named product line. The Sales Company also obtained the exclusive right to manufacture and sell the products in question if and when the claimant's director, and

the inventor of the patent, so decided or after his death. The relevant product line included products that used the invention. A few years later, the claimant issued a document labelled “Revocation of power of attorney”. However, the authenticity of that document was contentious. A year after this, the claimant’s director (and the inventor of the patented invention) passed away.

Another company, the defendant in this case, which had previously had a long commercial relationship with the claimant, began purchasing the claimant’s products from the Sales Company. The products were manufactured without the claimant’s involvement and infringement proceedings were initiated against the defendant.

### Decision

The PMCA began its judgment agreeing with the lower instance, which had held that regarding licence agreements, contract formation is not subject to any requirement as to the form of the agreement. There must, according to the court, be agreement on the object of the contract, meaning that it must be possible to at least indirectly identify the patent. The court proceeded to explain that agreements are to be construed in accordance with the shared intention of the parties, of which the language of a contract is central.

Turning to the Power of Attorney/Certificate at hand, the court found that it was a licence that gave the Sales Company the right to manufacture and sell products that were covered by the claimant’s patent. The court appears to have understood the document in the context of the initial verbal agreement and the former director’s thoughts at the time of scaling back and passing the business on to the next generation.

Since the claimant argued that the licence agreement had previously been terminated by the revocation of the power of attorney, the

question remained whether the licence was in force at the time of the defendant’s later purchase of patented products from the Sales Company.

The PMCA cited authorities which opined that it could be presumed that the intended duration of a licence is the life of the licensed patent or patents. The court then held that it had not been demonstrated that the intention was anything other than that the licence should endure for the life of the patent. It pointed to the fact that the language of the document labelled Power of Attorney/Certificate suggested that the licence was intended to be long term and was to become exclusive after the passing of the former director. The court found that the licence was for the life of the patent – that is, a definite term. It followed that the agreement could not be terminated without cause before the expiry date and that no relevant cause for termination had been put forward by the claimant.

The PMCA thus concluded that the products which the defendant had purchased had been put on the market with the consent of the proprietor of the patent and the patent right was accordingly exhausted in those products.

### Comment

Under Swedish contract law it is a general rule that unless otherwise specified, a contract will be for an indefinite term. This judgment appears to lay down a rule that differs from this general principle; rather than finding the absence of a provision on the term of the licence to mean that the term was indefinite, the PMCA held that it had not been proven that the parties had intended anything other than that the licence should endure so long as the patent remained in force. The court did not outright state that the rule is that absent agreement to the contrary, a licence will last for the time that the

licensed patent is in force. Instead, it appears to view the rule as a rebuttable hypothetical (assumed) intention shared by the parties. However, as contracts must be construed in accordance with the shared intention of the parties, the effect is the same as the rule stated above.

To support its conclusion, the court cited authorities that emphasise that a licensee will normally not accept to invest in the manufacture and marketing of licensed products if the operations may have to be subsequently discontinued. This might be true, but the issue is rather which of the parties should bear the risk of leaving the issue of term and termination open in an agreement.

The judgment in question demonstrates that patent proprietors that wish to have the opportunity to terminate a licence agreement governed by Swedish law without cause, or to have a shorter term than for the life of the patent, must be careful to include language to that effect in the contract.

## Litigation costs (PMCA, PMÖ 4078-19)

### Introduction

This decision concerns allocation of litigation costs following the dismissal of a patent infringement action or a patent invalidity action. The PMCA found that the litigation costs should be borne by the patent holder as it was found to be the losing party. The court also examined the reasonability of costs for legal counsels in complex cases.

### Background

A patent holder brought action for infringement and requested that the defendant be prohibited from marketing the infringing product.

The defendant brought a counterclaim for invalidity of the patent based on lack of novelty following public prior use (thus becoming both defendant and claimant, hereinafter referred to as the counterparty). The patent holder then cancelled the patent at the Swedish Intellectual Property Office and both claims were withdrawn from the PMC. Both parties claimed reimbursement for their litigation costs. The PMC dismissed the actions and ordered the patent holder to pay the counterparty's litigation costs in both cases. Some of the costs were reduced and both parties appealed the decision to the PMCA.

### Decision

Before the PMCA, the patent holder requested primarily that each party should be ordered to bear their own costs in the respective cases, and secondly that the costs should be reduced to only cover counsel fees. The counterparty requested reimbursement for all costs before the PMC and PMCA.

The applicable provisions, Chapter 18, Sections 3 and 5 of the Swedish Code of Judicial Procedure, stipulate as the main rule that a party shall pay the litigation costs after withdrawing their action. If, however, the withdrawal is made only after the claimant has become aware of new facts and therefore realises that the action has no bearing, the court may order that each party bear their own costs. The patent holder argued that the counterparty had failed to sufficiently define the alleged prior public use of the patented product until after the PMC granted the patent holder a preliminary injunction against the counterparty. A more detailed and correct explanation at an earlier stage, the patent holder argued, could have avoided the proceedings entirely. The counterparty had thus caused unnecessary proceedings according to the patent holder. This was contested by the counterparty.

The PMCA found that, as the counterparty was under no obligation to present all its evidence during the early stages of the proceedings, the counterparty had not caused unnecessary proceedings. The counterparty withdrew the invalidity claim only when the patent holder had cancelled the patent registration and thus the counterparty had achieved its aim with the proceedings. As the counterparty succeeded with the disputed claim, the PMCA ordered the patent holder to pay the litigation costs for both the infringement case and the invalidity case.

The PMCA further stated that an assessment of the reasonability of the amount of disputed costs for legal counsel must not only take into account how much time is spent on the case, but shall also consider the complexity and scope of the proceedings, as well as the expertise and skill required by counsel. Due to the complexity of the case and its importance for the counterparty, the PMCA found that the costs for legal counsel were reasonable and thus granted the counterparty full reimbursement for said costs. However, the counterparty had also conducted parallel sets of tests of the product in question, which the court deemed unnecessary at the early stages of the proceedings reducing reimbursement for these costs.

### Comment

The outcome of this decision appears to be reasonable. Although the counterparty had the burden of proof for its invalidity claim, a party is under no obligation to present all its evidence during the preparatory part of the proceedings, as long as the grounds (public prior use in this case) are presented from the start. Had arguments for invalidation been presented only at a later stage, the argument on unnecessary proceedings would likely have been found to have more merit.

## Method for identifying airplanes (PMCA, PMÖÄ 7233-19)

### Introduction

In this case, the PMCA decides that a patent relating to a method for identifying airplanes when parking them at stands lacked inventive step. The decision highlights the importance of the description in interpreting patent claims.

### Background

A company had applied for a patent relating to a method for identifying an airplane in connection with parking the airplane at a stand.

Airports usually have passenger bridges and goods bridges for transportation between the terminal and the airplane. In order to avoid accidents, it is important that the docking system knows which type of plane it is supposed to dock, that way getting all relevant distances correct. However, in some cases, information on the airplane type and model are provided locally without any connection to a superordinate system. There is therefore a risk that erroneous input occurs.

The invention according to the patent was to solve this by a method whereby information comprising an airplane's identification number and coordinates were transmitted from the airplane and where its coordinates were compared to the coordinates for the relevant stand.

The patent was, following opposition by another company, found invalid both by the Swedish Intellectual Property Office and the PMC due to lack of inventive step of claim 1 of the patent.

## Decision

First, the PMCA tried whether claim 1, the relevant claim, was limited in such a way that all information received from the airplane was to be provided in one and the same signal. Hereto, the court noted that the claims define the scope of a patent and that the claims shall be interpreted in the context of the description. It also observed that a feature may be understood as to be included in the claim without actually being stated in the claim, on the conditions that the feature is clearly present in the description, that said feature is essential for the invention and that this interpretation of the claim is evident for the skilled person.

Since the court found that the patent claim did not state that information on the airplane's identity and coordinates was transmitted in one and the same signal, it assessed whether it nevertheless could be interpreted that way. The court then observed that while the description pointed out a preferred system sending all information in one and the same signal, this was just a preferred system, not the only system. The court therefore held that the claim could not be considered to be limited in such a way that the information transmitted from the airplane – and from which information the airplane's identification number and coordinates could be extracted – had to be provided in one and the same signal, which was further supported by the fact that this preferred system was referred to in the dependent claim 2 of the patent.

Having accounted for the closest prior art, the court then defined the objective technical problem. First, it was found that the technical effect of the patent's description stated that “a confirmation is received that the airplane which is to dock at a certain gate is heading towards the stop point, since the identification number of

the airplane is part of the information containing the longitudinal and latitudinal coordinates of the airplane”.

The court then reiterated that claim 1 did not require the information (with identification number and coordinates) to be received from the airplane in one single signal, and an alleged technical effect must be a probable result of the differentiating features. These features could not, according to the court, achieve this technical effect unless the coordinates and identification numbers were sent in one and the same signal. Taking this into consideration, the court held that the objective technical problem, in relation to the closest prior art, was merely to achieve a method that in an alternative way confirmed that an airplane was located in the stand where the docking was to take place.

The court found that a skilled person, taking the closest prior art into consideration in combination with a data processing apparatus for airplanes similar to a GPS, would reach the invention as described by the patent and that the patent therefore lacked inventive step.

Lastly, the court noted that the corresponding case before the EPO had resulted in a valid patent. The court observed however, that claim 1 in the EPO case had been amended to include a requirement for the relevant information to be extracted “from one and the same information signal received from the airplane”, and that this feature seemed to have been decisive for the outcome.

## Comment

While the Swedish Patents Act provides that the description *may* be used to determine the scope of the patent (cf. article 69 in the European Patent Convention which states that the description *shall* be used), this decision confirms the central role of the description

in patent claim construction. The court emphasised that an interpretation meaning that all information would be received from the airplane in one single signal, in itself would be an essential feature of the claim. Still, following an assessment, the court assessed whether it was clearly provided in the description and, lastly, determined that “identification number and coordinates in one signal is not clearly provided by the description and, therefore, cannot be considered as a limitation of the method according to the patent claim”.

The fact that the description in this case was not sufficient to impart an additional feature in the claim shows the importance that the patent description can have.

## Compulsory license as defence against claim for preliminary injunction (PMCA, PMÖ 11561-20)

### Introduction

In this decision, the PMCA issues a preliminary injunction prohibiting a company from selling, importing and using certain sequencing kits which include certain molecular structures. In reaching this finding, the court provides that an argument that the requirements for a compulsory license are fulfilled, when no such action has been filed, is not by itself sufficient to prevent a preliminary injunction.

### Background

The claimant, a company within the genome sequencing sector, owned a patent relating to modified nucleotides for polynucleotide sequencing. The claimant commenced proceedings against a competitor

claiming that the competitor *inter alia* sold sequencing kits infringing the claimant’s patent. The action included a claim for a preliminary injunction which was granted by the PMC.

The defendant appealed to the PMCA arguing, in addition to claims of non-infringement, that the PMC’s decision had gone beyond the claimant’s claim. Throughout the proceedings the defendant had also argued that its sequencing kits were essential for fighting the covid-19 pandemic, a compulsory license could be issued following the filing of such an action, and that a preliminary injunction therefore should not be issued.

### Decision

First, the PMCA found that the claimant’s patent was likely to be valid, that the defendant’s sequencing kits infringed the patent and that it could reasonably be expected that the defendant would continue to infringe without an injunction. The court then assessed whether the fact that the requirements for a compulsory license could be fulfilled if such an action were filed, entailed that a preliminary injunction should not be issued.

The court noted that certain requirements apply for a compulsory license to be issued, e.g. that the party requesting a compulsory license has, without success, tried to obtain a license from the rights-holder on reasonable terms. Another requirement, the court noted, is that the presumptive licensee has filed an action for a compulsory license before a court. Neither of these requirements were fulfilled. The court then observed that as long as a compulsory license has not been issued, the systematic function of Swedish patent legislation strongly indicates that the mere assertion that the requirements for a compulsory license are fulfilled, is not sufficient to prevent the grant of a preliminary injunction.

## Comment

This decision is one of few Swedish decisions which touches upon compulsory licenses (no such judgments appear to have been handed down since the mid-twentieth century). When referring to the systematic functions of Swedish patent legislation, the court confirms that the possibility to effectively void the legal monopoly granted by a patent for reasons of a potential public interest is already taken care of by the very specific requirements for obtaining a compulsory license. Considering that a compulsory license is a severe limitation of the proprietor's rights in a patent, this finding appears to be in line with the underlying purposes of the patent legislation.

It can also be considered whether this finding confirms what has previously been indicated in the literature, that when assessing the proportionality in connection with a preliminary injunction, only the parties' interests should be considered, meaning that third person's or public interest should not be taken into consideration.

## Swedish court declines jurisdiction over request for cross-border relief for patent infringement (PMC, PMT 1663-20)

### Introduction

In this decision, the PMC rules for the first time on the Swedish courts' jurisdiction under the Brussels I Regulation (recast) to hear a case for infringement of a foreign patent right, when the validity of that right is in question. In short, the court held that a validity defence triggers the exclusive jurisdiction provision in Article 24(4) of the Brussels I Regulation, irrespective of whether invalidity proceedings have been brought.

## Background

A German claimant initiated patent infringement proceedings against a Swedish defendant before the PMC. The claimant sought, among other things, injunctive relief and damages in respect of ten national designations of a European patent, including the Swedish designation. Jurisdiction was asserted by the claimant based on Article 4(1) of the Brussels I Regulation.

The defendant contested the action in its entirety. One of the counter-arguments presented by the defendant was that every national designation was invalid. The defendant also objected to the jurisdiction of the court with respect to all designations except the Swedish, arguing that the invalidity objection vested the courts in the country of registration with exclusive jurisdiction.

The claimant disputed the preliminary objection, arguing – among other things – that the defendant's invalidity defence was inadmissible due to Section 61 of the Swedish Patents Act barring the courts from hearing a validity defence unless separate revocation proceedings are brought. As no such proceedings had been brought with respect to the non-Swedish patent rights, the claimant argued, there could be no validity defence with respect to those rights and consequently the exclusive jurisdiction for validity under the Brussels I Regulation could not be triggered.

## Decision

Firstly, the court stated that it had indeed been vested with jurisdiction under Article 4(1) of the Brussels I Regulation to rule on the entire case at the opening of the proceedings since the defendant was domiciled in Sweden. The court then addressed the relationship between Article 24(4) of Brussels I Regulation and Section 61 in the Swedish Patents Act and concluded that since jurisdiction is governed

by international instruments and not Swedish legislation, the latter provision lacked relevance for the jurisdiction issue.

The court briefly elaborated on the crux of the jurisdictional issue, namely the separability of infringement and invalidity proceedings. In this respect the court emphasised that since infringement necessitates a valid patent, the issue of validity is of decisive importance for the infringement proceedings. The issue of infringement could accordingly not, for purposes of jurisdiction, be separated from the issue of validity and both aspects consequently belonged to the exclusive jurisdiction of the courts of the countries of each respective patent right. The court also held that Article 24(4) of the Brussels I Regulation, on which the court based its ruling, reflects an internationally established principle on jurisdiction which extended to patent rights designating non-EU member states.

The court therefore dismissed all of the claimant's action pertaining to infringement of non-Swedish validations of the patent at issue.

### Comment

While cross-border jurisdiction has been the subject of extensive discussion following the CJEU's judgments in C-539/03 *Roche v Primus*, C-4/03 *GAT v LuK* and C-616/10 *Solvay v Honeywell*, the PMC's decision in this case is the first of its kind in Sweden. The decision has been appealed to the PMCA which, at the date of this publication, is yet to rule on whether to grant leave to appeal. We look forward to reporting on the final jurisdictional finding of the Swedish courts in a future edition of this Yearbook.

# Trademark law

Bad faith applications have continued to be an issue also this year. However, from China we have seen a positive trend that bad faith of the applicant, even if apparent but not easily proven, seems to play a role in the outcome of administrative opposition and cancellation proceedings. From EU we report on the interesting decision in the SkyKick case in which the issue of possible bad faith of the holder of the earlier right when choosing a (too) extensive specification was rejected by the CJEU. The case shall, however, primarily be noted for confirming a developing practice within EU requiring the trademark holders not to grasp too broad protection compared to its actual intention for the trademark in question, underlining the importance of a well thought-out and prudent strategy in order to establish strong, valid and enforceable trademark rights.

The issue of strong trademark rights is always of interest. From the two reported Swedish cases we draw the conclusion that, even though more or less descriptive trademarks continue to be of interest when trademark owners choose new trademarks, this strategy should be avoided if a strong trademark right with a broad scope of protection is desired.

Finally, Brexit and its effect for trademark holders is another issue on the prosecution side, which will not have escaped anyone. Existing EU trademark registrations need no immediate actions since they will be automatically replaced by comparable and independent UK registrations. It will, however, be important to keep track of these "new" UK registrations since they will have to be renewed separately. Also, it is important to keep in mind that if these UK rights are to be used as basis in new contentious proceedings a UK address for service has to be recorded. For pending EU trademark applications, the applicant should take an active decision if a corresponding UK right is needed and wanted. If so, a new UK application has to be filed within nine months from 1 January 2021 in order to retain the original EU filing date.

On the enforcement side, the CJEU continues to provide clarity on the measures which may constitute an infringement. We report on interesting cases relating to imports, mere storage of infringing goods and liability for use on third party websites. The Swedish PMCA has handed down precedents on both procedural aspects and substantial trademark law, relating to both trademarks and company names.

## Is there a risk in using broad specifications in trademark registrations? (CJEU, C-371/18 Sky v SkyKick)

### Introduction

In 2019, the opinion of the Advocate General caused a hiccup to many trademark owners when he found that broad specifications could be contrary to the public interest and that specifications for which the applicant had no intention to use the trademark could, under certain circumstances, constitute bad faith and a ground for partial invalidity. This year's decision from the CJEU therefore caused a sigh of relief as it confirmed that a trademark registration cannot be invalidated simply because the specification of goods and services covers broad terms such as "computer software". Furthermore, the decision confirms that broad specifications alone are not enough to establish bad faith.

### Background

In the matter at hand, Sky, a media and broadcasting company, sued SkyKick, a cloud management software company, for infringement and passing off of Sky's UK and EU trademarks comprising the word SKY through its use of the trademark SkyKick (and variants). SkyKick counterclaimed that Sky's marks were invalid for several reasons, including lack of clarity and precision in the specifications covered, as well as bad faith on behalf of Sky since it did not have any commercial rationale to seek protection for all of the goods and services covered. The High Court of Justice (England & Wales) decided to stay the proceedings and refer it to the CJEU in relation to the validity issues raised by SkyKick.

### Decision

The main issues in the questions referred to the CJEU covered the following:

- (i) Can an EU or national trademark be declared wholly or partially invalid on the ground that some or all terms in the specification of goods and services are lacking in clarity and precision?
- (ii) In case that answer to question 1 is yes, is a term like "computer software" too general to be considered sufficiently clear and precise?
- (iii) Can it be considered bad faith to apply to register a trademark without any intention to use it in relation to the specified goods or services?
- (iv) In case the answer to question 3 is yes, is it possible to conclude that the applicant made the application partly in good faith and partly in bad faith if and to the extent that the applicant had an intention to use the trademark in relation to some of the specified goods or services?

