Intellectual Property Rights Yearbook 2023

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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

In many ways, the year 2023 has seen a continuation of the challenges the world faced in 2022: wars, political instability, and recession in many countries including Sweden. Climate change continues to be a hot topic as 2023 was confirmed the warmest year on record. The rapid advancement of generative AI tools has been the subject of much debate, not least within the field of law.

The year has been eventful also within the IP area. Within patent law, we have seen the opening of the Unified Patent Court after many years of negotiations. We also report on several interesting judgments, covering *inter alia* the presumption of validity of a patent in infringement actions (of particular interest for patent holders and litigators), SPCs and the first Swedish judgment relating to FRAND terms for licensing standard essential patents.

For trademarks, the CJEU has focused on procedural aspects such as jurisdiction and legal standing to bring a claim. This year's trademark chapter also covers judgments from the GC concerning descriptive, well-known, 3D and ornamental trademarks, as well as a highly anticipated Swedish judgment regarding infringement of trademarks held by one of Sweden's largest truck manufacturers.

Our reports on design case law concern, among other things, the criteria of novelty and individual character, and the challenges associated with virtual and digital designs.

The CJEU continues being active within the copyright area, with judgments covering a wide range of questions – for example procedural requirements for infringement actions, the harmonised term 'communication to the public', and collective rights-management bodies.

It has been a rather slow year within media law, but we report on two cases relating to the limits of freedom of expression.

For marketing law, greenwashing has been and will continue to be the subject of legislative proposals and developments. Our reports on case law cover *inter alia* a Supreme Court judgment regarding sale of alcoholic beverages and judgments from the PMCA covering the use of warning letters (which may be of particular interest to our litigator colleagues) and different aspects of unfair marketing practices.

Last but not least, we report on three interesting cases concerning trade secrets. A first-instance judgment confirms that caution is warranted when relying on IT forensics in litigation, a Labour Court judgment concerns both employment law and trade secret misappropriation, and a PMCA judgment regards alleged misappropriation of trade secrets and damages claims in the range of EUR 100 million.

You will find our dedicated team of specialised IP lawyers in the list of contributors at the end. Do not hesitate to contact us for further discussions on any IP matter.

We all hope that you will enjoy our publication and wish you a successful New IP Year in 2024!

Definitions

BoA	*Board of Appeal*
CJEU	*Court of Justice of the European Union*
EUIPO	*European Union Intellectual Property Office*
EUTM	*EU trademark*
EUTMR	*Regulation (EU) 2017/1001 on the European Union trademark*
EPO	*European Patent Office*
GC	*General Court*
PMC	*Patent and Market Court*
PMCA	*Patent and Market Court of Appeal*
RCD	*Registered Community Design*
SPC	*Supplementary Protection Certificate*

Patent law

General introduction

The single most important patent event in 2023 was the opening of the Unified Patent Court ('UPC'). The opening was delayed from April to June and technical issues with the case management system frustrated many lawyers and judges, but our tentative assessment is that the system now appears to be functioning quite well.

As of late December, about 160 cases had been filed. Compared to how many cases have been filed nationally in previous years, it is clear that many patentees are at least hesitant to adopt the UPC as their preferred means of dispute resolution. While clearly an attractive solution in one sense, a large number of legal questions remain unsettled, as the UPC will have to harmonise the quite divergent case law and traditions of a large number of jurisdictions. There are already divergent decisions on access to documents in UPC proceedings, where German local divisions appear to have followed their national practice, which is not to generally grant such public access, while the Nordic-Baltic division adopted a perspective more similar to the Swedish tradition of essentially full access for anyone to anything filed with any court, unless it pertains to clearly defined trade secrets. Harmonising these sometimes very different approaches will be up to the Court of Appeal of the UPC, which currently is hearing an appeal to the Nordic-Baltic division's decision to grant

access. Many patentees are likely awaiting such decisions before deciding on whether or not to commit to the system.

Of the 160 cases filed so far, about 70 were infringement actions and about 25 were revocation actions. The remaining cases include counterclaims for revocation and applications for provisional measures and for preservation of evidence etc. The vast majority (48) of the infringement cases were filed in the local divisions of Germany, with Munich handling just under half of the cases. This appears to be a strategic decision by early adopters of the system, in our assessment based on the patentee friendly view many practitioners have of the German courts. At least at first glance, the UPC procedural rules appear to be quite heavily influenced by the German patent system and there is some expectation that German UPC judges will influence the system in accordance with their jurisdictional background.

