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# PMCA provides guidance on calculating level of de minimis compensation

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### Introduction

In a recent case,<sup>(1)</sup> the Patent and Market Court of Appeal (PMCA) addressed a recurring issue in Swedish IP infringement proceedings – namely, the level of reasonable compensation (de minimis) when there is little or no evidence to prove the level of a reasonable licence fee, which otherwise should serve as the basis for such award. In a non-unanimous judgment, the PMCA provided guidance on how to calculate de minimis compensation in the absence of evidence of a licence market for the IP right in suit.

### Facts

In 2020, a founder and former owner of a fitness event company named "Milfit" brought a trademark infringement action against his former business. The founder argued that Milfit had used a figurative trademark, owned by the founder, without permission and claimed reasonable compensation. While the use of the trademark was undisputed, Milfit disputed the claim in its entirety, arguing that it held a licence to use the trademark by way of the founder's consent.

### PMC

The Patent and Market Court (PMC) held that such consent had indeed existed up until the founder had sent the letter of claim. As regards the compensation sought, the PMC held that the claimant had not provided sufficient evidence in support of the monetary claim. The Court thus made a conservative estimate by awarding a de minimis compensation amounting to 1% of the income related to the events at which the trademark had been used without authorisation. The case was appealed to the PMCA.

### PMCA

With reference to previous case law, the PMCA's majority in this case held that, as a starting point, the level of reasonable compensation should be based on a hypothetical licence fee. Ideally and if possible, such fee should be based on an established licence market for the trademark at dispute, with consideration to the nature of the infringement. As noted by the majority, this model can be problematic, since a licence market may not exist for the IP right in suit, which is particularly the case for trademarks. Moreover, estimating a hypothetical licence fee carries other challenges since it is not certain that a potential licensee would have accepted the sought remuneration and a de minimis compensation must not exceed the highest possible licence fee. On the other hand, the Court noted, the award cannot be based on the level of compensation that the infringer would have accepted. Lastly, the Court stressed that the level of compensation must not allow for it to become profitable to exploit third-party IP rights without authorisation.

In the absence of sufficient evidence to prove that the licence fee should be set to a certain percentage, the majority turned to the evidence in the case, and the nature of the business where the trademark had been used. The Court held that it was reasonable to factor in the number of participants and income related to the fitness events arranged by Milfit. Seemingly, the majority's chief rationale for using this model was based on the finding that it could be assumed that the trademark had been decisive in attracting customers to Milfit's events. By applying a moderate estimate of that value, the Court tripled the compensation awarded by the PMC.

### Comment

Like many infringement actions in recent years, the claimant's action in this case was supported by limited evidence to prove the level of the claimed reasonable compensation. In the absence of evidence to support a hypothetical licence fee, it is thus interesting to highlight the majority's consideration of other factors in this case – such as the number of customers and the strength of the trademark – instead of solely relying on its discretion to arbitrarily award an amount, which comes close to making it profitable to exploit third-party IP rights. While the PMCA's decision is somewhat casuistic, it indeed opens the door for alternate ways to calculate the level of reasonable compensation in cases where there is no licence market and somewhat lightens the burden of rights holder claimants.

The PMCA's judgment is welcome, since it allows for consideration of other parameters than merely the level of a hypothetical licence fee, which is often difficult to prove. Hopefully, the judgment will allow for more consistency in the level of the Swedish IP courts' awards for reasonable compensation and a reasonable and proportionate increase in the levels of awarded de minimis compensation.

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### Endnotes

(1) Patent and Market Court of Appeal, PMT 13188-20.