In its decision the CJEU initially answered the first question in the negative, dismissing the argument that lack of clarity and precision could form a ground for invalidity. The court further concluded that lack of clarity and precision of the terms in the specification cannot be considered contrary to public policy. However, the court also stated that if a trademark is registered for goods and services which lack clarity and precision it is, in any event, only capable of being protected in respect of those goods and services for which it has been put to genuine use.

In responding to the third and fourth question the court concluded that "*the applicant for a trade mark is not required to indicate or even to know precisely [...] the use he or she will make of the mark applied for*" and that the applicant has five years to commence actual use of the trademark.

The court agreed with the Advocate General that filing an application without any intention to use the mark in relation to the goods and services covered may constitute bad faith if there is objective, “*relevant and consistent indicia tending to show that*”, at the time of the filing of the application the applicant had the intention of:

- (i) dishonestly undermining the interests of third parties; or
- (ii) obtaining the exclusive right, without targeting any specific third party, for purposes other than those falling within the functions of a trademark.

Further, the court concluded that the possible bad faith, as a ground for invalidity, relates only to those specific goods or services for which the applicant had no intention to use the trademark in accordance with the essential functions of a trademark.

### Comment

It follows from the decision of the CJEU that there is no imminent risk in continuing using broad terms in trademark specifications, at least in so far as it concerns the possible risk of invalidation and at least as long as the trademark owner had an intent to use the trademark broadly when filing. Further, the decision makes clear that there is no requirement for trademark owners, having registrations already in place covering broad terms like “computer software” or “financial services” (for which they have an intention to use), to review and amend the broad terms in order to avoid being vulnerable to invalidation claims.

However, the possible risk of invalidation on the basis of bad faith should be considered if there never was any intention of using the trademark in relation to some or all of the goods or services covered. Since it appears that the burden of proof will fall on the trademark owner to establish why the specification was drafted broadly, it might be wise to keep records of business plans and other consi-

derations leading up to the decision to use broad specifications in order to be able to later prove the intentions at the time of filing. As commented in the 2019 Westerberg Yearbook, “*setting up a strategy and to be 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*”.

Finally, the possibility of enforcing registration in relation to broad terms in the specification should be well considered before acting against a third party. If you have not made use of your trademark in relation to the goods or services in question, it would be advisable to carefully consider the possible risks in using that part of the registration in an enforcement action, even if the trademark were registered less than five years ago.

## Relevance of earlier IP rights (CJEU, C-237/19 Gömböc)

### Introduction

Signs which consist exclusively of a shape resulting from the nature of the goods themselves, which are necessary to obtain a technical result or which give substantial value to the goods can never be protected as trademarks, even if such a shape has acquired distinctive character through use. This rule has previously been confirmed for shapes obtaining a technical result by the CJEU in C-299/99 Philips and for shapes giving a substantial value to goods in C-371/06 G-Star.

In this subject judgment, the CJEU further clarifies the availability of trademark protection for a three-dimensional shape of a product, and in particular a decorative product.

## Background

The applicant filed a Hungarian application for a three-dimensional trademark. The mark consisted of a photo of the applicant's product being a convex monostatic object made from homogeneous material and having a shape which causes the object to always return to its position of balance. The representation filed in the trademark application did not show the product from all views making it impossible to ascertain the technical characteristics only by analysing the representations filed in the application. The trademark application was filed covering "decorative items", "decorative crystalware and chinaware" and "toys".

The product was known on the Hungarian market and it had also enjoyed considerable publicity in the press in Hungary. This information was available on the applicant's website. The product also enjoyed design protection. The trademark office rejected the application on the basis that the shape of the product was necessary to obtain a technical result and that the shape gave substantial value to the goods, a decision which was appealed by the applicant. The second instance dismissed the action, and the applicant brought an appeal to the third instance court.

The Hungarian court referred the following three issues to the CJEU.

- (i) In determining whether the shape of a sign consisting exclusively of the shape of the product is necessary to obtain the technical result, should this assessment be based on merely on the graphic representation contained in the register alone or may the perception of the relevant public also be taken into account?
- (ii) In determining whether the shape of a sign consisting exclusively of the shape of the product gives substantial value to the product, should this assessment be based on merely the graphic representation

contained in the register alone or may the knowledge of the consumer also be taken into account?

- (iii) Should earlier design protection or the fact that the shape refers to a decorative item establish that the shape of the product gives substantial value to the product and consequently that such shape is excluded from trademark protection?

## Decision

In answering the first question, the CJEU established that the assessment shall be based on an analysis of the characteristics of the product and the technical function of the product. It is fully possible to consider expert opinions, other IP rights or other relevant information. The presumed perception of the public should, however, not be a decisive factor. While information which is not apparent from the graphic representation of the sign may be taken into consideration in order to establish whether those characteristics perform a technical function of the goods in question, such information must originate from objective and reliable sources.

In relation to the second question, the CJEU stated that the perception or knowledge of the relevant public may be taken into consideration in order to identify an essential characteristic of that shape. This ground for refusal may be applied if it is apparent from objective and reliable evidence that the consumer's decision to purchase the product in question is to a large extent determined by the shape of the product.

Turning to the third and final question, the CJEU held that trademark protection should not systematically be excluded in relation to a sign which consists exclusively of the shape of the product where that sign enjoys protection under the law relating to designs or where the sign consists exclusively of the shape of a decorative item.

In order for this ground for refusal to apply, it must be apparent from objective and reliable evidence that the consumer's decision to purchase the product in question is based to a very large extent on one or more characteristics of that shape.

Other factors which may influence the consumer's decision to purchase a product which exclusively consists of a design may be the history of the design, the production method, the material, and the designer's identity.

### Comment

The possibility to protect the same product by means of different types of IP rights has been an ongoing discussion amongst IP professionals for many years. One reason for the interest in this topic is the possibility of perpetual rights to a trademark, while other IP rights are limited in time. However, each IP right has its own requirements and the analysis required to determine protection under one right is different from that under other rights.

Although prior IP protection is not irrelevant for the determining of availability of trademark protection, the CJEU states in this decision that prior IP rights should not lead to the "systematic" exclusion of protection.

In C-683/17 *Cofemel* of 2019, the CJEU further clarified the distinction between copyright protection and design protection and also the possibility of overlap. This decision further clarifies the distinction between trademark rights and design rights, and in this case also the overlap of the two means of protection.

By consequence, the use of multiple IP rights for the same product remains a possibility. However, the interaction between the different types of rights is still complex and requires a thorough analysis case-by-case.

## Storage of infringing goods on behalf of third parties is not an infringement in itself (CJEU C-567/18, *Coty Germany v Amazon*)

### Introduction

The concept of "use" under trademark law is continuously evolving, as different acts of potential infringement are brought before the courts. In this judgment, the CJEU examines whether a storage of goods on behalf of a third party, where the storage-holder does not have any intention of putting the goods on the market, falls within this concept.

### Background

A company provided a marketplace for third-party sellers to offer their goods for sale online. While contracts were concluded between the third-party sellers and purchasers directly, the seller was offered a service whereby the company would store the goods in a warehouse operated by a sister company to the company. The goods would then be dispatched to the purchaser by external service providers. A rightsholder found that goods infringing its trademark rights were offered for sale through the marketplace, and initiated infringement

proceedings against both the company operating the marketplace and the company operating the warehouse.

The national court decided to ask the CJEU whether an act of infringement could be committed by the storing on behalf of a third party of goods which infringe trademark rights, without the storer having knowledge of said infringement, and without having the intention to offer the goods or put them on the market themselves.

### Decision

The CJEU started off with a reminder that the scope of the trademark holder's exclusive right, as set out in Article 9(3) of the EUTMR, comprises of a non-exhaustive list of the types of use which may be prohibited, including offering the goods, putting them on the market or stocking them for the same purposes. In this case, the CJEU concluded, it was apparent from the referred question, that the defendants firstly merely stored the goods concerned without offering them for sale or putting them on the market, and secondly, did not intend to undertake any such measures.

Consequently, the CJEU held that it must be determined whether such a storage operation may be regarded as “using” the trademark under trademark law. Referring to previous case law such as C-179/15 Daimler, the CJEU noted that the expression “using”, according to its ordinary meaning, involves active behaviour and direct or indirect control of the act constituting the use. Consequently, a third party needs to have direct or indirect control of the act constituting the use for said party to effectively be able to stop the use and thereby be able to comply with a prohibition against it. The CJEU also pointed out, referring to C-324/09 L'Oréal, that in the case of an e-commerce platform, the use of signs in offers for sale displayed in an online marketplace is made by the sellers, being customers of

the operator of the e-commerce platform, and not by that operator itself. The CJEU also referred to C-379/14 TOP Logistics, where it held that, although it constitutes “use” of a sign when an economic operator imports or sends infringing goods to a warehouse-keeper for the purposes of having it put on the market, the warehouse-keeper who provides a storage service is not necessarily “using” a sign.

In light of this case law, the CJEU found it clear that the defendant in the present case had not put the goods on the market and that it had no intention of doing so. Consequently, it had not “used” the infringing trademarks in a way relevant under trademark law, and the question referred by the national court was answered in the negative.

### Comment

The judgment appears to relieve e-commerce platforms and other service providers from liability when only storing goods for others. However, the question referred to the CJEU included the prerequisite that the service provider was not aware that the goods were infringing. It may thus still be possible for liability to arise in situations where the service provider has become aware of the infringement, either through information from the rightsholder or through other information channels. It remains to be seen whether this limitation of liability will be applied also in other situations and to other service providers.

Rightsholders clearly benefit from being able to demand that e-commerce platforms, quite typically and regularly used by third parties for the selling of infringing goods, stop the sale of infringing products through its channels. A too strict liability would, however, risk to severely hinder e-commerce platforms in their normal business, and this judgment appears to have set a reasonable threshold in the balance of interests between the two stakeholders.

## The concept of “use in the course of trade” (CJEU C-772/18, A)

### Introduction

In this case, the CJEU provides a most welcomed clarification on the criteria for determining whether a certain conduct, in this case import, has been made within the course of trade and thus falls within the exclusive right of a trademark holder. In brief, the CJEU holds that the consideration to be paid based on the character and volume of the goods and that the character of remuneration has no relevance to the consideration.

### Background

Back in 2011, a Finnish individual imported a consignment of 150 ball bearings from China, weighing a total of more than 700 kg. Aimed for use as spare parts in transmission mechanisms, generators and engines and in the construction of bridges and tramways, the goods were affixed with a word mark identical to that of an industry company. Upon customs clearance, the importer brought the consignment home and a few weeks later delivered the bearings to a third party for it to be exported to Russia in exchange for a carton of cigarettes and a bottle of brandy.

The importer’s measures became subject to criminal trademark infringement proceedings at the court of first instance in Helsinki, which dismissed the indictment due to lack of proof on intent. However, the court awarded damages to the trademark holder and issued an injunction. The case was appealed to the appellate court of Helsinki which confirmed the judgment of the lower court but also dismissed the claim for damages. The trademark holder appealed the case to the Finnish Supreme Court which decided to stay the proceedings and referred four questions to the CJEU for a preliminary

ruling essentially dealing with the concept of use in the course of trade within the meaning of Article 5(1) of the Trademark Directive 2008/95 (“Trademark Directive”).

### Decision

The CJEU initiated by establishing that the assessment of the conditions laid down in Article 5(1) should be made solely on the basis of objective factors. The court further stated that a transaction should be considered as made within the course of trade if it by reason of volume, frequency or other characteristics, goes beyond the scope of a private activity. Applying said criteria to the circumstances in this case, the CJEU noted that the nature and volume of the goods at issue indicated that the import fell within the scope of a trading business.

Further, and with reference to C-324/09 L’Oréal, the court held that the fact that the importer did not at any instance have ownership of the goods, and acted solely on behalf of a third party, had no relevance as to the issue of whether her or she had used the trademark. In the CJEU’s view, the fact that the importer had imported and released the goods for free circulation justified by itself a finding that the importer had acted in the course of trade. Consequently, there was no need to examine any subsequent dealings with the goods such as storage or launch on the market. Lastly, the court stated that the unusual remuneration received by the importer lacked any relevance for the assessment.

### Comment

While the CJEU’s conclusion in this case may indeed be rather obvious, given the circumstances, the judgment is important as it consolidates the fact that IP holder’s exclusive rights cannot be circumvented by way of arranging import via a private individual.

In addition, the judgement closes possible loophole arrangements using non-commercial remuneration which is especially beneficial to rightsholders.

Given the CJEU's statement that the volume and character of the goods should function as decisive factors for the course-of-trade assessment, it will be interesting to see how case law develops among the national courts, especially in cases that concern smaller consignments of goods having greater relevance for private use, such as clothing and similar products.

## **"Genuine use" of trademark (CJEU, C-720/18 and C-721/18 Ferrari)**

### **Introduction**

In this judgment, the CJEU clarifies that the "genuine use" requirement for trademarks may be fulfilled even if the product it is registered for is no longer manufactured.

### **Background**

On 22 October 2020, the CJEU gave an important judgment on the application of "genuine use" in the meaning of Article 12(1) and Article 13 of Directive 2008/95. The case concerned Ferrari's trademark TESTAROSSA which was registered for, among other things, motor cars and parts thereof. Testarossa cars were produced until 1996. Ferrari thereafter sold second-hand Testarossa cars and used the marks to identify replacement parts and accessories when providing repairment and maintenance to the cars. The questions of particular interest in the case were the following.

- » Whether a trademark registered for motor cars and replacement parts thereof is put to genuine use for all the goods covered by the registration when the trademark only has been used for some of the registered goods,
- » if the owner of a trademark is putting it to genuine use when reselling second-hand goods under that mark, and
- » if providing services to the goods previously sold under the mark, but not using the mark when providing the services, can be considered genuine use.

### **Decision**

Concerning the first question the CJEU stated that a trademark registered in respect of goods and replacement parts thereof must be regarded as having been put to genuine use in connection to all the goods, even if it only has been used in respect to some of them, in this case replacement parts. However, it is only if the consumer perceives the goods sold as being part of the same category as the other goods registered under the trademark that the genuine use would cover all goods registered under the trademark. If several categories of goods are registered under a trademark, each category thus needs to be in genuine use to maintain protection of all the registered categories.

Concerning Ferrari's sale of second-hand Testarossa cars, the CJEU stated that when the owner of a trademark uses it for the reselling of second-hand goods and is using it to guarantee the origin of the goods – which is the essential function of the trademark – such use constitutes genuine use. Providing services under the mark and connected to the goods sold under the mark is also considered genuine use.

## Comment

Through the joint cases the CJEU has provided car manufacturers with several ways to extend trademark protection for cars no longer being produced. The trademark-owner can sell second-hand cars, provide spare parts to the car, or offer maintenance and/or reparation-works (as long as the mark is used when offering the service). The joint cases are thus a victory for established car manufacturers with a portfolio of old car brands.

## Assessment of distinctiveness of position trademarks (CJEU, C-456/19 Aktiebolaget Östgötatrafiken)

### Introduction

In this case, the CJEU declares how to assess trademarks composed of colour motifs intended to be exclusively and systematically affixed to the goods used to provide the service covered by the application. The assessment must take into consideration the perception by the relevant public but not whether the trademark significantly differs from the norm or customs of the economic business sector concerned.

### Background

The appellant, a Swedish company providing transport services, filed three trademark applications for various transport services. The trademarks consisted of figurative colour motifs placed on the vehicles used for the transport services. The trademarks were supposed to be affixed to the sides and backs of vehicles, without covering the actual shape of the vehicles. The Swedish PTO rejected the applications as merely decorative non-distinguishable signs. On appeal, the PMCA found that the trademarks lacked distinctiveness

as they did not sufficiently depart from the manner in which other similar undertakings decorate their vehicles.

After further appeal to the PMCA, the PMCA decided to stay the proceedings and refer the following two questions to the CJEU.

- (i) Whether Article 4(1)(b) in Directive 2015/2436 ("Trademark Directive"), Article 3(1)(b) in Directive 2008/95, should be interpreted as meaning that, in case of an application for trademarks covering services where the sign is placed in a particular position on large areas of the goods used to perform the services, an assessment must be made as to whether the trademark is independent of the appearance of the goods used to perform the services concerned?
- (ii) If the CJEU finds that the trademark is not independent of the appearance of the goods used to perform the services, is it necessary for the trademark to depart significantly from the norm or customs of the economic sector concerned in order for the sign to be regarded as having distinctive character?

### Decision

According to prior case law, the CJEU ascertained, the essential function of a trademark is to ensure that the consumer can identify the origin of the marked goods or services by enabling the consumer to distinguish the goods or services, without confusion, from others. The distinctiveness of a trademark must be assessed by reference to the registered goods and services and the perception of the average consumer. In the present case, the CJEU stated, the trademark application could not be assessed independently of the affixation of the trademark to the vehicles nor of the perception of the average consumer, even though the trademark application at hand did not cover the shape of the vehicles as such. The fact remained, as the court set forth, that the relevant public would only be exposed to the trademarks on the vehicles, and that the perception of the public thus needed to be considered in the assessment of the distinctiveness.

As to the distinctiveness of the trademarks, the CJEU declared that the trademarks must be considered distinctive if the national court finds that the colour motifs on the vehicles will enable the average consumer to distinguish the transport services of the appellant from those of other undertakings.

Concerning the second question, the court referred to case law stating that for signs consisting exclusively of the shape of the product or packaging, an assessment has to be conducted whether the shape significantly departs from the norm or customs of the economic sector concerned, as the average consumer is not used to making assumptions about the origin of a product based on its shape. With a reference to the CJEU judgment concerning the layout of an Apple store as a trademark (C-421/13), the court found that the trademarks in question did not concern the physical space in which the services are provided, but merely a graphic element intended to be affixed to a large part of the goods used to provide the services. Consequently, it was found not to be necessary to examine whether the trademarks departed significantly from the norm or customs of the economic sector concerned.

### Comment

The judgment clarifies how to assess the distinctive character of position trademarks affixed to goods used to provide the services covered by the application. The decision makes clear that the shape of the goods on which the trademark is to be affixed, should not be considered in the assessment of distinctiveness, as long as it is made clear that the actual shape of the goods is not covered by the application. The decision also clarifies that for the assessment of distinctiveness there is a difference between position trademarks (where the shape of the goods do not form part of the trademark) and trademarks consisting of the actual shape of the goods or

packaging of the goods covered by the application or the actual physical space (inter alia store design) in which the services covered by the application are provided.

The decision indicates an ease in what the applicant must prove in connection with the assessment of distinctiveness, and that colour motifs and other device marks affixed to the goods used for services covered by the application should be registrable, as long as they are perceived as distinctive enough to distinguish the services from those of others.

## Liability for advertisement on third party websites (CJEU, C-684/19 MK Advokaten)

### Introduction

In this case, the CJEU once again deals with the concept of “use” in the meaning of the Directive 2008/95 (“Trademark Directive”), and provides clarity on the outer limit of the infringer’s liability for online advertisement. As an addendum to its decision in C-179/15 Daimler, the CJEU’s judgment in this case clarifies that no liability can arise for the infringer due to independent actions of other economic operators, e.g. referencing website operators that has had no direct or indirect dealings with the infringer’s actions.