As of writing this, there are no decisions on the merits and no decisions on appeal. Following our tradition in this Yearbook of not focusing on first instance decisions unless they are of particular interest, this edition does not report on any specific UPC cases. While there are interesting decisions made by various UPC divisions, it is too early to draw conclusions on what UPC case law will be. It is, however, clear that the UPC remains the single most important development in European patent law, although many patentees appear somewhat hesitant to engage with the system for now. We look forward to reporting further on the developments in the UPC in coming years but will limit our comments this year to what has already been said.

Turning to the Swedish patent market, it has been a fairly slow year with a limited number of decisions. Hopefully, the reported decisions will be of interest for patent lawyers, as some decisions are potentially important for patentees, in particular ones seeking a preliminary injunction where the validity of the patent is or may be put into question.

As established by the CJEU in Phoenix Contact (C-44/21), a patent is presumed to be valid in actions regarding enforcement of the patent. To overcome the presumption, the defendant must initiate a revocation action and provide sufficient (new) evidence or circumstances that convinces the court that it is probable that the patent will later be revoked. In six decisions rendered only a couple of months apart, the PMCA has provided further guidance for challenging the presumed validity of a patent during preliminary injunction proceedings. Although we presume that the PMCA will continue to apply a strict application of the presumption and only overturn the presumption if provided with convincing and, preferably, also new evidence and circumstances, it has been welcomed that the PMCA has established that a re-assessment of the documents and evidence on which the decision to grant the patent was based is indeed allowed.

We have also noted the development of the Fingolimod saga in Sweden, which has rendered no less than four decisions during the year (see PMÖ 1644-23, PMÖ 7680-23, PMÖ 7681-23 and PMÖ 7696-23).

Employed inventor's right to remuneration (PMCA, PMT 9596-21)

Introduction

Employees' innovative work is of significant importance for businesses, and incentive systems encouraging inventive work are common. As a result, the employer may benefit from a large selection of inventions to exploit, which may provide a competitive advantage. Under Swedish law, the starting point is that an invention created under employment is the employee's property but should, under certain conditions, be transferred to the employer. In exchange, the employee has a mandatory right to receive fair compensation for the transfer of rights. Unfortunately, the legislation and standards for quantifying the fair compensation are vague.

In this case decided by the PMCA, an employed inventor was granted a lump sum for historical sales of the product in which the patented invention was used and a royalty of 1% of the net sales exclusive of VAT of the product until the patents relating to the invention expired.

Background

The defendant in the dispute was a medtech company that started its business in 2004/2005. From January 2005 to September 2014, the claimant was employed by the defendant. The claimant worked mainly in product development but was head of sales during the period when the invention was made. The invention was conceived at some point in October 2009, and an American patent application was filed in December 2009. An international patent application was later submitted, which resulted in one European patent application and one Chinese patent application. All three patent applications were granted. The patents were transferred from the claimant to the defendant but the compensation to the claimant had not been determined. Therefore, the question in the case was whether the claimant had received fair compensation for the invention through his salary and other benefits he had received or whether additional compensation should be paid by the defendant. If additional compensation was to be awarded for the value of the invention, the scope of the right to the invention that the employer had received and the significance that the employment may have had for the creation of the invention should be considered.

The court of first instance, the PMC, found that the invention was a service invention that had been completely transferred to the defendant and had a limited value for the defendant (Swedish law distinguishes between research inventions, service inventions, other inventions, and exempted inventions and the employer's rights relative to the invention differs based on the category of the invention). Additionally, the PMC established that the employment had had significant importance for the creation of the invention. When determining the compensation, the PMC found that the claimant had received fair compensation for the invention through his salary and other benefits, and the claim was dismissed.

Decision

In its initial remarks, the PMCA clarified that the distinction between research inventions, service inventions and other inventions was based on the link between the invention, the employee's tasks, and the employer's area of activity. Insofar as it concerns a research invention, an employee hired specifically for working with innovation and development would have been granted a salary with this type of tasks in mind and consequently fairly rewarded for any created innovations. Therefore, specifically for this type of invention, additional compensation should only be granted if the value of the right to

the invention exceeds the amount that could be expected, taking into consideration the employee's wages and other benefits of the employment. According to the PMCA, this exception could not be extended to service inventions or other inventions. Instead, the determination of fair compensation should be based on a valuation of three factors: the scope of the rights acquired to the invention by the employer, the value of the invention (technical and commercial) and the significance the employment may have had for the creation of the invention.