### Background

Following a trademark infringement dispute between two German law firms in 2017, the Regional Court of Düsseldorf rendered a judgment that prohibited the defendant on penalty of fine from any use of a certain combination of letters for legal services.

However, it was subsequently shown that Google searches with the letters at issue in combination with “Rechtsanwälte” (*Ger. lawyer*) led to several referencing websites that displayed an advertisement for the legal services of the defendant. The trademark holder therefore initiated a new action on the basis that the injunction had been violated and requested the court to impose a fine on the defendant.

The defendant disputed the action and argued that its only measures taken, prior to the infringement proceedings, had been to register itself in an online directory, and that following the judgment it had withdrawn registration for all signs containing the letters at issue. Thus, it had never requested being included in the marketing on the other websites now at issue. The Regional Court of Düsseldorf decided in favour of the claimant and fined the defendant. The case was appealed to the Higher Regional Court of Düsseldorf which decided to stay the proceedings and in essence referred the following question to the CJEU.

- » Is a third party referenced on a website in an entry that contains an identical sign “using” that trademark within the course of trade if the entry was not placed there by the third party itself, but was reproduced by the website’s operator from another entry that the third party had placed in infringement of the trademark?

### Decision

With reference to its decision in C-323/09 Interflora and C-179/15 Daimler, the CJEU stated that a trademark is regarded as being “used”, pursuant to Article 5(1) in the Trademark Directive, when the display of an advertisement, ordered from an operator of a referencing website, comprises the trademark, or its display is prompted as a consequence of it being identical with, or sufficiently similar, to said trademark.

By contrast, the CJEU emphasized that liability cannot arise from independent actions of other economic operators, e.g., referencing website operators having had no direct or indirect dealings with the initial order, and who do not act by order or on behalf of that person. Accordingly, the term “using” in Article 5(1) of the Trademark Directive requires active conduct and direct or indirect control of the act constituting the use. On this note, the court stressed that this is not the case if that act is carried out by an independent operator without the consent of the advertiser.

### Comment

The judgment in this case constitutes a sensible and clarifying addition to the above referenced decision in the Daimler case. In light of the objective of the trademark holder’s exclusive right, the CJEU’s conclusion is balanced; a construction that would have entailed liability also for independent actions by other economic operators would have put an unreasonable burden on the alleged infringer. As pointed out by the court, with an *ex analogia* reference to its decision in C-567/18 Coty Germany, such actions may instead be dealt with by way of a separate action directed towards such independent operators.

## Registration of a colour per se in the EU (GC, T-187/19)

### Introduction

It is fully possible in the EU to obtain trademark protection for a colour *per se*. However, as is also the case for other less conventional types of trademarks, trademark applications covering merely a colour are usually strictly scrutinized by the trademark offices around Europe.

Colours per se should only exceptionally be considered as inherently distinctive, and the more commonly used a colour is in relation to a specific good or service, the more difficult to obtain trademark rights for the colour.

Consequently, as follows from this particular case, the registration of a colour as a trademark is usually very complex, especially if the acquired distinctiveness is to be proven for the entire EU.

### Background

The applicant filed an EU trademark application for a colour sign consisting of the purple colour tone “Pantone: 2587C” for goods in classes 5 and 10 relating to medicinal products. The EUIPO rejected the application based on lack of distinctive character, notwithstanding the fact that the applicant had submitted evidence on acquired distinctiveness through use in Europe. The EUIPO examiner stated that the mark applied for, being the colour, would be perceived by the relevant public as an indication of certain characteristics of the goods.

The applicant filed an appeal, which was dismissed by the BoA that held, in essence, that in view of the goods for which the mark had been sought and the evidence submitted, the choice of colours referred to the main active ingredients, the use for which the medicinal product is intended and comprising its characteristics. For that reason, the BoA considered that the mark was descriptive, lacking inherent distinctiveness. As regards distinctive character acquired through use, the BoA found that the evidence provided was insufficient to show that the mark applied for had acquired distinctive character in every EU Member State.

The applicant brought an action before the GC requesting the court to annul the decision and order EUIPO to pay the costs of the proceedings.

### Decision

It must be recalled, the GC pointed out, that while colours are capable of conveying certain associations of ideas, and of giving rise to feelings, they possess little inherent capacity for communicating specific information for purposes of advertising and marketing goods or services. This is especially the case as colours, because of their appeal, are commonly and widely used without communicating any specific message.

The court also held that there is a public interest in keeping colours available for other enterprises and that colour coding is not usually recommended in the market for medicinal products, given the limited range of available colours and the absence of conventions or common understanding of colour coding.

In light of the foregoing, the court found that the BoA had not erred in law in finding that the mark was devoid of distinctive character.

Next, the court also rejected the applicant’s plea that the BoA had required more than a minimum level of distinctive character. The court referred to the contested decision, in which it was found that the mark applied for is devoid of any distinctive character.

Furthermore, the court rejected the applicant’s allegations of error in the assessment of the applicant’s evidence on acquired distinctiveness. The applicant had produced market surveys, statements from its own employees and healthcare professionals, extracts from blogs and websites, advertising materials and figures relating to sales of the goods at issue, marketing expenditure and market share.

The patient surveys had been carried out in only ten Member States and the applicant had not provided any information to show the representativeness of the sample chosen in each of the ten Member

States, or to enable such assessment. In the light of the applicant's market share, the number of patients interviewed was considered by the court to be much too low to be reliable.

Furthermore, the court criticized the surveys for the following reasons:

- » The interviewees were only shown the image representing the colour shade in question and were not in position to choose from several images.
- » Most surveys conducted did not specify a Pantone code of the purple colour used, but merely indicate that the colour sample was provided to the customer.
- » The originals of the colour samples annexed to the surveys carried out in certain Member States included another colour shade than the others, and some samples even represented the actual product and not a colour.

In the light of the foregoing, the court held that the surveys submitted were not capable of demonstrating that the mark applied for had acquired distinctive character through use in the Member States concerned. Moreover, the results of those surveys conducted could not, according to the court, be extrapolated to other Member States.

Since the surveys did not demonstrate that the mark applied for had acquired distinctive character through use, the other evidence, including the large quantities of inhalers sold within the EU, could not confirm that the mark applied for had acquired distinctive character.

The court dismissed the action in its entirety.

## Comment

This judgment clearly shows the complexity of proving acquired distinctiveness in the entire EU when a mark is considered devoid of inherent distinctiveness. Merely large sales figures do not enjoy enough probative value for a court to confirm acquired distinctiveness, and market surveys need to be carefully created – and conducted – so as to not leave any question marks. Furthermore, the judgment also highlights the need for the applicant to also provide information on how the respondents of a survey represent the relevant public.

## Trademarks consisting exclusively of a shape (PMCA, PMT 3491-16)

### Introduction

In a dispute between Svenskt Tenn and a UK company concerning trademark and copyright infringement in works of applied textile art, the PMCA finds that the claimant's Manhattan textile motif qualifies as an EU trademark and finds a number of other famous textile motifs to be protected by copyright. During the seven-year litigation, the PMCA had referred questions on the interpretation of Article 7(1)(e)(iii) EUTMR to the CJEU in C-21/18 Textilis, and now applies the EU highest court's answers in this eagerly awaited decision.

### Background

The defendants owned and operated a UK business that sold counterfeit textiles online. The claimants sued for copyright infringement in a number of works of applied textile art, and for trademark in-

fringement in the below non-traditional trademark depicting Austrian architect and father of the Swedish Modern school of design Josef Frank's 1940's textile print Manhattan, which most Swedes will likely recognize as a classic example of Swedish design.



The PMC issued a preliminary injunction followed by a decision on the merits that established trademark and copyright infringement.

### Decision

As concerns the trademark questions in the case, the defendants argued that the claimant's trademark consisted exclusively of a "shape which gives substantial value to the goods" and therefore pursuant to Article 7(1)(e)(iii) EUTMR, should not have been allowed registration.

Before assessing whether the trademark consisted exclusively of such a shape, the PMCA questioned whether Article 7(1)(e)(iii) should be applied in its original form as of Regulation 207/2009 ("shape"), or in its amended form through Regulation (EU) 2015/2424 ("shape, or other characteristic"), and sought the CJEU's guidance on the amended article's retroactive application.

As reported in our 2019 Yearbook, the CJEU unsurprisingly found that it follows from settled case law that the principles of legal certainty and protection of legitimate expectations dictate that a regulation can only be granted retroactive effect if this clearly follows from the wording of the regulation, or from the regulation's objectives or general scheme (i.e. a systematic interpretation). The amendments to Article 7 EUTMR introduced through Regulation (EU) 2015/2424 did not have retroactive effect and was therefore not applicable to trademarks registered before the entry into force of that regulation in 2016.

The CJEU also reiterated that the meaning of the word "shape" in Article 7(1)(e)(iii) EUTMR should be determined by considering its usual meaning in everyday language, while also taking into account the context in which it occurs and the purposes of the rules of which it is part. With reference to *Louboutin* (C-163/16), the court found that in the context of trademark law, shape is usually understood as a set of lines or contours that outline the product concerned.

The trademark in this case clearly included "lines or contours" according to the common understanding of shape. But the trademark did not "exclusively" consist of a shape, within the meaning of Article 7(1)(e)(iii); the trademark also included decorative elements, placed both inside and outside the outlines of the shape, and notably highlighted the word Manhattan and other geographical names.

According to the CJEU in C-21/18 *Textilis* (paragraph 42); “[i]n any event, it cannot be held that a sign consisting of two-dimensional decorative motifs is indissociable from the shape of the goods where that sign is affixed to goods, such as fabric or paper, the form of which differs from those decorative motifs”.

The fact that the claimant also asserted copyright in the depiction which constituted the trademark, had no bearing on the assessment whether the trademark consisted exclusively of a shape within the meaning of Article 7(1)(e)(iii).

The PMCA noted the clarity and unambiguity of the CJEU’s answers (there is a first for everything!) and found that the depicted trademark did not consist exclusively of a shape in accordance with the absolute ground for refusal in Article 7(1)(e)(iii) EUTMR. The court also rejected a number of additional trademark objections raised by the defendants.

As concerns the copyright questions in the case, the PMCA also found the defendants liable for copyright infringement. The court found among other things: that Swedish substantive law should be applied in the case (Rome II); that the Swedish Copyright Act should be applied to the Austrian national’s works (Berne convention); that a number of fanciful decorative motifs, such as the motif depicted in the trademark, enjoyed copyright protection; that the copyright had been assigned to the claimant through a dizzying number of twists and turns over decades; that the defendants’ goods infringed this copyright; that the defendants’ marketing had targeted the Swedish market according to C-5/11 *Donner* and C-516/13 *Dimensione*; and that the claimant should be awarded damages, albeit limited damages since the case, due to the claimant’s decision to sue in its domicile instead of in the defendant’s domicile, only concerned sales of the infringing products in Sweden.

## Comment

We will have to wait for future litigation to clarify whether Article 7(1)(e)(iii) EUTMR in its current amended form - “shape, or another characteristic” – constitutes an absolute ground for refusal of registration for this kind of non-traditional trademark.

The CJEU’s decision in *Textilis*, however, signals a fairly restrictive interpretation of Article 7(1)(e)(iii). But since both the CJEU and PMCA emphasized the numerous additional decorative elements included in the trademark in this case, and thus found it to not consist “exclusively” of a shape or another characteristic, it is likely that also other trademarks, similar to the one in this case, are likely to survive being challenged by claims that they consist “exclusively of ... another characteristic, which gives substantial value to the goods”.

The product development department at *Svenskt Tenn* should therefore heed the CJEU’s recommendation and refrain from applying the decorative Manhattan motif (likely the worst ever map of New York City) to goods with a form being identical to the decorative motif – and instead focus on tea trays and fancy drapes.

## Likelihood of confusion concerning figurative marks (PMCA, PMT 4529-19)

### Introduction

In this case, the PMCA addresses the limited scope of protection for trademarks with a low distinctive character. The trademarks in question also contain few letters and for that reason a small difference in wording is considered to create visual differences between the trademarks, excluding likelihood of confusion.

## Background

The claimant, a Danish company operating in Sweden, held an EUTM, a Swedish national trademark as well as an international registration designating Sweden for two figurative marks in colour for EBOKS and EBOKS.SE. The trademarks were registered for digital services e.g., digital signatures and documents. The claimant became aware of a Swedish competitor (the defendant) having launched digital services using the trademarks EBOX, MIN.EBOX.NU and MIN.EBOX. The claimant therefore initiated trademark infringement proceedings against the defendant.



*e-Boks registered trademarks*



*TellusTalk used trademarks*

The PMC concluded that there existed a likelihood of confusion and the defendant was considered to infringe the trademark rights to E-BOKS. The decision was appealed to the PMCA.

## Decision

The PMCA initially referred to the general principle for the assessment of likelihood of confusion; a likelihood of confusion depends on the appreciation in a global assessment of several interdependent factors including the similarity of the signs, the similarity of the goods and services, the distinctiveness of the earlier mark, the distinctive and dominant elements of the conflicting signs, and the relevant public.

Moving on to the comparison of the trademarks, the court held that the letter “e” in the E-BOKS trademarks was an established abbreviation of “electronic”. The Danish word “boks” could be translated to a “box”. The wording of the e-Boks trademarks in Danish was considered as descriptive for services in relation to electronic mailboxes and boxes. However, the wording e-Boks was not considered as descriptive for the services subject to the case namely, electronic signature. The court concluded that the wording e-Boks had a certain degree of distinctiveness per se, and that the figurative element added more distinctiveness to the word element.

As for the comparison of the marks, the court found that there was a phonetic similarity between E-BOKS and EBOX. Nevertheless, the visual and conceptual similarity was low since the marks consisted only of few letters, and “ks” and “x” gave a different visual impression. The average consumer would, according to the court, likely perceive a difference when comparing the words “boks” and “box”. The court also considered that the figurative design and colour scheme in e-Boks trademarks clearly stood out. With regard to the comparison of services, the court held that the services were similar to a high degree.

Taking all the aforementioned into consideration, the court concluded that there was no likelihood of confusion between the trademarks at issue and rejected the infringement action.

## Comment

As noted in the introduction, the court applies the traditional assessment on likelihood of confusion. The likelihood of confusion must be appreciated globally, taking into account all the factors relevant to the circumstances in the case. The degree of similarity between the marks and goods and services are essential in assessing the likelihood of confusion.

The PMCA emphasises that a comparison between trademarks should contain an overall assessment based on the visual, aural and conceptual similarities between the marks. If the shape and colour in a figurative mark differ from the comparative mark it could be sufficient to distinguish the marks from each other even if the wording is similar.

The outcome of the case appears reasonable in a case such as the present, where the wording in the marks to some degree is descriptive. In a situation where the figurative element becomes the dominant part of the marks and given that the marks should be compared in their entirety, the differences may outweigh the similarities.

## **Absolute grounds for refusal and acquired distinctive character for shape mark (PMCA, PMT 7014-19)**

### **Introduction**

This judgment concerns several aspects of registrability for shape marks: the three absolute grounds for refusal of shape marks and the question of inherent and acquired distinctive character. It is a welcome addition to the rather scarce case law relating to the absolute grounds for refusal.

### **Background**

A company had registered the shape of a shoe, which was the company's best-selling product, as a shape mark in 2008. In response to an infringement action, a competitor filed an invalidity action alleging that the trademark consisted exclusively of a shape which

follows from the nature of the goods themselves, is necessary to obtain a technical result and gives substantial value to the goods. The invalidity claimant also alleged that the trademark lacked both inherent and acquired distinctive character.

### **Decision**

The PMCA started by considering the absolute grounds for refusal and noted that they aim at avoiding the circumvention of the time limitations applicable to other intellectual property rights protections, as well as addressing the need for availability for certain shapes of goods.

The PMCA then turned to the assessment of the essential characteristics of the contested trademark. From the graphic representation of the trademark, the PMCA determined the relevant product category to be a clog-like shoe intended for outdoor use. The PMCA then concluded that the essential characteristics of the shoe to be the shoe's heel strap and holes made on the upper and lateral sides of the shoe. This assessment differed from both what the parties had asserted and what the EUIPO had previously held; the claimant had asserted five essential characteristics, in line with what the EUIPO had found, and the trademark proprietor had asserted seven essential characteristics.

Examining the first absolute ground for refusal of registration, which prohibits the registration of a shape which follows exclusively from the nature of the goods themselves, the PMCA noted that the function of the holes was to increase ventilation, and that this was a feature which a consumer may be looking for in the products of competitors. However, the PMCA found that the function of ventilation could be achieved by an almost infinite number of variations in design, and that the holes could not cause the trademark to be

considered to consist exclusively of a shape which follows from the nature of the goods themselves.

In relation to technical function, the PMCA held that the ventilation and drainage of water achieved by the holes were not a technical result in the meaning of the relevant provision. Nor did the PMCA find that the design of the holes, and their placement, could be considered to give substantial value to the goods (referencing the CJEU's judgment in C-205/13 Hauck).

Consequently, the PMCA found that there were no absolute grounds for refusing registration of the trademark.

Turning to the assessment of distinctive character the PMCA considered the evidence invoked by the parties. The parties had presented documentation pertaining to the shapes of other shoes present on the market at the time of launch of the shoe protected by the trademark in 2005, as well as sales figures showing the trademark protected shoe's impact on the market upon launch. The PMCA held that while it was clear that the product was a commercial success, this was not sufficient to draw any conclusions in relation to inherent distinctiveness. Instead, the PMCA found that there were shoe models on the market being to such a degree similar to the trademark that the trademark protected shape could not be regarded as significantly departing from the norm or customs of the sector. The PMCA thus found that the trademark lacked inherent distinctive character.

The trademark holder asserted that the trademark had at least acquired distinctive character at the time of registration, which the registration office had also found when it granted registration, and that such distinctiveness still applied. The trademark holder had invoked inter

alia sales figures, marketing materials and a market survey conducted in the beginning of 2008.

The PMCA initially remarked that the fact that sales figures showed a rather large number of goods having been sold on the market provided no real guidance in the assessment of whether the shape of the goods itself had acquired distinctive character through use and thus had come to function as a sign to identify the origin of the goods. The marketing materials were also considered insufficient to prove acquired distinctiveness.

Assessing the market survey, the PMCA found that it had certain flaws. First, the respondents were not presented with a "do not know"-alternative to the question of whether a shoe with the relevant appearance could originate from one specific company or from any company. Second, the use of the wording "any company" was misleading as evidently only companies that produced shoes were at issue. And third, that the marketing at the time of the survey had had a strong connection to a local celebrity (who held the exclusive distribution rights at that time). Furthermore, the PMCA took into consideration that the shoe had been marketed with other signs affixed to it (a word mark and figurative trademark) and held that this contradicted that the shape of the product itself was intended to be perceived as a sign. The PMCA found that no conclusions could be drawn with sufficient certainty pertaining to the question whether the consumers perceived the shape of the shoe itself as a sign for that product, because of the fact that the marketing of the shoe had not been made using solely the shape of the product as its discerning sign.

On this basis, the PMCA held that the trademark had not acquired distinctive character and invalidated the trademark registration.

## Comment

The judgment provides welcome guidance on the application of the absolute grounds for refusal to shape marks. In this regard, the PMCA's position, that a large room for variation in the design means that the shape does not follow from the nature of the goods themselves, appears to decrease the scope of applicability in relation to prior (albeit scarce) case law. It is, however, in line with the purpose of the provision – namely to prevent a trademark holder from monopolising a shape in a way that would restrict fair competition on the market.

The judgment also emphasises that for the absolute ground for refusal relating to technical function to be applicable, it is not sufficient that the shape may have certain functions, said functions also need to contribute to a technical result. In relation to the ground for refusal of registration of shapes giving substantial value to the goods, the PMCA does not elaborate on the reasons for its findings and we will thus have to wait for further guidance on the application of this provision.

On the matter of distinctive character, it has been an established view that shapes usually lack inherent distinctive character as consumers are found to not generally perceive shape as an indication of origin. Consequently, trademark holders are typically required to prove acquired distinctiveness to be able to register such marks.

The judgment appears to set a very high bar for proving distinctiveness in relation to shape marks. The PMCA comments on the use of other trademarks on the product protected by the shape mark, holding that this contradicts a finding of acquired distinctiveness. In such situations where other trademarks are used in parallel, it is unclear what kind of evidence would suffice to prove that the shape

itself does in fact function as an indication of origin. In previous case law, market surveys conducted using pictures with other trademarks being visible have been considered flawed. Now, it appears that not even a market survey using a sufficiently neutralised picture would be sufficient. However, it appears unlikely that a shape mark would be used as the sole indication of origin, without any use of other word marks or figurative marks of the seller, as most products are sold using such additional marks at least on packaging or hang tags. The future of shape marks for products thus appears uncertain, and we will continue to follow it with great interest.

## The concept of actual use for company names (PMCA, PMT 8528-19)

### Introduction

In relation to trademarks and company names it is a general requirement for the rightsholder, to keep its exclusive right to the sign, to make actual use of the sign. In this judgment, the PMCA examines the actual use undertaken by both a parent company, using the sign in its company name, and its subsidiary, using a different company name.

### Background

A company was registered with the object to conduct, among other activities, building consultancy, forestry as well as owning and managing property and securities. Its actual business was however limited to owning and managing the shares in its subsidiary, operating under a completely different company name but offering similar services as those covered by the registered objects of the parent company.

The claimant requested that the parent company's right to the registered name should be revoked, since the parent company had not made actual use of the name in relation to the registered business objects. The defendant contested the claim, asserting mainly that it had used the contested company name in certain documents and contacts with a bank, an audit company and the Swedish Company Registration Office. The defendant also asserted that it conducted actual business in the form of actively managing its subsidiary.

### Decision

The PMCA initiated by reiterating that for actual use of a company name to have taken place, the company must have used it for precisely the type of business that the company is registered for, and not only in other contexts. The company must have conducted actual business using the company name. When a company is registered as having different types of business objects, it is however sufficient for the name to be used for any of the registered objects. The PMCA also noted that any decisions and actions taken by a limited liability company, both internally and in relation to external parties, constitute the managing of that company.

The court then turned to the issue of whether the parent company had actively owned and managed shares in the subsidiary to the extent required to fulfil the registered objects of the company. In this regard, the claimant had objected that the parent company had no turnover and no employees during the relevant period. However, the PMCA noted that the parent company had booked a profit as well as accrued and distributed dividends originating from the subsidiary, which constituted actual business in accordance with the company's objects.

In relation to actual use of the company name, the PMCA in particular considered that the name had been used for example in insurance documents and contacts with a bank and with auditors; in particular, the PMCA considered a bank guarantee issued with the use of the company name. Consequently, the court found that the activities presented were sufficient to fulfil the requirement of actual use and dismissed the revocation action.

### Comment

While there is plenty of case law relating to actual use of trademarks, this judgment is a welcome addition to the fairly scarce case law relating to actual use of company names. For the PMCA to uphold a company name based on a rather limited use, and for a company who's overwhelming majority of business conducted was channelled through a subsidiary using an entirely different sign, can be interpreted as moving towards a much lower threshold of use.

This judgment appears to create a difference between the assessment of use of company names and of trademarks, as both courts and trademark offices have recently required more substantial evidence on actual use of trademarks; the most debated decision perhaps being the EUIPO's revocation of Big Mac for sandwiches. Even if trademarks and company names often overlap this may be explained by the slight difference between the interests being protected by trademarks and company names respectively. While trademarks are used to identify products and their commercial origin of a product, company names, even in cases where a company conducts different types of business under the same name, are intended to protect the company's business as a whole.

## The impact of language on the assessment of inherent distinctiveness (PMCA, PMÖÄ 3006-20)

### Introduction

The question discussed in this judgment is whether a somewhat descriptive trademark could be considered as inherently distinctive for recruitment services. The PMCA attaches great importance to the fact that the combination of the words in question is not used in the English language. The language assessment played a dominant role in this case.

### Background

A trademark application for LEGALWORKS was filed with and refused by the Swedish PTO, which held that it lacked distinctive character. The trademark was considered to consist exclusively of a sign, serving to designate the kind of service, its intended purpose and value of the services in the class applied for.

The claimant appealed the decision referring to already registered trademarks. The PMC found that the trademark was descriptive for educational services in class 41 but not for recruitment services in class 35.

The Swedish PTO appealed the decision, asserting that the PMC had not provided sufficient reasoning regarding the distinctive character and the designated services in class 35.

### Decision

In its decision, the PMCA initially discussed a disparity between the Trademark Directive and the Swedish Trademarks Act. The Trademark Directive distinguishes between “trademarks devoid of distinctive

character” and “descriptive trademarks”, while the Trademarks Act does not distinguish between the two. Under the Trademarks Act, the examination of distinctiveness also includes consideration of whether the trademark is descriptive or not.

The PMCA referred to CJEU case law stating that the essential function of a trademark is to guarantee the identity of the origin and to distinguish the product or service from those of another commercial origin. Further, the court noted that descriptive signs should be free to use and not be reserved to one undertaking alone. The court also stated that if a trademark consists of a combination of elements, it is not sufficient that each of its components may be found to be descriptive, the word itself must be found to be descriptive.

Turning to the case at issue, the court concluded that the word combination LEGALWORKS does not exist in the English language. The word “legal” is not used in combination with “work” or “works”. The wording LEGALWORKS was therefore not considered to consist only of a combination of elements which individually describe the characteristics of the services in question. Moreover, the court found that the words were used in an unusual semantic format.

Considering the above, the court concluded that the trademark LEGALWORKS had sufficient distinctive character in relation to recruitment services and could therefore be registered.

### Comment

This judgment does not develop the case law dramatically, but the outcome may at first sight appear a bit surprising since the trademark consists of two common words. The words “legal” and “works” could easily be associated with recruitment services. However, the court puts emphasis on the fact that the combination LEGALWORKS does not exist in English.

The case is in line with previous case law, and in particular with the PMCA's judgment in case PMÖÄ 8938-16 (SOUNDFELT) which provides a more detailed explanation on how trademarks containing words which could be associated with the goods and services in question can be considered as being distinctive if they relate to a coined term.

From a practical point of view, this case gives guidance on the distinction between descriptive trademarks and trademarks consisting of words which do not exist in the English language.

## Requirements on a security for a preliminary injunction (PMCA, PMÖ 9593-20)

### Introduction

A preliminary injunction, prohibiting the continued sale of infringing products, is a commonly used measure against infringement. One of the requirements for such an injunction to be granted is that the applicant has lodged a security, that must cover any and all damage that the infringer may suffer as a result of the injunction in case it is overturned when the case is tried on the merits. In this judgment, the PMCA provides guidance on the terms for such security and examines limitations of a bank guarantee submitted as security for an interim injunction in trademark infringement proceedings.

### Background

The claimant in the infringement proceedings had requested a preliminary injunction prohibiting the defendant from using a sign similar to the claimant's trademark. The claimant lodged a bank guarantee as security for the injunction. The bank's liability under

the guarantee was limited such that the bank was not, in any case, liable for indirect damages. Furthermore, the defendant was only entitled to payment under the guarantee if it had initiated separate legal proceedings against the claimant regarding the damages. The bank's liability under the guarantee was limited to SEK 700,000.

### Decision

In its introductory description of the requirements applicable to securities, the PMCA noted that the security provided shall cover the full damages which the defendant may be entitled to. In the case of preliminary injunctions where the court would later find the claimant not entitled to the injunction, e.g. based on a finding of non-infringement, this liability is strict. Consequently, the claimant's liability must cover any damages which the defendant may suffer, including indirect damages such as lost profits. The terms under which the defendant can exercise payment under the security must be sufficiently clear and fair.

In relation to the lodged security, the court noted that the extent of the limitation of liability for indirect damages was unclear, and that it could be understood to be applicable to the defendant's indirect damages as a result of the injunction. This lack of clarity meant, according to the court, that the security was insufficient.

Turning to the prerequisite that the defendant had to initiate separate legal proceedings regarding damages, the court held that this condition did not in itself mean that the security was insufficient. However, the security must also cover the costs for such proceedings if needed. The court therefore found that the lodged amount was too low to cover the full damage which the defendant risked suffering.

As the court found that the security was insufficient, the rightsholder's claim for an interim injunction was denied.

## Comment

This judgment highlights the importance of the language of the security lodged, and may serve as a reminder to rightsholders to ensure that a bank guarantee or similar security does not include limitations causing the security to be inadequate. Banks and insurance companies regularly posting guarantees for different types of claims may have a preferred template, which may need to be redrafted to fulfil the legal requirements.

If a security is subject to limitations, either as to the extent of the liability or as for the amount, a defendant will often criticize those limitations causing a risk of considerable delay in the grant of a preliminary injunction. If an injunction is sought *ex parte*, it is even more critical that the security fulfils the requirements as the court will otherwise refuse to grant an *ex parte* decision.

## The concept of objective necessity to rebox in parallel trade and the implementation of the FM Regulation (PMC, PMT 4308-19 and 4496-19)

### Introduction

In this case, the PMC elaborates on the concept of objective necessity to rebox medicinal products subject to parallel distribution in light of the implementation of the Falsified Medicines Regulation (2017/161, FM Regulation) that applies since 9 February 2019. In short, the PMC's decision answers the question that has given rise to several pending cases across the EU; whether the implementation of the FM Regulation's new provisions on safety features entails that all parallel distributed medicinal products require reboxing.

In a non-unanimous fashion, the PMC found that it was not established that reboxing was objectively necessary and that parallel traders thus will have to settle for relabeling.

### Background

In 2019, a global pharmaceutical manufacturer brought trademark infringement proceedings against a parallel distributor following a notice that the distributor intended to rebox a number of the claimant's medicinal products using the claimant's trademarks and launch them on the Swedish market.

In summary, the claimant argued that it had a legitimate reason to oppose the distributor's reboxing as it would be sufficient to relabel the products to obtain access to the Swedish market. The distributor disputed the action on the basis that there was an objective necessity to rebox the products, both due to the implementation of the new rules on safety features in the FM Regulation as well as the specific circumstances on the Swedish market.

### Decision

The PMC initiated its reasoning by addressing whether the circumstances on the Swedish market necessitated reboxing and noted that the Swedish Medical Products Agency's (MPA) general position, that reboxing was necessary to gain access to the Swedish market, was based on an interpretation of the FM Regulation and not actual circumstances on the Swedish market. In the court's opinion, the MPA's position thus did not constitute an objective necessity to rebox the products. Similarly, the court held that an invoked testimony of a pharmacy employee that testified on the problems with relabeling from a safety perspective, did not constitute an objective necessity as the conception was in turn based on the MPA's position.

The PMC then proceeded to the issue of whether the implementations in the regulatory EU law landscape entails that it is no longer possible to relabel medicinal products in parallel trade and initiated its reasoning by stressing that it is clear from item 29 in the preamble of the FM Directive (which implemented the provisions on safety features in the Directive 2011/62, “Human Medicines Directive”) that that directive is without prejudice of intellectual property law provisions.

Moreover, the court referenced the wording of Article 47a in the Human Medicines Directive which states that safety features may be covered if certain conditions are met. In the court’s view, this indicates that relabeling is permitted also after the implementation of the FM Regulation. In addition, the court highlighted that the legislator’s use of safety features in plural also indicates that not only the safety seal but also the unique identifier may be covered. Since these wordings are reflected also in the Swedish MPA’s own regulation, which should be constructed in light of the Human Medicines Directive, the court concluded that the Swedish regulatory framework did not prohibit marketing of relabelled products.

Turning to the implications of the FM Regulation, the PMC pointed out that it is indeed a delegated regulation. On this basis, the court stated that if the FM Regulation would be interpreted as that it prohibits relabeling of parallel distributed medicinal products, it would override the Commission’s authority as it would entail a significant amendment of the Human Medicines Directive. Moreover, the court noted that it included provisions that both indicates that relabeling is possible (Articles 16, 14 & 15) as well as provisions that lays down the necessary measures when covering or removing safety features (Articles 16 & 36(n)). Further, the defendant’s argument that the requirement of a printed barcode identifier

under Article 5(3) in the FM Regulation made relabeling impossible was countered by the court’s interpretation that this is solely directed to manufacturers. Consequently, the PMC concluded that parallel distributors are not required to print the barcode directly on the box as it could instead be printed on a label that is attached to the original box.

Lastly, the court held that the packaging itself did not entail that it was impossible for the parallel trader to reseal the packaging with new safety features. Accordingly, relabeling was considered possible and the court thus found for the claimant.

One of the three assigned judges dissented due to a contrary conclusion on the published information on the MPA’s website as well as replies from the MPA to the defendant on relabeling queries related to some of the medicinal products at issue in the case. In the dissenting judge’s opinion, the information from the MPA which pointed to the need for reboxing, constituted an objective necessity to rebox the products.

### Comment

The case and the many pending parallel cases throughout the EU concerning related issues testifies to the fact that the EU legislator might have overseen the need for clarifications on the relation between the recently implemented FM Regulation and the Human Medicines Directive in parallel trade.

As regards the issue of the implications of the FM Regulation, the PMC’s reasoning is sound from a legal hierarchy perspective and since an opposite conclusion would have entailed that many provisions on relabeling in the Human Medicines Directive would have become irrelevant and superfluous. In addition, and in line with the

court's construction, the printed barcode requirement in Article 5(3) in the FM Regulation explicitly references *manufacturers* and not parallel traders.

The PMC's decision in this case is obviously a huge win for originators as it confirms that relabeling still is the main rule in Sweden and that reboxing remains the exception and requires evidentiary support of objective necessity by the parallel trader.

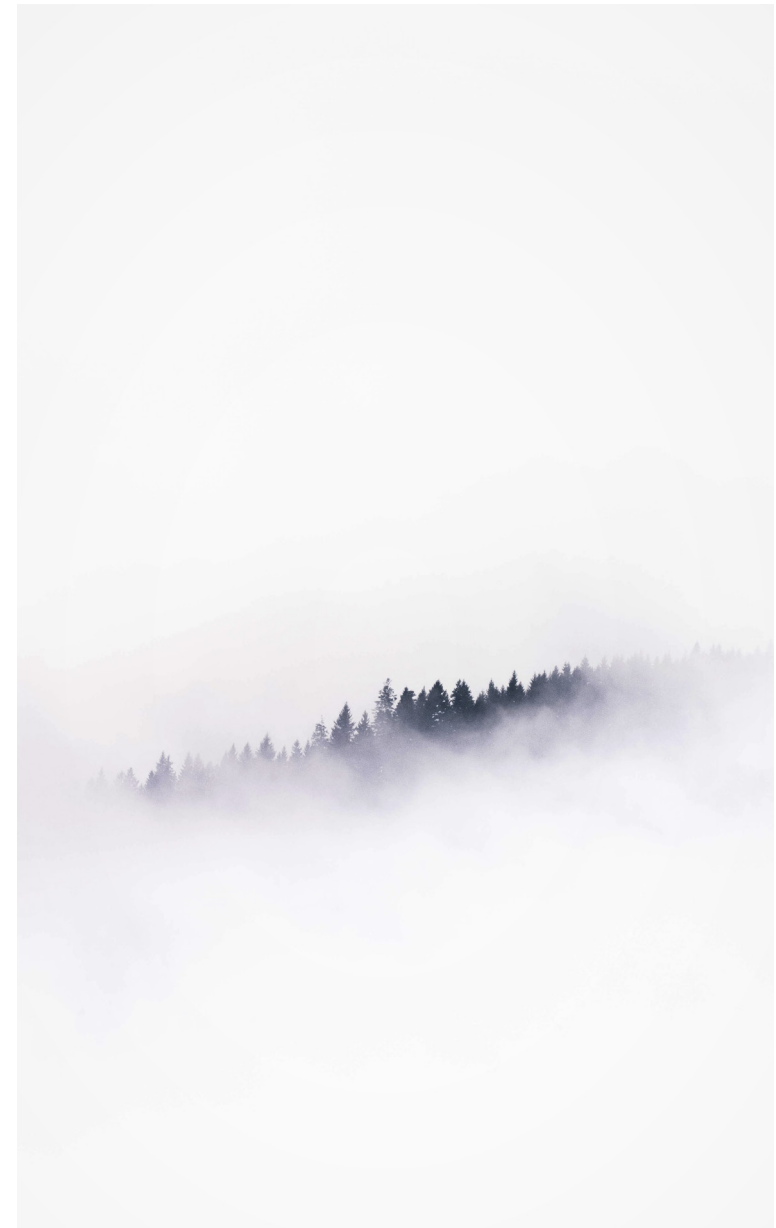
The case has been appealed to the PMCA which has granted leave to appeal.

# Design law

Just as in 2019, there were no preliminary rulings from the CJEU nor any rulings from the PMCA in design cases in the course of 2020. While this could be interpreted as being caused by a decreased commercial interest in design rights within the EU, there are certainly indications pointing to the contrary. From an evaluation made by the Commission, completed in 2020, it is clear that there is a steady increase in the number of design applications filed with the EUIPO, even though the design protection system might still be underused.

While the true reason for the underutilisation of design protection applications remains somewhat unclear, a shortlist of possible reasons include the non-harmonized spare parts market as well as the unclear interaction with copyright law, as design law does not fully and properly account for the latest case law from the CJEU in that field.

This year's two interesting invalidity design cases are reported from the GC, from which important conclusions may be drawn on the evidentiary thresholds within the novelty assessment. Considering the lack of substantive review during the registration process, this will most likely remain one of the key issues during both enforcement as well as opposition proceedings.



## Invalidation of a Community Design (GC, T-100/19)

### Introduction

This case was brought by an appeal to the GC to invalidate a n RCD. It raises several noteworthy procedural and substantial issues concerning the application of Article 25(1)(b) in Regulation 6/2002 (the CDR) in an application for declaration of invalidity of an RCD.

### Background

The claimant and the intervenient are two companies that compete in the same market of vehicle components.

On 10 April 2013, the intervenient company filed an application for an RCD for “machine coupling”. The design was registered on 22 April 2013. On 22 August 2014, the claimant filed an application for registration of an RCD, which was subsequently subject to an invalidity action by the intervenient based on the older RCD.

The Invalidity Division of EUIPO declared the claimant’s design registration invalid based on lack of novelty and distinctive character.