Firstly, the PMCA found that the invention had been entirely transferred to the employer. Secondly, the PMCA found that the technical value of the invention for the defendant was limited, but the commercial value was significant. In its assessment, the PMCA took note of evidence supporting the invention's use in the product, that the functionality the invention provided was requested by customers and an important selling point and lastly, that the defendant had referred to the invention in marketing to customers and investors. Thirdly, the PMCA found that the employment had great importance to the creation of the invention. Finally, the PMCA held that there was no evidence supporting that the invention had been conceived by more individuals than the claimant or that any compensation had been given to the claimant. Based on these premises, the PMCA reviewed the evidence presented by the claimant, who had the burden of proof.

The claimant had requested a lump sum compensation for a specified period, and the PMCA declared that he would be awarded compensation based on the net sales of the product in which the invention was used. Even though the claimant had tried to present evidence supporting a 5% royalty, the PMCA rejected the claim. Instead, the PMCA found, in an overall assessment of all circumstances, that the royalty level should be 1% of the net sales exclusive of VAT of the product. Thereby, the claimant was awarded a lump sum of SEK 4,385,000 (1% of the turnover for the product during 2010–2019) and a royalty of 1% of net sales until the patent expired.

Comment

The judgment does not contain any explanation of how the PMCA determined that the royalty should be 1% instead of 5%, which can seem arbitrary. However, the takeaway is that employees may be awarded a significant proportion of the net sales of a product incorporating an invention that they have made. If compensation has not been set at the date of transfer, the valuation risks being affected by hindsight. Furthermore, if the invention is a service invention, the salary, and other benefits that the employee may have received will not be considered part of the compensation granted unless it has been specifically rewarded the employee as a result of the employee's inventive work.

The PMCA granted the parties the possibility to appeal the judgment and it has been appealed to the Supreme Court. Hopefully the Supreme Court grants leave to appeal and spreads some light of the question of determining fair compensation for employee inventions (at the time of writing, the Supreme Court has not yet rendered a decision).

Wendela Hårdemark

The scope of an injunction under penalty of a fine (PMCA, PMT 2604-22 et al.)

Introduction

These cases emphasise the importance of invoking robust evidence for all alleged infringing acts and confirm that an injunction under a penalty of a fine can only encompass the actual infringing products and not 'similar' products.

Background

Two group companies brought infringement actions before the PMC claiming that two other companies infringed several patents relating to prosthetic heart valves. The two claimants sought to prohibit, under penalty of a fine (including a request for a preliminary injunction), the defendants from putting on the market, offering for sale, importing, manufacturing, using, offering or providing someone not entitled to use the invention means for using it, as well as assisting in such actions, products which allegedly infringed the invoked patents. The claimants also sought to prohibit the defendants from carrying out said acts with regard to 'similar products reading on all the features' of the claims of the invoked patents.

The defendants accepted the claimants' requests and conceded that they had put on the market, offered for sale and imported products that infringed the patents. However, the defendants did not concede that they had carried out any other of the claimed infringing acts and opposed an injunction which would cover 'similar products'.

The PMC ruled that the injunction could only encompass the infringing acts which the defendants had conceded and that the claimants had not succeeded in showing any other infringing acts. Neither were the claimants successful in seeking an injunction covering 'similar' products.

The claimants appealed and maintained both that the defendants should be prohibited from carrying out the other infringing acts as well as that the injunction should cover 'similar' products.

Decision

On appeal, the PMCA first tried whether the injunction under penalty of a fine could also encompass other infringing acts than those conceded by the defendant, i.e. putting on the market, offering for sale and importing. The court found that the claimant had not produced sufficient evidence proving that any other acts had been carried out in Sweden. The claimant had, for example, invoked email correspondence where the defendants and a third party had discussed the use of the patented inventions. However, this email correspondence was not sufficient to actually prove that the defendants had used the patents. Thus, the PMCA upheld the PMC's ruling that an injunction under penalty of a fine could only be granted in relation to acts that had been conceded or where sufficient evidence of the acts had been provided by the claimant.

On the issue whether an injunction could also cover 'similar products reading on all the features', the court held that case law clearly provides that injunctions can only cover the established infringing product and the requirement for specificity rules out an injunction covering 'similar' or 'corresponding' products. Even though such injunctions are to some extent permitted under the marketing act, the court noted that the same does not apply under IP law. The PMCA thus upheld the first instance's judgment also in this regard.