The claimant then filed an invalidity action against the intervenient’s design based on the Article 25(1)(b) of the CDR. According to this provision, an RCD must be declared invalid if it was registered without fulfilling the requirements set out in Articles 4 to 9 of the CDR. These articles provide the requirements of novelty, individual character and visibility during normal use but also limitations for functional features, and public policy or morality. The request for invalidity was rejected by the Invalidity Division of EUIPO, and it was this subject case that raised the issues which were brought before the GC.

The claimant appealed to the BoA, which sent out a notification to the parties saying that it was clear from the arguments filed by the parties that the contested design constituted a component part of a complex product, a component which does not remain visible during normal use of the latter. Hence, the BoA concluded that the design could not be considered new and it could not enjoy distinctive character. Both parties submitted arguments in reply of this notification.

Remarkably, the BoA rejected the appeal without assessing whether the contested design could not be visible during normal use of the product into which it was intended to be incorporated, and without providing any reasons for neglecting this assessment.

The claimant appealed the decision to the GC raising several noteworthy procedural and substantial issues concerning the application of Article 25(1)(b) CDR in a request for invalidity of a design.

### Decision

In a nutshell, the GC annulled the decision of the BoA for lack of a reasoned statement in the decision and clarified that the wording of Article 25(1)(b) of the CDR explicitly states that all the requirements of Articles 4 to 9 must be assessed in order for the contested design to be declared invalid. The court noted, however, that the scope of the invalidity action should still be determined by the arguments, facts and evidence adduced by the parties in the invalidity proceeding.

### Comment

It is settled case law that interpreting a provision of EU law requires consideration not only of its wording, but also of the context in which it occurs, and the purposes pursued by the rules of which it is part.

In this case, the context of Article 25(1)(b) of the CDR implies that the requirements in Articles 4 to 9 of the CDR must be applied cumulatively. This implies that a failure to satisfy any one of them may lead to a finding of invalidity under article 25(1)(b) of the CDR.

Community Designs are examined only if challenged in invalidity proceedings as no examination on absolute grounds for refusal is carried out by the EUIPO. This means that a party bringing an invalidity action should carefully review all possible weaknesses of the design registration in relation to the requirements set out in Articles 4 to 9 of the CDR. It is clearly a sufficient basis for invalidation of a registered Community Design that the design does not remain visible during normal use of a product to which the design has been integrated.

## Proof of disclosure of prior art (GC, T-159/19)

### Introduction

In this case, the GC provides exemplary guidance on how to assess prior art evidence in invalidity proceedings relating to RCDs. As explained by the court, disclosure of an earlier design cannot be established by means of probabilities, but only by solid and objective evidence. Furthermore, a presumption that the design has been made available is at hand when the evidence at issue supports a prior disclosure. Said presumption is to be rebutted only by establishing a reasonable probability that the specific circumstances in the case had prevented the disclosure of the design from becoming known in the normal course of business to the circles specialized in the sector concerned.

### Background

In 2016, a Polish furniture manufacturer filed an invalidity application against an RCD relating to a wardrobe, on the basis that it lacked novelty and individual character in relation to prior art. In support of its claim, the applicant invoked extracts from a catalogue depicting a similar wardrobe as well as invoices that related to alleged sales of such wardrobes. The rightsholder intervened the case and disputed the application, claiming that the alleged prior art was not authentic.

The Invalidity Division declared the contested design invalid due to lack of individual character. The rightsholder appealed the decision to the BoA which overturned the Invalidity Division's decision on the grounds that it was impossible to ascertain that the earlier design had indeed been made available before the filing date and that that it had become known to the circles specialized in the sector concerned.

The applicant appealed the decision to the GC.

### Decision

The GC first laid down the outline for the assessment and the evidentiary threshold on prior public disclosure as established in its decision in T22/13 and T23/13, *Senz Technologies v OHIM – Impliva*. In the words of the GC, a two-step assessment should be conducted where it must first be assessed whether there has been a disclosure prior to the filing of the RCD and, if the rightsholder contests such disclosure, whether those events could reasonably have become known in the normal course of business to the circles specialized in the concerned sector. Moreover, the disclosure of an earlier design cannot be proven by means of probability of circumstances, but only by solid and objective evidence.

The GC then turned to the facts of the case and concluded that the invoked furniture catalogue did not suffice to establish certainty to the fact that the catalogue at issue had been published or distributed prior to the filing date, even though it was indeed likely. However, when considered in conjunction with the invoked invoices, it was concluded that the earlier design had indeed been used in the course of trade. A presumption of public disclosure is at hand, except for cases where the rightsholder manages to establish that specific circumstances would reasonably have prevented the disclosed design from becoming known in the normal course of business to the circles specialized in the sector concerned.

The GC thus held that the BoA had erred in its assessment and annulled the decision without ruling on the arguments relating to the lack of knowledge on the part of the circles specialized in the sector concerned as the BoA was yet to try this issue.

### Comment

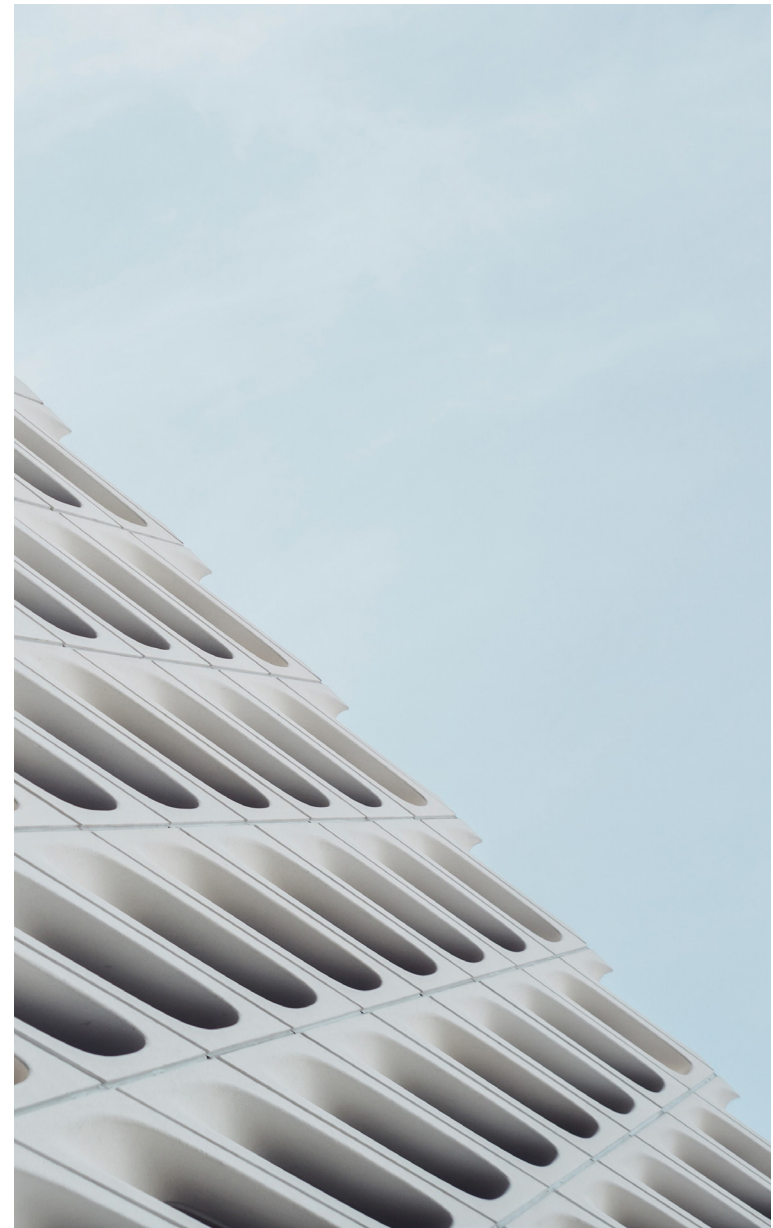
While the GC did not address the issue of whether the design had become known to the circles specialized in the concerned sector for formal reasons of court hierarchy, the judgment still provides valuable guidance on the assessment of prior public disclosure of registered designs. As is pedagogically explained in the reasoning, such assessment should be made by first assessing if the design has been publicly disclosed prior to filing. If this is the case, a presumption should be made that the design has been made available unless the rightsholder would manage to establish specific circumstances which would reasonably have prevented the disclosed design from becoming known in the normal course of business to the circles specialized in the sector concerned.

The case has been appealed to the CJEU and it remains to be seen if and how the judgment may be amended by the higher instance.

# Copyright law

2020 was yet another interesting year for copyright in general and for Swedish copyright in particular. While the CJEU answered two important referrals from Swedish courts in C-753/18 *Stim* and *SAMI* and C-637/19 *CX*, Swedish courts were busy developing the Swedish jurisprudence on the careful balancing between copyright and other fundamental rights in the noted case concerning a controversial Swedish politician and an iron pipe (T 4412-19) and confirmed that dynamic blocking injunctions are now a reality (PMT 13399-19).

On the legislative front, the implementation of Directive 2019/790 ("DSM Directive") continued apace during the year and the highly awaited departmental memorandum that will answer many questions about how the Swedish government plans to implement the controversial directive, is expected to arrive early 2021.



## Communication to the public (CJEU, C-753/18 Stim and SAMI)

### Introduction

In the CJEU's latest decision on communication to the public under Directive 2001/29/EC ("InfoSoc") and Directive 2006/115/EC ("Rental Directive"), the court finds that car rental companies are not communicating works to the public by renting out cars equipped with radio equipment. The case further develops the court's continuing and sometimes confusing jurisprudence regarding communication to the public, which has previously found that rehabilitation facilities did communicate to the public (C-117/15 Reha Training), while dental offices did not (C-135/10 SCF).

### Background

The Swedish music collective management organisations Stim and SAMI sought license fees from car rental companies on the legal basis that these carried out a communication to the public by renting cars equipped with radios. Negotiations were unsuccessful and ended up with Stim suing one car rental company while simultaneously another car rental company sued SAMI.

The two first instance courts for the parallel cases delivered split decisions on different grounds, finding for SAMI but against Stim. After appeals, the second instance courts both found for the car rental companies. The collective management organisations appealed to the Supreme Court which agreed to refer questions to the CJEU on whether a car rental company's activities, in the face of the CJEU's complicated jurisprudence, could constitute a communication to the public under InfoSoc and the Rental Directive.

### Decision

The CJEU reiterated that the expression "communication to the public" used in the provisions of both the InfoSoc and the Rental Directives must be interpreted as having the same meaning. The court further reminded that in accordance with settled case law, communication to the public includes two cumulative criteria, namely an "act of communication" of a work and the communication of that work to a "public". Thus far nothing new.

In order to determine whether a particular action, like the action of renting out cars equipped with radios, constitute such an act of communication, an individual assessment must be carried out, taking into account a number of complementary and interdependent criteria. There are many such criteria, and an overall assessment must be made on a case-by-case basis.

In its jurisprudence regarding communication to the public, the court has repeatedly emphasised the indispensable role played by the user (in this case a car rental company) and the deliberate nature of its intervention (in this case by renting out cars with radios). The user carries out an act of communication to the public when it intervenes, knowing fully the consequences of the action, to give customers access to a protected work. This is a particularly strong argument where those customers, in the absence of this intervention, would not be able to access the protected work, or would be able to do so only with difficulty.

The court also pointed to recital 27 of InfoSoc which states that "the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this directive".

By emphasizing these criteria, over other criteria that arguably supported the collective management organisations' cases, the court was able to distinguish this case from previous jurisprudence. The court distinguished this case from *Reha Training* by finding that the operators of the rehabilitation facility intentionally broadcast protected works to its clientele, by distributing a signal by means of receivers that they had installed in their establishment. This was not the case here, as the car rental companies simply supplied cars which had radios installed as standard and having no further technical role in the broadcast of radio signals.

On these grounds, the renting out of cars equipped with radios did not constitute a communication to the public within the meaning of InfoSoc or the Rental Directive.

In its decision, the court also had a rare chance to clarify some procedural questions in the court's handling of cases by denying the collective management organisations' request to have the oral procedure reopened on the argument that they should have an opportunity to respond to the findings of the Advocate General. The court found that there were no such provisions in the applicable rules of procedure and the court considered itself having all the information needed to decide the case.

### Comment

Though the outcome of this referral was hardly surprising, the decision constitutes another piece added to the ever-evolving (or some would say devolving) puzzle that is "communication to the public", arguably the central question of modern copyright litigation. The CJEU will likely continue to develop and refine the concept over the foreseeable future. We are therefore likely to see more cases like this, sometimes skirting the limits of copyright protection while remaining on the road, and sometimes driving the car right off the cliff.

## Copyright protection for products whose shape is dictated by technical functions (CJEU, C-833/18 *Brompton Bicycle*)

### Introduction

In one of the most important copyright decision of the year, the CJEU returns to the perennial question of what can be protected by copyright. By applying the court's earlier jurisprudence, from C-5/08 *Infopaq* to last year's C-683/17 *Cofemel*, the court finds that a product whose shape is, at least in part, necessary to obtain a technical result, can still be protected by copyright if the product constitutes an original work resulting from intellectual creation.

### Background

The Brompton bicycle can be folded into three positions: a fully folded position, an unfolded position and a stand-by position enabling the bicycle to stay balanced on the ground. The bicycle model was previously protected by a patent.

After the expiration of the patent, the defendants in the case started marketing a highly similar foldable bicycle model. The claimant argued that the bicycle was protected by copyright and sued for infringement. The defendant argued that the appearance of the bicycle model was dictated by its technical function, i.e. that the bicycle could be folded into the three positions according to the expired patent, and thus did not enjoy copyright protection. Off to court they went.

### Decision

According to settled EU case law, in order for a subject matter to qualify as a work under copyright law, two cumulative conditions must be fulfilled: 1) the subject matter must be the author's own intellectual creation; and 2) the subject matter must be fixed.

As concerns the originality criteria, the court reiterated that it is “both necessary and sufficient that the subject matter reflects the personality of its author, as an expression of his free and creative choices”. This means that no additional condition can be demanded for the subject matter to fulfil the originality criteria. However, in case the author’s “realisation of a subject matter” has been dictated solely by technical functions or other constraints which leave “no room for creative freedom”, the subject matter does not fulfil the originality criteria and cannot be protected by copyright.

In this case, the court found that even a subject matter which to some extent has been dictated by technical considerations, may still be considered original and enjoy copyright protection providing that the technical considerations have not prevented the author from reflecting his personality through “free and creative choices”. The overall shape of a product may have been dictated by a technical function, but there may still have been room for creative choices in designing the product under that overall shape.

As to how much free and creative choices is enough to establish originality, the court suggests a negative test: a subject matter cannot be considered original if all component parts of that subject matter are constrained by their technical function. In other words, for the subject matter to qualify for copyright protection there must be component parts of the subject matter for which copyright is claimed that are not constrained by technical demands and instead are subject to the author’s free and creative choices. According to this rule, it is only when the subject matter is solely dictated by functional constraints that it cannot be protected by copyright.

But to be clear, if nine component parts of the bicycle are found to have been constrained by technical demands, and only one

component part of the bicycle has been found to be subject to the author’s free and creative choices, then the copyright protection will be very limited.

The second question in the case concerned how national courts should carry out this complicated assessment.

In an unsuccessful attempt to have the court establish an easy rule, the claimant had argued that the so-called multiplicity of shapes theory from design law should be applied also to copyright law. According to this principle, a subject matter component is not considered dictated by a technical function if there is proof that other possible shapes are available which allow the same technical result.

The court found this theory inapplicable to the matter at hand since there may be many component parts (i.e. different possible shapes) to choose from but that does not say anything about why the author made the choices he made in designing the product. By applying the multiplicity of shapes theory to copyright law, the court seemed to say that way too many nifty bicycles would enjoy copyright, or rather way too many component parts of such nifty bicycles would be afforded copyright protection.

As to which circumstances were relevant for this assessment, the court found that the circumstance that the bicycle had previously been patented was only relevant to establish what the author had taken into consideration in choosing the shape of the product. The author’s intention (that is whether he thought he was creating something that was to enjoy copyright protection) was found to be irrelevant since that would introduce a subjective element into a wholly objective assessment.

Instead, the court instructed national courts to make an overall assessment whether the author had expressed his creative ability in an original manner by making free and creative choices and had designed the product in such a way that it reflected his personality. Problem solved.

### Comment

This decision is as complicated as its implications are difficult to know. One thing appears to be certain; the issue of copyright protection for products which are at least partially dictated by technical function is likely to return to the court in the not-too-distant future.

The decision does include some helpful guidance. The author's intention is thankfully not relevant (which the Advocate General had suggested to the chagrin of the commentariat) and we can dispense with the multiplicity of shapes theory. But how do we discern relevant component parts of the subject matter worthy of copyright protection? Do we need a bike chain protected by copyright, a saddle or a bell? And in the end, it is anyone's guess how the referring national court will apply the decision as to the copyright protection of the Brompton bicycle.

## The right to information (CJEU, C-264/19 Constantin Film)

### Introduction

This judgment illustrates the balance between copyright protection and data protection, or rather the copyright holder's right to information in order to prevent copyright infringement versus the public's right to protection of their personal data. The CJEU has, by

adopting a narrow interpretation of the word "address", limited the opportunities for success in future claims for injunctions to provide information about users' IP-addresses.

### Background

The rightsholder Constantin Film Verleih (Constantin) has exclusive exploitation rights for certain movies in Germany. These movies were uploaded onto YouTube and were viewed several tens of thousands of times. Constantin demanded that YouTube, and the parent company Google, provide information on the identity of the users having uploaded the movies to YouTube. Constantin was provided with fictitious usernames and postal addresses prompting Constantin to request additional information, namely email addresses, phone numbers and IP addresses to the users. The case was litigated up to the Supreme Court of Germany which referred questions to the CJEU on how to interpret the notion of "address" as stated in Article 8(2)(a) of Directive 2004/49/EU ("Enforcement Directive").

### Decision

The CJEU began by laying down the principles for determining the meaning of the term "address". It is stated in Article 8(2)(a) of the Enforcement Directive that a court may order "names and addresses" to be provided. The main issue referred to the court was thus how to interpret the notion of "address" and whether it included, *inter alia*, IP addresses.

The CJEU began by declaring that as the term "address" was not defined in the Enforcement Directive, it had to be given an autonomous interpretation within the EU. This meaning should be determined in accordance with the usual everyday meaning of the term. This was found to be "the place of a given person's permanent address or habitual residence" which did not include IP addresses

or similar data. The court also referred to the preparatory works of the Enforcement Directive and found that the preparatory works did not contain any references to addresses being interpreted to also include IP addresses. Neither could the term in other EU legal acts be found to include IP addresses. Thus, the court declared that the interpretation of “address” did not include IP addresses, phone numbers or e-mail addresses.

With that stated, the CJEU emphasised that the intention of the Enforcement Directive is to strike a fair balance between copyright and data protection. However, the Enforcement Directive was established as constituting a minimum harmonisation for enforcement of intellectual property rights, and the scope of the information which can be ordered to be provided must be defined narrowly. The CJEU also emphasised that as the Enforcement Directive is a minimum harmonisation, the member states do have the possibility to decide to grant rightsholders more information as long as the fair balance between copyright and data protection is upheld.

### Comment

This case sheds light on the current and persistent debate on intellectual property versus data protection. For all those who are in favour of a legislation being contemporary and in line with modern life, this judgment can be said to go in the wrong direction. The interpretation of the term “address” as the actual permanent and physical living address is somewhat old-fashioned and not in line with the rapid digitalisation. Meanwhile, the online infringements of copyright increase. The orders to provide information on alleged infringers are at risk of becoming useless if rightsholders are not able to identify the users of services such as YouTube, as it is not uncommon to use fictitious usernames or aliases online.

## Copyright infringement by submitting evidence in court proceedings (CJEU, C-637/19 BY)

### Introduction

As we reported in the 2018 Yearbook, there have been two recent Swedish court cases where the PMCA has assessed whether the submission of evidence in court proceedings could constitute copyright infringement. In the previous cases, the PMCA found that the submission of evidence could constitute copyright infringement as the exception in Chapter 2 Section 26 b of the Copyright Act concerning limitation to copyright for uses of works “in the interest of the administration of justice or public security” does not apply to individuals. In this later case, the PMCA referred the case to the CJEU for interpretation of whether such submission of evidence to the court could constitute a “communication to the public” under Article 3(1) of Directive 2001/29 (“InfoSoc”).

### Background

The case concerned two individuals that operated their own respective websites. In court proceedings before the PMC, the respondent submitted a copy of a page from the appellant’s website as evidence. The page contained a photograph that the appellant claimed copyright to, and the appellant claimed that the defendant had committed copyright infringement by its submission and should be ordered to pay damages for the infringement. The PMC decided that the submission of the photography did infringe the copyright but that the appellant had not suffered any harm and dismissed the claim for damages. After being appealed to the PMCA by the appellant, the PMCA stayed the proceedings and referred questions to the CJEU.

## Decision

The questions referred by the PMCA concerned whether the term “public” was an autonomous concept of EU law that should be given a uniform meaning and if the term included national courts, and further, whether national legislation stipulating a principle of access to public records affect the assessment of communication to the public and distribution to the public.

The CJEU handled the questions together and started by reiterating that communication to the public contained two requirements, namely that the work is subject to an act of communication, and that said act is targeting a public. Any act where the user provides access to a work having knowledge of the consequences can thus constitute a communication, and this was also applicable for a submission of evidence in judicial proceedings between individuals. However, the term also requires that the work is actually communicated to a public. The CJEU stated that in this instance, the public must be interpreted as a clearly defined and closed group of persons with public service functions within a court, and not as an indeterminate number of potential recipients. The CJEU explained that the communication was made to the court – not to the potential persons that could later request access to the evidence by way of the Swedish principle of access to public records. It was therefore irrelevant whether national law prescribes such principle as it is the court that communicates the work in accordance with the principle of access to public records, which is not regulated by InfoSoc in accordance with Article 9.

As a concluding statement, the CJEU stressed that the right to protection of intellectual property rights is not absolute and must be balanced with other interests like the right to effective remedy. This right would be seriously compromised if the rightsholder could

oppose to evidence being submitted to a court only because the evidence contains copyright protected material.

## Comment

This was the second CJEU referral from Sweden in 2020 that concerned the nebulous concept of “public” (the first being *C-753/18 Stim and SAMI*). In both cases, the CJEU easily dismissed the Swedish concerns. There might in fact be a few Luxembourgish judges wondering why we are focusing so much on this issue in Sweden.

This CJEU’s decision is however welcome as it settles the contradictory case law from the PMCA. The conclusion that works protected by copyright may be submitted as evidence in court proceedings is clearly correct and it was likely only a matter of the CJEU finding a rationale for the self-evident conclusion. Any other conclusion would have meant that the right to effective remedy would be seriously compromised as a party would be forced to risk paying damages in order to submit evidence in legal proceedings. Such an unsatisfactory conclusion would have raised obvious fundamental rights concerns, not least concerning the right to a fair trial.

The clarification that it is the court that communicates the work to the public, and not the respondent (as in this case), is in our opinion well-balanced, logical and in line with the Swedish Copyright Act.

## Balancing of copyright and fundamental rights (Supreme Court, T 4412-19)

### Introduction

A landmark Supreme Court judgment has closed the book on the widely known “iron pipe scandal”. The rightsholder in this copyright infringement case was a member of the controversial right-wing political party, the Sweden Democrats. The work at issue was a video of altercations where members of the party voiced racist arguments towards persons they met on the street late one night – one who happened to be a well-known Swedish comedian – and thereafter armed themselves with iron pipes for the expressed purpose of being ready in the event that said altercations escalated into physical violence. Because of this, the case has stirred up more emotions than copyright infringement cases usually do.

### Background

In June 2010, members of the Sweden Democrats who – at the time – were running for parliament were involved in altercations with a well-known Swedish comedian and members of the public. One of the parliamentary candidates filmed the altercations and thereafter consented to the publication of a sequence of the full-length video on the Sweden Democrats' YouTube channel.

In 2012, a newspaper published the full-length video on its website, including parts previously not published on YouTube. The Swedish public service television company Sveriges Television (SVT) published several sequences and still images from the full-length video on different occasions over a number of years, in news reports and TV programmes.

The rightsholder sued SVT for copyright infringement, requesting compensation for this use. SVT asserted that the exceptions for reporting on current events under the Copyright Act gave them a right to publish the protected materials without the rightsholder's consent.

Both the first and second-instance court found mainly in favour of the rightsholder, awarding him compensation for the use.

### Decision

The Supreme Court initially noted that freedom of speech and freedom of information are fundamental in Swedish legislation, as expressed in several provisions in the Constitution, and that copyright protection is also supported thereunder. Considering the balancing of these interests, certain exceptions to copyright have in case law been considered as justified. These include the exceptions for reporting on current events, set out in Sections 23 and 25 of the Copyright Act. Section 23 applies to works being reproduced in connection with a report on current events which are previously published with the rightsholder's consent. Section 25 applies to works which may be regarded as being reproduced by being seen or heard in a news event.

These exceptions have applied since the adoption of the Copyright Act in 1969; the balancing of interests has been addressed by the legislature several times, including in connection with the implementation of Directive 2008/91/29/EC (“InfoSoc”).

Referring to CJEU case law, the court noted that InfoSoc must be implemented in national law in such a way that the author's rights to their work is balanced against the general interest of information.

During the implementation of InfoSoc in Swedish law, the legislature found no amendments to Sections 23 or 25 of the Copyright Act to be necessary. The Supreme Court therefore held that the legislature must have concluded that the prerequisites for these exceptions – that the work must be published (Section 23) or seen and heard during a news event (Section 25) – were justified. According to the Supreme Court, this must mean that the legislature had not considered a general exception for use in news reporting to be justified.

Addressing other limitations in copyright, the court turned to criminal liability for copyright infringement and noted that courts must be able to hand down an acquittal in the interest of freedom of speech in the event of situations of grave importance. This could entail that the unlawful publication of a work would not cause criminal liability, but that the rightsholder would still have a right to monetary compensation for said use.

SVT had also invoked Article 10 of the European Convention on Human Rights (ECHR), which protects freedom of speech and freedom of information, as grounds for non-infringement. However, the Supreme Court held that the ECHR concerns obligations of the state against its individuals (e.g. in cases of criminal liability for copyright infringement) and that it is not applicable as between individuals.

The court concluded that in the event of a civil law issue pertaining to whether the rightsholder has a right to compensation for the use, as compared to the case of criminal liability, it is of particular importance that the rightsholder is not deprived of its legal rights. The interest of maintaining respect for the balance of interest set out by the legislature through the Copyright Act is also more relevant for this type of case, than when considering criminal liability.

Consequently, the court held that the ECHR could not result in the rightsholder's loss of their right to compensation for unlawful use. The court stated, however, that established principles of freedom of speech and freedom of information will not be prevented from affecting the interpretation of provisions being applicable between individuals.

Turning to the case at hand, the Supreme Court noted that the parliamentarian held producer and photographer's rights to the video and images published by SVT. It concluded that the full-length video published by SVT had not been published with the rightsholder's consent and that the exception in Section 23 of the Copyright Act therefore did not apply. The work had also not been seen or heard during a current event, and the exception in Section 25 of the Copyright Act was thus also inapplicable. The general public's interest of information could not deprive the rightsholder of his right to compensation under the Copyright Act. Consequently, the Supreme Court confirmed the PMCA's finding that SVT was liable to pay compensation for the use at issue.

In relation to moral rights, the Supreme Court confirmed the reasons set out by the PMCA. The second-instance court had found that there was such a right for photographers, but not for producers. The PMCA had found that the publications had not been prejudicial to the rightsholder's reputation as a photographer. However, the court found that the parliamentarian had a right to be named in relation to several of the published photographs. Further, SVT had in some instances specified the newspaper that originally (and without permission) published the video as being the photographer. Consequently, the court found that SVT had also infringed the rightsholder's moral rights.

The rightsholder had only requested the court to establish that SVT was liable to pay compensation for its use. Therefore, the court did not assess the amount of the compensation.

### Comment

Through this judgment, the Supreme Court has confirmed that, beyond the scope of the existing exceptions and limitations as set out in the Copyright Act and InfoSoc, not even fundamental rights such as freedom of the press justify the unauthorised use of copyrighted materials. This is in line with CJEU case law (and not least the three judgments rendered on 29 July 2019, namely C-476/17 *Pelham*, C-469/17 *Funke Medien* and C-516/17 *Speigel Online*, on which we reported in the 2019 Yearbook) and thus quite unsurprising.

The judgment also illustrates the impact of EU law on Swedish IP law. Both the Supreme Court and the PMCA (often being the final instance) regularly refer to EU case law, giving it precedence over older Swedish authorities, and highlight the importance of interpreting Swedish legislation in line with applicable EU law.

The Supreme Court's clear distinction between criminal copyright infringement actions and civil law disputes on compensation may open up for interesting discussions on how to handle the balancing of interests in joined cases. It may seem reasonable for fundamental freedoms to be given a narrower scope of application when criminal penalties are not in the mix, but rightsholders' claims for damages are often joined with criminal actions. Courts may be reluctant to apply differing assessments of liability within the same proceedings, but rightsholders may have significant damage claims as criminal cases often concern extensive infringements. It remains to be seen whether rightsholders will benefit from initiating separate actions regarding compensation, rather than joining the public prosecutor in such criminal actions.

An additional question in the PMCA case, was whether the parody exception was applicable to SVT's publications. The requirement under Swedish law, that parodies must be sufficiently original to constitute their own work, was rejected by the court as there is no such requirement under EU law, and the exception being harmonised within the European Union. The PMCA held that the parody exception applied to some of the uses at issue in the proceedings, but as the rightsholder did not appeal the PMCA's judgment, this issue was never brought before the Supreme Court.

The judgment could have marked the end of this political scandal – at least as far as copyright is concerned. However, when commenting on the judgment, SVT voiced disappointment over the outcome and expressed an intention to work with other media companies to achieve a change in legislation in this regard – and it seems that there will be more to come in the Swedish discussion on the balancing of copyright and freedom of the press.

## The backpack "Kånken" is protected as a work of applied art (PMCA, B 10087-18)

### Introduction

This judgment clarifies how works of applied art shall be assessed in light of the criteria for copyright protection. The well-known Kånken backpack was declared to be protected by copyright as a work of applied art by the PMCA, changing the first instance court's judgment.

### Background

The public prosecutor brought a criminal action for copyright infringement and trademark infringement against three individuals

who sold counterfeit Kånken backpacks at a marketplace. The backpacks were marked with the famous backpack brand's logo and the name Kånken and had the same appearance as the original product.

The first instance PMC dismissed the action for copyright infringement as the court did not find that the prosecutor had proved that Kånken was protected by copyright. The court did however convict the individuals for trademark infringement. The prosecutor appealed the judgment, claiming that the PMCA should also convict the defendants of copyright infringement and impose stricter sentences. Two of the defendants appealed the judgment, claiming that the court should acquit them.

### Decision

The PMCA agreed with the first instance court that the defendants were guilty of trademark infringement. The court then assessed whether the defendants were guilty of copyright infringement.

The first issue the court examined was whether the backpack constituted a work of applied art in the meaning of the Copyright Act. The PMCA stipulated that the term “work” must be interpreted in conformity with EU law. The CJEU has laid down two prerequisites for a subject matter to be classified as a work. The first being that the subject matter must be original in the sense that it is the result of the intellectual creation of the author, reflecting the personality and the free and creative choices in the production of the subject matter. The second prerequisite is that the elements to consider when assessing if the subject matter expresses creativity in an original manner and achieves a result which is an intellectual creation are the choice, sequence and combination of those elements. It must also be possible to identify the subject matter with sufficient precision and objectivity. The court also declared, with reference to C-683/17 Cofemel,

that these criteria are applicable for all types of works, including works of applied art.

As has become the norm in Swedish court's assessment of copyright protection, the court then examined the work's history and creation story. When the backpack was first created, the author had the intention to create a backpack for children, that would fit two binders and have straps that could be used to carry the bag both as a backpack and by hand. The Svensk Form Copyright Panel had assessed in 2015 that Kånken was protected by copyright as it was sufficiently different from other products on the market. The court found that both functionality and quality had been central in the design of the backpack. Furthermore, several elements of the backpack were found to express the authors free and creative choices, such as the reflex logo with an artic fox and the text Fjällräven Kånken placed on the front of the backpack. The choices, sequences and combination of the logo and other elements made the backpack original according to the PMCA. The backpack was therefore found to be protected by copyright as a work of applied art.

The second issue was whether the counterfeit backpacks infringed Fjällräven's copyright. The PMCA found that the counterfeit backpacks sold by the defendants and the original backpack were very similar and that the defendants offered identical copies of the original backpack. The counterfeit backpacks thus infringed Fjällräven's copyright.

Finally, the court assessed if the infringement was conducted with intention or gross negligence. The PMCA referred to the statements made by the first instance court on the intent or gross negligence to trademark infringement and agreed with that assessment. In the first judgment the court stated that as the trademarks Kånken and Fjällräven were well-known in Sweden, the backpacks were displayed at the alleged infringer's market stalls in a central, careful and

neat way, the backpacks were labelled with the trademarks and the defendant had not taken any measure to control the authenticity of the sold products. The defendants were therefore found to have intentionally committed trademark and copyright infringement. The court sentenced the defendants to pay day fines for the copyright and trademark infringements. One of the judges had a dissenting opinion and stated that the backpack was too simple and functional to be protected by copyright.

### Comment

This case is one of several recent cases regarding the protection of works of applied art. The Swedish court once again declares that the assessment must be in conformity with EU law and especially refers to the well-known Cofemel case from the CJEU. One interesting point is that the first instance court did not consider the opinion from the Svensk Form Copyright Panel and photos of the backpack to be sufficient evidence to prove copyright protection. In the second instance, the proprietor and the prosecutor submitted additional written evidence, and referred to inspection of two Kånken backpacks which consequently led to the decision that Kånken was indeed protected by copyright.

## Dynamic blocking injunction against an ISP (PMCA ,PMT 13399-19)

### Introduction

This case is ground-breaking for rightsholders of copyright and internet service providers (ISPs) in Sweden by declaring, for the first time, that dynamic blocking injunctions are in line with Swedish

legislation. Unlike regular static blocking injunctions, covering only a specific infringement by a specific infringer, dynamic blocking injunctions cover also several infringements and potentially also by several other infringers.

In this case, the PMCA declares that, to prevent an ISP from being an accomplice to online copyright infringement by providing internet connection to sites committing illegal file sharing, the ISP can be ordered to block not only the domain names and web addresses that presently lead to such illegal file-sharing sites, but also to future undefined domain names and web addresses found to have as their main purpose the providing of access to these illegal file-sharing sites.

### Background

A Swedish ISP was sued by several rightsholders for being an accomplice in copyright infringement by providing internet connection to webpages like The Pirate Bay. In the first instance, the rightsholders successfully claimed that the court should order the ISP to block a number of listed webpages and future webpages having as their main purpose to connect internet users to said services. The injunction was combined with a fine. In the PMCA, the ISP claimed that it was not complicit to copyright infringement and also appealed the regular and the dynamic blocking injunction with reference to them being unproportionate, and that a dynamic blocking injunction could not lawfully be determined as it was not clearly defined or specified. The rightsholders opposed a revision of the judgment.

### Decision

The judgment concerned primarily three questions: whether the ISP was an accomplice to the copyright infringement, if an injunction should be imposed and if so, how the injunction should be formulated and defined.

Section 53b of the Swedish Copyright Act states that an injunction can be imposed against an accomplice to copyright infringement. The provision is an implementation of Article 8(3) of Directive 2001/29/EC (“InfoSoc”). The CJEU has declared that the article does not require any contractual relationship between the intermediary (e.g. ISPs) and the infringing party, and that it does not have to be proved that the internet users have accessed the infringing material. The ISP claimed that Section 53b in must be interpreted as a provision under criminal law, as declared in the Swedish preparatory works. The PMCA stated that the court had an obligation to interpret national law in conformity with the directive and EU law. The court is however limited by general principles of law, especially legal certainty and non-retroactivity. The PMCA found that an interpretation in accordance with the directive in this case was not *contra legem* or retroactive, as CJEU in its 2014 judgment C-314/12 *UPC Telekabel* has declared the ISPs to be intermediaries under InfoSoc. The CJEU has also declared that interpretation in conformity with EU law has priority over declarations made in legal preparatory works, and that the Swedish preparatory works were therefore not applicable.

In summary, the PMCA decided that the ISP was an accomplice to the copyright infringement and that an injunction could be imposed. An injunction must be appropriate, effective and proportionate. The proportionality assessment included a balancing between the interests of the concerned parties. The PMCA found that a blocking injunction was a targeted and appropriate measure as it prevented the ISP’s customers from accessing the websites concerned. The PMCA agreed with the ISP’s objection that it was easy to circumvent the blocking, but the court found that it would at least make it more difficult and that a measure does not have to stop the infringement completely to constitute an appropriate remedy.

As to the balancing of interests, the court stated that the injunction had a limited effect on the freedom to conduct business for the ISP. Especially as the injunction was to be limited in time. Freedom of information does not include the right to access materials that, without the consent of the rightsholders, have been made public; but it was clear that the injunction would block much more than just these copyright protected works. Most of the material on the web-pages was copyright protected and was made public without consent, and therefore the freedom of information was found to only be interfered with to a minimal extent. The PMCA concluded that the protection of intellectual property weighed more than the freedom to conduct business and freedom of information in this case and that the injunction was proportionate.

As to how the injunction was to be formulated, the court declared that an injunction pertaining only to the current domain names and web addresses would easily be circumvented, and, for the sake of efficiency, the injunction should therefore include future domain names and web addresses as well. To clearly define the services being subject to the injunction, the characteristics, construction and function of the services would be imperative. The predominant purpose of the domain names or web addresses had to be to enable access to the services. The PMCA stated that it would be inappropriate and unproportionate if the ISP would be responsible for monitoring all new sites, and therefore decided that the rightsholders were responsible for informing the ISP of any new sites. In the first instance, this addition was not included in the judgment (but it was included in the reasoning) which left the ISP wondering if they were in fact made responsible for monitoring new websites or if the rightsholders were responsible of informing them. The injunction was declared to be clear and specified enough, and as held by the court to be a balance of the interests of the concerned parties at the

time of the judgment, there was no interference of the injunction by the rightsholders or an unproportionate measure, as the ISP claimed. The dynamic blocking injunction was decided to be in force for three years. The judgment could not be appealed.