Comment

These cases highlight why it is crucial to invoke robust evidence in support of all alleged infringing acts and the importance of analysing which infringing acts to seek prohibition against. In many cases it will be sufficient to prohibit an infringer from carrying out acts such as putting a product on the market, offering it for sale and importing it. Should evidence for additional acts become available in the course of the proceedings, the injunction could be complemented with these acts.

Last, it should also be noted that the PMCA confirms that an injunction cannot cover 'similar' or 'corresponding' products, but only the established infringing product. It can thus be concluded that although such injunctions under certain conditions are possible in marketing law, they are not possible in IP law.

Wendela Hårdemark and Måns Ullman

SPC limitations – concept of 'product' (PMCA, PMÖÄ 10788-22)

Introduction

In this case, the PMCA addresses the fundamental issue of which documents are relevant for defining the 'product' in the sense of Article 1(b) of Regulation No 469/2009 ('SPC Regulation'). In summary, the issue concerned whether only the marketing authorisation ('MA') and its annexes, including the SmPC, should be of relevance, or whether other evidence such as the European Public Assessment Report ('EPAR'), expert opinions and publications may be considered. In essence, the PMCA held that consultation of the EPAR is acceptable to answer unclarities in the MA but dismissed the sought grant of an SPC. The PMCA's reasoning is well worth studying closely by litigators and patent attorneys.

Background

A patent holder to an immunogenic composition, a vaccine comprising a truncated protein, applied for an SPC for various product definitions relating to the truncated protein. The Swedish Intellectual Property Office ('IPO'), and the PMC both dismissed the application by finding that the MA held by the applicant only covered the full-length protein, not the truncated version covered by the basic patent. Moreover, the IPO and the PMC both held that reference could not be made to the EPAR to establish a basis for the truncated version of the protein in the MA. The case was appealed to the PMCA, including a request to refer the case to the CJEU for a preliminary ruling.

Decision

The PMCA dismissed the request for a preliminary ruling in sweeping fashion, concluding that neither the circumstances nor the legal issues necessitated a clarification from the CJEU.

As regards the possibly to consider the EPAR for the purposes of defining the 'product' in the sense of Article 1(b), the PMCA took its starting point by accounting for the MA application procedure, and the function of the EPAR within that process. In short, MA grants are preceded by an examination by the Committee for Medicinal Products for Human Use ('CHMP'), which is the committee that processes all MA applications before the European Medicines Agency ('EMA'). As part of its examination, the CHMP includes its considerations in the EPAR which is to be enclosed to all recommendations to grant, which are sent to the European Commission. In turn, the Commission issues a recommendation based on the opinion of the CHMP, whereto the EPAR is not enclosed. Considering the function of the EPAR and case law on product definitions, the PMCA held that there is nothing preventing that consideration be paid to the EPAR when necessary to clarify potential unclarities on the granted product in the MA.

Turning to the facts of the case, the court noted that even though a truncated version of the protein was indeed mentioned in the EPAR, the court's overall conclusion was that the product recommended for grant was the full-length protein. The PMCA thus dismissed the main SPC request but did allow for the case to be appealed to the Supreme Court. However, the SPC applicant surprisingly did not appeal.

Comment

The PMCA's decision in this case adds to its previous decision in PMÖD 2022:13 where the general prohibition against consideration of documents not encompassed by the MA application was laid down. While some readers may be ready to draw the hasty conclusion that the PMCA's conclusion marks a liberal, and applicant friendly shift, the court's assessment on the issue of the truncated vs. the full-length protein in the EPAR illustrates and confirms the prevailing strict view on product definitions under Article 1(b) of the SPC Regulation. It is also notable that the PMCA's ruling is contrasted by the grant of corresponding SPCs in 20 plus EU Member States as well as the UK, which is unfortunate from a harmonisation standpoint. Certain conclusions on the implications of this decision, if any, will have to wait but the legal uncertainty concerns expressed by the IPO on an opposite outcome where the SPC is granted, seem somewhat exaggerated at this stage, in particular considering that no such concerns appear to have prevailed in other jurisdictions where the SPC has been granted.

As to the PMCA's decision not to refer the case to the CJEU, this is somewhat surprising in light of last year's debated Supreme Court decision where the PMCA's dismissal of such request in an SPC case was consired to constitute a grave procedural error. While this case will not be subject to new SPC case law from the Supreme Court, the seemingly evergreen source of new issues related to SPC's is unlikely to dry out any time soon.

Petter Larsson

Compensation for litigation costs when a patent expires before a decision is made on appeal (PMCA, PMÖ 13926-22)

Introduction

The issue in this case is whether an appeal against a preliminary injunction could be heard even though the patent at issue expired while the appeal was pending.