### Comment

The role of intermediaries in the ongoing battle against the extensive copyright infringements that are since many years back committed online through sites like The Pirate Bay has been a hot topic for years. There has been a special debate regarding dynamic injunctions, which have been questioned as they prohibit future infringements and, possibly, future infringers and this without the court being involved at such later time when the new infringements, possibly by new infringers, occur.

In this precedential judgment, the PMCA has now clearly established that since rightsholders have a right to gain an effective protection against infringements of their copyright, they must be able to use dynamic injunctions as a tool to achieve this. This progression of allowing dynamic injunctions in Sweden is in line with the approach taken by both the CJEU and other EU member states through recent years.

This judgment opens new possibilities for rightsholders in Sweden. As a result, it is likely that discussions will be initiated between rightsholders and ISPs about entering into agreements about voluntary blocking measures, as is said to have been done in other countries. Regardless of the result of any such discussions, there will also likely be an increase in the number of court cases regarding dynamic blocking injunctions. If so, such court cases are likely to add more details about the exact features and boundaries of dynamic blocking injunctions.

This judgment is also important as the PMCA, as opposed to the lower court, clarified that for this type of a dynamic blocking injunction the rightsholders must be responsible for informing the ISP of new domain names and web addresses that are covered by the judgment and which should therefore be blocked. In other words, the ISP does not have an obligation to independently monitor the internet for new infringements.

## The authority of the PMC to assist foreign authorities in pre-trial criminal investigations concerning alleged copyright infringements (PMCA, PMÖ 10235-20, 10249-20 and 10250-20)

### Introduction

In three decisions the PMCA addresses the issue of whether the IP specialist PMC has authority to assist American authorities in pre-trial criminal investigations concerning alleged copyright infringements. The PMCA finds that Swedish law does not grant the PMC and PMCA such authority and rules that the PMC is not authorised to assist in the matters. The finding has been confirmed by the Supreme Court.

That said, the PMCA makes the following remark, being also a slight hint to the legislator that this matter ought to be addressed; the purpose of the Act on the Patent and Market Courts speaks in the direction that the PMC and PMCA should have authority to not only try cases brought under the Swedish Copyright Act but also matters linked to copyright law in general.

## Background

At the request of American authorities, the prosecutor was executing a number of orders to seize computer servers located in Sweden. The request related to ongoing American pre-trial criminal investigations concerning alleged copyright infringements regarding file sharing. As part of the execution process, the prosecutor filed notices with the PMC under the International Legal Assistance in Criminal Matters Act for the PMC to assist in the matters by assessing whether the seizure orders had legal basis and whether the computer servers consequently could be handed over to the American authorities. The PMC tried the prosecutor's requests and ruled that copies of the computer servers could be handed over to the American authorities. The decisions of the PMC were appealed and before the PMCA, the question arose whether the PMC had authority under Swedish law to try the prosecutor's requests.

## Decision

The PMCA noted that the PMC and PMCA, as specialist courts with exclusive authority to try cases within certain areas specified in the Act on the Patent and Market Courts, are consequently prevented to try cases outside those defined areas. The PMCA pointed out that in the event a case or request is brought before the PMC and PMCA which does not fall within the areas defined in the Act on the Patent and Market Courts, the matter should be rejected on the basis that the court lack authority to try the matter.

The court further noted that the requests from the prosecutor were not brought under the Swedish Copyright Act. The court pointed out that Act on the Patent and Market Courts does not authorise the PMC to try matters not brought under the Swedish Copyright Act albeit they may relate to copyright law in general.

The PMCA thereafter noted that neither the International Legal Assistance in Criminal Matters Act, nor any other Swedish law, granted the PMC authority to try the requests. Although the purpose of the procedural legislation pertaining to the PMC and PMCA speaks in the direction of PMC and PMCA having authority to not only try cases brought under the Swedish Copyright Act but also matters linked to copyright law in general, the PMCA remarked that courts cannot grant themselves such authority as this is an issue for the legislator.

Against this background the PMCA found that the PMC ought to have rejected the requests from the prosecutor and quashed the PMC's decisions.

The PMCA's quashing decisions have been appealed by the prosecutor general to the Supreme Court. Just before the Christmas holidays, the Supreme Court gave its ruling in one of the cases, confirming the PMCA's finding and rejecting the appeal.

## Comment

The decisions highlight what the PMCA, by its slight hint to the legislator, seems to indicate as a somewhat unfortunate issue, namely that the PMC and PMCA currently under Swedish law do not have authority to assist foreign authorities in pre-trial criminal investigations pertaining to alleged intellectual property infringements, which does not tally with the fact that the PMC and PMCA are specialist courts for IP-matters. It will be interesting to see what the long-term result of the decisions will be; it is not a too wild a guess that the issue at hand will in due course come under the legislator's consideration one way or the other.

## Application of the parody exemption (PMC, B 7348-20)

### Introduction

In this case, the PMC examines the development and application of the parody exemption in Swedish law and its compatibility with EU law.

### Background

The word “tiger” has two meanings in Swedish. On the one hand it refers to the big cat animal. On the other hand it means to “stay silent” or to “keep quiet”. The Swedish artist Bertil Almqvist created the now famous “Swedish tiger”, using the double meaning of “tiger” as a play on words, for a pre-second world war military advertisement. Similar campaigns were the American “loose lips sink ships” or the English “careless talk costs lives”.

The book “This is a Swedish Tiger” (Sw. “Det här är en svensk tiger”, uses the “Swedish tiger” as a symbol for the culture of silence prevalent in Sweden during the second world war. The illustration on the book cover features the “Swedish tiger” wearing a swastika armband, and raising its right front leg in a Nazi salute.

### Decision

In its decision the PMC began with noting that a literary or artistic work, being an independent, original work and an expression of the artist’s intellectual creation, acquires copyright. The holder of the copyright has an exclusive right to dispose of the work by reproducing it and making it available to the public and has a right to oppose to certain changes to the work.

The court went on to explain that the principle of the parody exemption is not expressed in Swedish legislation, the principle is only found in the legislative comments to the Copyright Act.

A general understanding of the Swedish parody exemption is that a work expressing an artist’s individuality and originality is regarded as being independent and not infringing the copyright of the work by which the artist was inspired.

The requirement of national copyright legislation to be interpreted in accordance with EU law, specifically Directive 2001/29/EG (“InfoSoc”), was remarked by the court. The directive contains an exhaustive list of the exemptions and restrictions that member states may introduce in national legislation, and the list includes parodies. When implementing the directive, the Swedish legislator did not, however, introduce an exemption or copyright restriction for parody in Swedish legislation.

The PMC remarked that by principle, if a previous work is included in a new work, disposition of the new work must typically be understood to be affected by the copyright of the previous work. The court found that while the new work “This is a Swedish tiger” shows individuality, the work includes integral parts of the prior work. The new work can thus not be interpreted as a new and individual work.

The court went on to evaluate whether “This is a Swedish tiger” would be subject to a parody exemption to the copyright protection under harmonized EU law. The court noted that for the exemption to apply the parody work may be reminiscent of a previous work but should, at the same time, be distinctly different from the same.

A parody must have a clear parodic or ridiculing purpose, but it does not have to show artistic originality.

By placing the original “Swedish tiger” in a new context, clearly distinct from the original, and applying a critical purpose, the PMC found that the work at issue referenced the symbolic representation of the “Swedish tiger” rather than the artistic expression of the original work. The court therefore found “This is a Swedish tiger” to be a parody which did not infringe the original work.

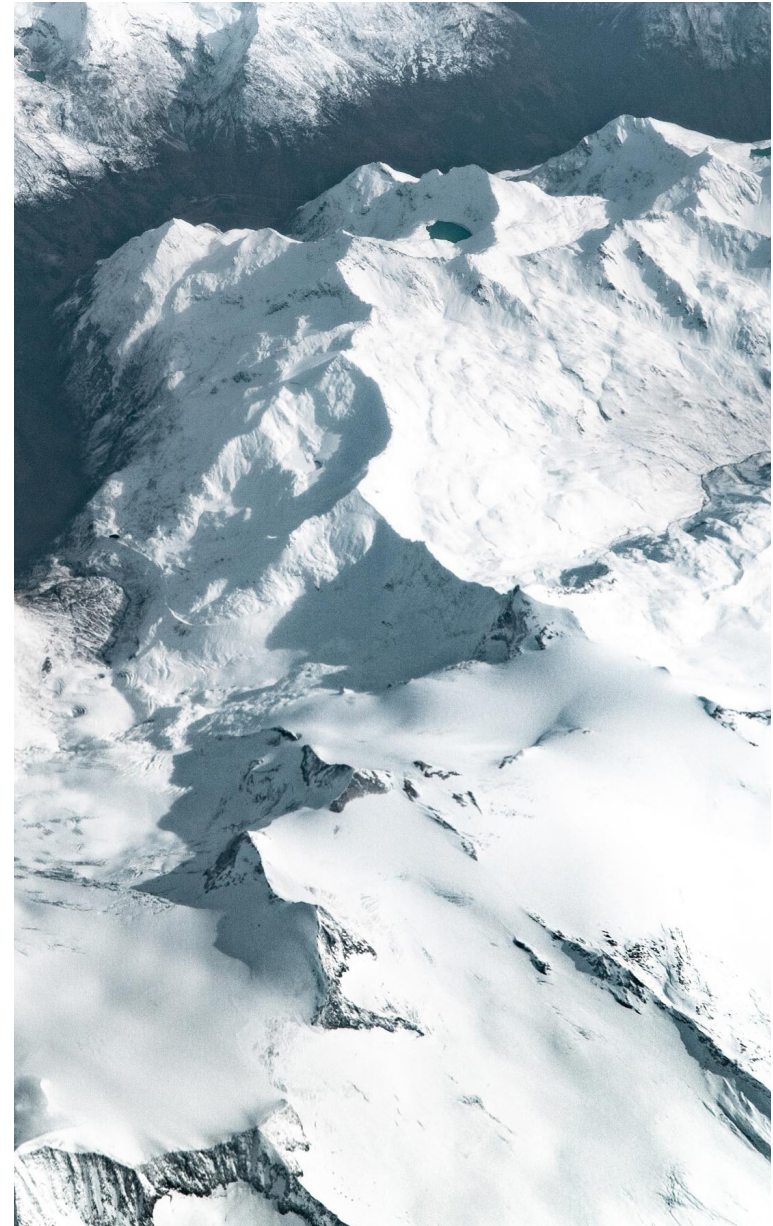
### Comment

Based on the fact that “This is a Swedish tiger” includes integral parts of the original “Swedish tiger”, the court concludes that the former work does not constitute an individual work meriting its own copyright protection. By this decision the court derogates from previous applications of the parody exemption by Swedish courts. However, the court found that by using the original “Swedish tiger” as a symbol and illustration to the author's analysis of the Swedish culture of silence in relation to World War II, the parody exemption to copyright, as harmonized by EU law, applies to the illustration. The absence of the parody exemption in Swedish formal law, and its effect on the applicability of the parody exemption based on EU law and Swedish preparatory works, has been debated in the wake of this case. The decision has been appealed.

# Marketing law

In 2020, the Consumer Ombudsman appears to have focused some efforts on targeting fraudulent companies conducting telemarketing – cases which are of low prejudicial importance and therefore not reported here.

However, we report on some interesting cases from the PMCA, concerning highly regulated markets for alcohol and gambling, as well as a case pertaining to whether marketing constituting IP infringement must necessarily also be considered unfair under marketing law provisions. We also report on a first instance judgment on influencer marketing relating to the distinction between posts within and outside of a collaboration, touching upon the balancing of marketing law and the influencer's freedom of speech.



## Marketing constituting IP infringement not considered incompliant with the blacklist but may still be incompliant with the Marketing Act (PMCA, PMT 9554-17)

### Introduction

In this judgment, the PMCA clarifies the question whether marketing activities constituting intellectual property infringement should be banned under paragraph 9 of the so-called blacklist (Directive 2005/29/EC, the Unfair Commercial Practices Directive) or under the Marketing Act.

### Background

In 2015 a Finnish company marketed car rims by issuing a product catalogue. Based on this marketing, the car manufacturer BMW brought action against the Finish company before court. One of the questions before the PMC was whether the marketing, by creating the impression that it was legal to sell the rims even though this was not the case as the rims infringed registered community designs, constituted unfair commercial practice under paragraph 9 in the blacklist of the Unfair Commercial Practices Directive. Another question was if the marketing was in breach of the principle of illegality, which states that illegal products may not be marketed or sold, and thus incompliant with good marketing practice under section 5 and 6 under the Marketing Act.

The PMC held that neither paragraph 9 of the blacklist nor the principle of illegality and good marketing practice under the Marketing Act are applicable on marketing activities which comprise IP infringement. The PMC dismissed the claims in question, and BMW appealed the case to the PMCA.

### Decision

The PMCA found that the scope of paragraph 9 could not be interpreted as to also include marketing activities that infringe on intellectual property rights in the manner asserted in the case. However, the PMCA found that marketing activities involving IP infringement could constitute a breach of the illegality principle and thus be incompliant with good marketing practice under section 5 of the Marketing Act. However, the court stated that in order to prohibit such marketing, the marketing must significantly affect or likely affect the consumer's choice to purchase the product – the so-called transaction test.

In assessing the marketing activity at hand, the PMCA pointed out that the product catalogue expressly stated that the rims were not BMW's original rims. As a result, the court found that the marketing of look-alike rims had not affected the consumer's choice to purchase the rims. The claims for injunction were thus not granted meaning that the PMC's decision was upheld.

### Comment

By its decision, the PMCA makes it difficult for intellectual property rightsholders to prevent marketing activities that constitute intellectual property infringement based on marketing legislation. The court clarifies that the blacklist must be interpreted restrictively and that it is not applicable on marketing activities that infringe someone else's IP rights.

Even though the court states that marketing activities involving intellectual property infringement could constitute a breach of good marketing practice, the court's strict application of the transaction test nevertheless makes it difficult to prevent such unfair marketing activities under the Marketing Act. Thus, in order to prevent

marketing activities constituting IP infringement, a rightsholder should carefully consider its marketing activities rather than relying on intellectual property legislation, marketing legislation or a combination thereof.

## Use of “recommended prices” for own and others’ products (PMCA, PMT 9082-18)

### Introduction

As e-commerce reaches new levels in the current way of life, several aspects of online marketing have come under the courts’ scrutiny. In this judgment, the PMCA examines marketing statements made in connection with online sales. Of particular interest is the use of “recommended prices”, where the PMCA differentiates between products sold under a trader’s own brand and under third party brands.

### Background

An e-commerce company had used the term “recommended prices” in relation to two different types of products on its website; products under so-called private labels (i.e. marketed under the company’s own trademark) and products marketed under third party trademarks.

The Swedish Consumer Ombudsman (SCO) initiated proceedings against the company, claiming that use of the words “recommended prices” was unlawful.

### Decision

In its account of applicable law, the PMCA noted that for a “recommended price” to provide guidance on the pricing to different

operators in the sales chain, the price must have been set independently and at the sole discretion of e.g. the supplier or another operator at a prior segment of the sales chain, without any influence from retailers. Moreover, there can be no explicit or silent agreement that said prices must be kept, as that would be in breach of competition law.

On this basis, the PMCA assessed the two different categories of products.

In relation to products under private labels, the court held that when marketing a product under one’s own brand, a product which has been produced by or for the holder of that brand, the use of “recommended prices” cannot be accepted since there are no prior sellers to recommend a price. This applies irrespective of whether the brand is protected as a trademark (registered or unregistered), or if the brand lacks protection.

According to the court, the use of the term “recommended prices” indicates that the company, acting as a retailer, markets products having been sold or distributed by, and thus originating from, another company at a prior segment of the sales chain, and that there are other retailers having also received the same recommendation on price. Consumers had thus incorrectly been given the impression that identical goods, with the same commercial origin, were supplied also by other retailers and that they had also received information on the recommended price. As this was not the case, the use of the term was considered unlawful.

In relation to products marketed under third party trademarks, the PCMA found that the defendant was free to use the term “recommended prices” *per se*. For such use to be allowed, however, such prices must, to a certain extent, have been used on the market.

The burden of proof rests with the SCO, who must make it probable that the prices were not used on the market at the relevant point in time. The SCO had invoked excerpts from a price comparison website, which the PMCA found sufficient to fulfil the burden of proof. Consequently, the marketing of these products was found to be misleading, as the “recommended prices” had not been used on the market to a sufficient extent. For certain products, the recommended price specified in the company’s marketing was higher than the price actually recommended by the distributor. Also in this regard, the marketing was found to be misleading.

Consequently, the PMCA found that the company’s use of recommended prices gave the average consumer the impression, when comparing the actual and the recommended prices, that he or she had received a higher discount than was actually the case. This had likely affected the consumers’ ability to make an informed decision, and the marketing was found to be unlawful.

The judgment also discusses the marketing statements “stock clearance” and “everything must go” (Sw. “lagerrensning” and “allt ska bort”), which were also considered unlawful, as the company had not invoked any evidence to support the correctness of said statements.

### Comment

Not only is the outcome of the judgment reasonable and in line with a basic linguistic interpretation of the term “recommended prices”, it also provides useful guidance for the use of the term as the PMCA essentially has excluded using the term for certain goods.

The court points to the exception in relation to burden of proof; generally, the burden to prove that certain marketing is not misleading

lies on the company, but in relation to recommended prices, it is for the SCO (or any other claimant asserting that the use is unfair) to prove that the price has in fact not been used on the market. However, as the court held that excerpts from price comparison websites, being well-established and easily accessible in Sweden, may constitute sufficient evidence in this regard, this burden does not appear to be very heavy. Companies that do use recommended prices not explicitly provided from a distributor or supplier may thus do well to monitor such websites to ensure that their recommended prices are not too high.

## Where does a collaboration end in influencer marketing? (PMC, PMT 798–19)

### Introduction

In this case, the PMC addresses two questions of particular interest; how freedom of speech should be understood when influencers post about companies’ products on social media, and how the average consumer should be assessed on social media platforms. The first question is of particular interest since the relation between influencer marketing and freedom of speech has not previously been tried by the PMC.

### Background

One of Sweden’s most popular influencers had, through her company, received a trip to Zanzibar, paid for by an eyewear company. Apart from the trip, the influencer had also received monetary compensation. In exchange, she agreed to make one Instagram post and one blog post about the company. Following the trip, the influencer

published 30 posts on social media from Zanzibar of her wearing the company's eyewear (twelve on her blog, nine on Instagram, nine on Facebook). Six of those posts were marked by the influencer as a collaboration with the company. However, the Consumer Ombudsman considered all 30 posts to be improper marketing according to the Marketing Act and brought an action against the influencer.

### Decision

The first question that the PMC assessed was whether all or some of the social media posts were protected by freedom of speech. The PMC noted that not all posts by an influencer recommending a company's product are covered by the Marketing Act. It is, according to the PMC, essential that there is a formal or implied agreement between the company and the influencer pertaining to the post. The agreement must also include a remuneration to the influencer. However, the remuneration does not have to be monetary, and can also comprise of free products or a trip. If an agreement is not established, the influencer's post about the company's product is protected by freedom of speech.

In this particular case, the PMC stated that the influencer and the company had agreed to the influencer posting once about the company on her Instagram and once on her blog. The influencer presented two posts made because of the undertaking in the agreement. According to the PMC this meant that the Marketing Act could only be applicable to those two posts. The remaining 28 posts were protected by freedom of speech. The fact that the influencer had marked another four posts as content in collaboration with the company did not change this assessment. According to the PMC an influencer should not unilaterally be able to decide whether a post is marketing for a company or not; for the Marketing Act to apply it is required that an agreement is established.

After establishing that the Marketing Act was applicable on two posts, the PMC continued by evaluating whether the marketing was improper. For its assessment, the PMC determined the definition of the average consumer on the influencer's social media. Since no investigation in the case had shown that visitors on her social media was a defined group, the PMC decided that the consumer collective as a whole comprised the average consumer. The average consumer was thus understood to be someone with at least a basic knowledge of English and an awareness that many influencers' activities on social media are, at least in part, commercial. Based on the average consumer, the PMC found the two posts to be improper marketing.

### Comment

The PMC's judgment shows that a formal or implied agreement has to have been entered into between the influencer and company for a post on a social media platform to fall within the scope of the Marketing Act. In this case the assessment was simplified by the parties having a formal agreement about the number of posts the influencer would make. It is however less clear what would suffice to constitute an implied agreement. It remains to be seen whether repeated posts by an influencer about a company's products would be determined to constitute such an implied contract.

In a previous judgment about influencer marketing (PMT 2054-18), the PMCA deemed the average consumer to be a young woman in Sweden and determined that such a young woman would know that influencers' activities on social media are at least partially commercial. In the present case the PMC attributed to the consumer collective as a whole the same presumed knowledge about influencer marketing as the PMCA in this previous case did to a typical young woman in Sweden. Thus, according to the PMC, the average consumer is presumed to be aware, that influencers' activities in part

are commercial. This might be an overestimate of awareness of the consumer collective as a whole of the modern phenomenon that is known as influencer marketing.

The case has been appealed to the PMCA and is preliminary estimated to be decided in March 2021.

## Marketing of gambling bonuses (PMC, PMT 13246-19)

### Introduction

In this judgment, the PMC rules on the issue of marketing of bonus offers pertaining to gambling services in light of the requirement of sufficient information and the requirement of moderate marketing under the marketing law. The judgment, which also concerns the issue of sufficient disclosure of the age limit and other undue marketing measures, is important as it is merely the second judgment on gambling marketing since the deregulation of the gambling monopoly.

In short, the court issues a list of injunctions against a gambling company due to its failure to sufficiently display the material conditions of the bonus offer. Moreover, the judgment also turns the court's previously adopted definition of the targeted average gambling consumer on its head, as it departs from the view that the average consumer has gambling problems or runs a risk of developing such problems.

### Background

Following the deregulation of the gambling monopoly in January 2019, an authorised Maltese gambling company launched an on-

line marketing campaign pertaining to various bonus offers aimed at the Swedish market. Based on the requirement that all gambling marketing must be moderate under the Gambling Act, the Consumer Ombudsman (CO) issued a remark against the gambling company. In addition, the CO also issued remarks on an automatic notification aimed at convincing the registrant to proceed if the registration procedure on the company's website was not completed, and on the lack of information on the age limit.

While the gambling company remedied some of these issues, the CO launched an action against the gambling company at the PMC on the basis of misleading marketing.

### Decision

The court initiated its reasoning by elaborating on the definition of the average consumer targeted by the advertisement. In this part, the PMC departed from its previous case law by dismissing the CO's argument which stated that the advertisement targeted consumers that had, or ran a risk of developing, gambling problems. By contrast, the court held that the marketing was targeting consumers in general and thus should be perceived on this basis.

The PMC then turned to assess the bonus offers at issue in light of the moderate-requirement and concluded that the full conditions of the bonus offers could only be accessed via a small text link at the bottom of the defendant's web page. While the court stated that it is not necessary to display the full conditions of a bonus offer in each advertisement, it emphasized that the fact that the bonus is subject to additional conditions must in any case be clear, that the conditions must be easily accessible and that it must be impossible to access the bonus before reviewing these conditions. In the court's view, the marketing lacked sufficient information in this regard and enjoined these measures.

As regards the registering function on the defendant's website, the court noted that if such procedure was cancelled, the registrant received an automatic notice that stated "Wait, the chance to win big is waiting for you, complete the registration and start gambling!". With reference to guidance from an industry organization, including clear prohibitions of strongly oppressive messages, the court held that this marketing measure was not moderate, within the meaning of the Gambling Act, and issued an injunction.

Lastly, the PMC also held that the lack of information on the age limit to gamble was a violation of the Marketing Act and issued an injunction relative to this measure as well.

### Comment

While the judgment includes some obvious and less surprising conclusions, it also includes several important statements being useful for the gambling industry from a compliance perspective. In this regard, an important take away is that marketing of bonuses, while not being required to include the full conditions, must be easily available and impossible to disregard before accessing the offer. Moreover, special care needs to be adopted when using pop-up notifications within online registration procedures since statements aimed at convincing a customer deciding to not proceed, run a high risk of being considered immoderate.

From a legal perspective, the judgment also includes fundamental statements such as the court's view on the definition of the average consumer. In this part, it is noteworthy that the court's conclusion contradicts its judgment in the non-appealed Ninja Casino case (PMT 17459-18) in which the average consumer was defined as a person that run the risk of developing a gambling addiction. While the PMC's new position on the average consumer was not decisive

in this case, it is important as it will dictate the assessment of the moderate requirement. In our view, the court's revised conclusion is sound as there was nothing in the marketing at issue, and neither in the previous case, that indicated that it was specifically targeting risk consumers.

Considering the extensive launch of gambling marketing that followed the deregulation of the gambling monopoly, and the fact that gambling marketing is subject to strict restrictions, it is somewhat surprising that this is merely the second case concerning marketing of gambling before the courts. It remains to be seen whether the CO will increase its supervision on the gambling market, but it would nonetheless be desirable for the industry for the higher courts to establish case law on the concept of moderate marketing. Unfortunately, this case will not provide such clarification as the judgment was not appealed and has become final.

# Trade secrets

Trade secrets continue to be a hot topic in Sweden and beyond. Following the entry into force of the new Trade Secrets Act in 2018 which significantly strengthened the protection for trade secrets in Sweden, we report on several interesting cases in this year's yearbook, including cases where courts have applied the new act and clarified important procedural matters. One trend is the growing size and scope of trade secret litigation. Often these cases involve very extensive evidence which inevitably makes litigation costly and time consuming for all parties. On the other hand, this will likely contribute to further interesting reading for years to come in the trade secrets section of our yearbook.



## Computer systems as trade secrets and vicarious liability for misappropriation (Labour Court, AD 2020 No 11)

### Introduction

In the present case the Labour Court was faced with several interesting questions about availability of trade secrets protection and liability for employees. The case illustrates the difficulties of claiming protection for more abstractly defined information and extends protection for employees under principles of vicarious liability.

### Background

The claimant brought proceedings against eight defendants. Three of the defendants were former employees who, according to the claimant, had disclosed proprietary trade secret information to the other defendants who, according to the claimant, used that information to build up a competing business. The trade secrets in question were information about a computer system developed and marketed by the claimant, a database used by that system, information about a specific service, a customer database and a database of prospective customers.

### Decision

The court began by examining whether information about the computer system was secret in the sense required to be afforded protection as a trade secret. The court noted that it was the claimant's intention to maximise the number of customers rather than to co-operate exclusively with a few selected licensees. Some 600 customers had a license to the system. The court noted that most agreements with customers included a generally framed confidentiality clause which did not prevent customers to give all their employees

access to the system. The claimant had additionally marketed the system, including the provision of time limited test accounts with full access to the system. The claimant had also offered seminars on how certain tasks were carried out by using the system. Lastly, exam papers and user manuals produced by customers were freely available on the internet. On considering these factors, the court held that all information which was discernible through the user interface for a customer with full access to the system was in the public domain.

The court then proceeded to examine whether other information relating to the system constituted trade secrets and if so whether it had been misappropriated. It was not alleged that the source code in itself had been misappropriated, but rather the information on which the coding of the system was based. Various descriptions for this information were used by the claimant, including the system architecture and logical processes, but these were not specified by reference to any documents with written instructions or the like. The court noted that the alleged trade secrets sounded like the professional skill of employees as to how a system of the relevant kind should be constructed, information which cannot be proprietary. The claimant also claimed that an algorithm used by the system had been misappropriated. The court found no evidence as to the use of that algorithm by the competing system.

The court concluded that the outer structure and functionality of the competing system had such significant similarities with the claimant's system that there was reason to assume that the developers had had access to information about the structure (Sw. *uppbyggt*) of the claimant's system, and its functions. It was common ground that the claimant's system had been one of several sources of inspiration in the development. However, as all information available to the claimant's customers were in the public domain the court held that

the similarities did not necessitate the conclusion that the claimant's trade secrets had been misappropriated. The speed with which the competing system was developed did not change this fact. The court noted that the subject matter that the claimant qualified as trade secrets might be protected by other rights, citing copyright as an example, but copyright infringement was not before the court.

The court then turned to the other trade secrets argued by the claimant and found that two sets of customer databases had been misappropriated. The court found that the databases had been used by the competing company and thus held it liable. One employee of the claimant was found to have disclosed the customer databases to the competitor while still employed by the claimant. The same person became the CEO of the competitor after his employment with claimant had ended. He was held jointly and severally liable with the competitor.

The court dismissed the case against all other defendants. One additional employee of the claimant was found to have contacted customers of the claimant, but there was no allegation that he had accessed the customer databases while still employed. The employee himself testified to having contacted customers he knew, based on his memory, on behalf of the competing company while still employed by the claimant. In this respect the court held that the identities of the claimant's individual customers had not been kept confidential in the manner required for this information to qualify as trade secret. The court based this conclusion on the fact that the claimant had invited its customers to larger gatherings where the participants wore name tags stating their company's name and that there might potentially have been attendance lists available for all participants. The court emphasised that soliciting the employer's customers for a competing undertaking while employed is a breach of the duty

of loyalty under labour law, but that issue had not been put before the court.

The court found it irrelevant whether the employee in question had used the customer database after his employment with the claimant had ended. If he did, the court reasoned, he did so for and on behalf of the competing company. The court held that general rules on vicarious liability were applicable, despite the statutory provision on such liability not formally extending to liability for trade secret misappropriation. Swedish law on vicarious liability has two important consequences. The first is that an employer is liable for damages caused by its employees, the second is that an employee only can be held personally liable for damages caused in the employment if there is exceptional cause (Sw. *synnerliga skäl*). The court ruled that both aspects of that law applied and found no exceptional cause to hold the employee liable for the trade secret misappropriation allegedly carried out in the employment of the competing company.

The court then turned to another compilation of data, allegedly disclosed to the competing company and used by it. The claimant had stated in its cause of action that the compilation had been disclosed by certain named persons. That allegation was rejected on formal reasons; as it had not been proven how the compilation in question had been disclosed to the company, the court held that it might have been someone other than the named individuals that had disclosed the information. The court held that, for procedural reasons, it was barred from granting the claim.

The court proceeded to deal with several other issues, of which two shall be briefly mentioned. The court found that in absence of a specific damage identified by the declaration for which joint causation could be established, it could not grant a declaration that stipulated

that the claimant and the employee held liable were jointly and severally liable. The court also held that it was unable to grant injunctive relief with respect to one of the trade secrets found to have been misappropriated since the claimant only had provided a version of the document in which all customer details had been redacted. In the absence of such information it was not possible to injunct with sufficient specificity.

### Comment

The judgment deals with many issues, but the most interesting aspects are the possibilities of protecting certain information relating to computer systems as trade secrets and the findings about vicarious liability. The judgment shows that there is limited room to claim protection for the basic idea or logic of a computer system under trade secrets law. If the information is too general in nature, it risks being deemed generally known in the field or even typical skills of workers in the trade. However, that is not to say that concepts and product ideas cannot be protected as trade secrets, also for computer systems.

The ruling on vicarious liability raises the bar for seeking damages from former employees who misappropriate trade secrets during new employment. The employee for whom liability in damages was found, was also found to have acted in the interest of his new employer. The employee in question was formally appointed CEO of the competing company after ending his employment with the claimant, but this does not seem to be the primary reason why he was found personally liable but rather that he intentionally disclosed trade secrets received in his previous employment.

## Trade secret misappropriation (Labour Court, AD 2020 No 18)

### Introduction

In this, the latest chapter in a long-running litigation campaign concerning misappropriation of trade secrets, the Labour Court carried out a detailed assessment of evidence that turned a clear win for the defendant at first instance into a more mixed result, likely to make no one happy. The case concerns several interesting questions, including whether defendant's submission of documents that discloses claimant's trade secrets as evidence to the court constates misappropriation.

### Background

The claimant was a company focused on research, development, manufacture and sale of advanced ray therapy technology. The defendant was the company's previous CEO. The defendant had been involved in research and development which had resulted in an invention for which the claimant applied for a US patent (referred to below as the first invention) which named the defendant as one of the inventors. The defendant subsequently terminated his employment and started a competing enterprise. This enterprise would later seek patent protection for a similar invention, naming the defendant as one of the inventors (referred to below as the second invention).

This case mainly concerned whether the defendant had used or disclosed trade secret information belonging to the claimant when making the second invention. Another interesting question was whether the defendant had misappropriated the claimant's trade

secrets by submitting certain documents as evidence in parallel court proceedings concerning the entitlement to the second invention.

The claimant was not successful before the first instance court which found that only a small part of the claimant's alleged trade secrets constituted trade secrets and that no trade secrets had been misappropriated. The claimant was ordered to pay the defendant's litigation costs, which were significant, and appealed to the Labour Court, which has jurisdiction over trade secret cases between an employer and its previous employee.

### Decision

The court began its analysis with the question whether, in the time between the filing of the patent application of the first invention and its subsequent publication, the information had been kept secret. The court found that a presentation made by the claimant at a business fair, and a presentation made at a business meeting, had included certain information relating to the first invention but that these presentations had disclosed only parts of the information in the patent application. The remaining information in the patent application had not been disclosed and therefore constituted trade secrets, belonging to the claimant, to which the defendant had been given access.

The second invention included three additional features, as compared to the first invention. The court found that two of these features corresponded to information that constituted the claimant's trade secrets, and to which the defendant had been given access. But the third additional feature did not correspond to any trade secret information belonging to the claimant.

The court went on to assess whether the defendant had misappropriated the claimant's trade secrets when making the second invention.

After a careful analysis of the evidence, the court found that trade secrets had been misappropriated or disclosed concerning one of the features, but not the other.

As concerned the defendant's submission of documents that included the claimant's trade secret information as evidence in parallel court proceedings, the court reached the same conclusion as the first instance court. The defendant's disclosure was fully justified by the defendant's right to conduct his defence against the claimant's serious allegations.

On these grounds the court reached a mixed verdict, in which the defendant was held liable for some trade secret misappropriation and ordered to pay limited damages to the claimant, while both parties were ordered to pay its own litigation costs in both instances.

### Comment

This case is a good example of how trade secret litigation often comes down to a battle over the evidence. In this case the court had to make detailed assessments of, for example, the exact information disclosed at a business fair and compare that to the information submitted in a patent application. Similarly, the question whether the defendant had been given access to certain trade secret information turned on the evidence and shows the importance for companies involved in research and development to clearly document ongoing development and communication within the team.

Perhaps the most interesting aspect of the decision concerns the defendant's submission of documents to the court in parallel proceedings that included the claimant's trade secrets, which was found to be justified in the case by the defendant's right to conduct his defence. This conclusion dovetails nicely with C-637/19 BY where the CJEU reached a similar conclusion in a noted copyright case this year.

## Interim relief for trade secret misappropriation (Labour Court, AD 2020 No 21)

### Introduction

In this case the Labour Court ruled on a request for interim relief in response to trade secret misappropriation and clarified that interim seizure of computer media comprising unlawfully obtained trade secrets may be a difficult remedy to obtain.

### Background

Director A was the deputy CEO of the claimant and, at an unspecified point in time, he started a competing undertaking of which he was the director. While still employed by the claimant, Director A solicited customers for the competitor and at least some the potential customers approached were customers of the claimant. For some of these contacts Director A used the claimant's template for making offers. He also sent, from his e-mail account at the claimant to his e-mail account at the competitor, the claimant's customer list, offers and drawings for a specific project as well as various other documents.

The claimant brought proceedings against Director A and the competitor, requesting among other things that a preliminary injunction be entered against the defendants. The claimant also requested the interim seizure of all copies of the claimant's documents being found in the possession of the defendants whether in hard copy or on computer storage media. Interim relief was sought *ex parte*. The district court granted the request for interim relief on an *ex parte* basis. The decision was appealed to the Labour Court.

### Decision

The court began by discussing relevant applicable law and then turned to the facts of the case. The court took no heed of Director

A's explanation that he needed to have the documents e-mailed to the competitor e-mail address in order to finish certain tasks for the claimant, and the court therefore upheld the preliminary injunction, albeit with limited scope.

The interim seizure was more controversial. The standard under which the final relief, which the interim seizure was intended to secure, was to be determined included a reasonability test requiring the court to consider the proportionality of the measure sought. Accordingly, the court assessed the proportionality also for the interim relief. It assumed that the computer storage mediums pertaining to the request comprised also information other than the claimant's trade secrets, including information needed for the competitor's operations. The court emphasised that it had not been established that the claimant did not still possess copies of the documents in question. For this reason, the court reasoned, the claimant should not be in pressing need of having the computer storage media or their contents handed over to it. The court ruled that from the evidence now before it, it did not appear reasonable to grant the interim relief in respect of computer storage media. The court found it highly unlikely that the documents were in the competitor's possession as hard copies. Consequently, the court held, it was not appropriate to grant the request for an interim seizure of hard copies of the documents.

The court noted that the claimant's interest of not suffering trade secret misappropriation during the proceedings was secured already by the preliminary injunction and should be possible to satisfy with less invasive remedies than seizure of the materials. The district court's decision was accordingly reversed on that point.

### Comment

The decision does not close the door on interim relief of the kind now discussed, it indicates however that the standard for being

granted such relief may be challenging. The Labour Court appears to have regarded the remedy sought in respect of the documents transferred to the competitor, principally, as a means of getting back possession of information disclosed to third parties.

However, to the trade secret proprietor, it will many times be just as important, sometimes even more important, to curtail the defendant's access to the information. In this respect, the court's view appears to have been that the claimant, during the course of the proceedings, was protected from any misappropriation by the preliminary injunction. While that is true on the one hand, the use of information can on the other hand be difficult to detect and for as long as the defendant has the information in its control, it may well be able to benefit undetected from the trade secret. The court suggested that this risk may be mitigated by less invasive remedies but did not provide any guidance as to what these might be.

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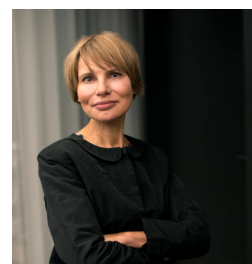
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