Background

The proprietor of a European patent together with two affiliated licensees filed a lawsuit for patent infringement and sought a preliminary injunction. The defendant objected that the patent was invalid and brought an invalidity action against the patent.

The PMC granted the preliminary injunction.

The defendant appealed that decision and claimed that it should be reversed. However, after the PMCA granted leave to appeal the patent expired, which meant that the preliminary injunction lapsed. The issue before the PMCA was then what to do with the appeal.

Decision

The PMCA stated that since the patent had expired, the question whether the decision on appeal was to be reversed had lapsed. The appeal proceedings were thus to be terminated without a ruling on the appeal as such. However, to award costs for the appeal, the court reasoned, it needed to do a high-level assessment of the appeal to determine what the outcome would have been, had not the appeal lapsed.

On such a review, the court held, the appellant had not been able to rebut the validity presumption and that the appeal accordingly would have failed.

The rightsholders were thus awarded costs.

Comment

The decision is in line with Supreme Court precedent on how to deal with an appeal which lapses before the court can rule on it. While the patent law aspect of the ruling reaffirms the validity presumption, it adds nothing to the application thereof.

Josefine Arvebratt, Filip Jerneke and Björn Rundblom Andersson

Presumption of validity in preliminary injunction proceedings, part 1 (PMCA, PMÖ 1644-23, PMÖ 7680-23, PMÖ 7681-23 and PMÖ 7696-23)

Introduction

Many eyebrows in the Swedish IP community were raised when the PMCA found that the presumption of validity had been overturned just a couple of months after the same court had found, in a parallel case, that the same patent in suit was presumed valid. However, looking more closely at the details of these four cases, the outcome is not surprising, and we welcome the further guidance provided by the PMCA on how the presumption of validity may be challenged.

Background

The four decisions relate to the Fingolimod patent, EP 2 959 894 (EP 894). Fingolimod is a medicinal product to be used in the treatment of multiple sclerosis. Shortly after the grant of EP 894, preliminary injunction proceedings were initiated against several differentgeneric companies. In three of the four cases, the PMC rejected the request for a preliminary injunction as the court found that EP 894 would probably not be upheld in its granted wording. The claimants appealed the decision to the PMCA, which did not grant leave to appeal. The decision to reject the request was thereby upheld.

However, in the fourth case, initiated after the first three cases, the PMC granted a preliminary injunction against the generic companies. The main reason for the grant of the injunction was that the generic companies had not filed a revocation action regarding EP 894. When the revocation action against EP 894 had been filed, the claimants requested a re-assessment of the preliminary injunction decision. In its decision, the PMC set its previous decision aside and removed the preliminary injunction. The claimants appealed the decision and requested that the PMCA should grant the preliminary injunction against the generic companies in question. The PMCA granted the claimants' appeal and revoked the PMC's decision to set the injunction aside (PMÖ 1644-23).

With the decision from the PMCA granting a preliminary injunction against the generic companies in the fourth case, the claimants filed a new request for a preliminary injunction against the first three generic company groups. Despite the PMC's initial assessment that EP 894 would not be upheld, the PMC found reasons to grant the requests against the three remaining defendants (three separate groups of generic companies). The defendants appealed the decisions and requested that the PMCA should reject the preliminary injunctions. The PMCA granted leave to appeal (PMÖ 7680-23, PMÖ 7681-23 and PMÖ 7696-23).

Decisions

In the first case (PMÖ 1644-23) the PMCA stated that the mere fact that the evidence already presented before the EPO provides reasons to question the assessment of the patentability of EP 894 does not, as a rule, constitute such deficiencies or errors that can overturn the presumption of validity. Based on this conclusion, the PMCA did not find that the evidence presented and known during the prosecution could overturn the presumption. The defendant had also presented new evidence that, upon review by the PMCA, was not found to present any new and additional information not already known during prosecution. Finally, the defendant argued that the Technical Boards of Appeal ('TBoA') had made a faulty assessment of inventive step based on the documents and arguments

presented. However, the PMCA rejected the argument and, relying on the summary nature of the preliminary injunction proceedings, found that the court should not, at this stage, re-examine the evidence or the legal analysis of the file before the TBoA, regardless of whether there might be scope for such conclusions in a final examination of the validity of the patent.

In the three other cases (PMÖ 7696-23, 7680-23 and 7681-23) the PMCA held that contrary to its assessment in PMÖ 1644-23, there should be some room to consider substantive deficiencies in the original decision to grant the patent. Thereby, a substantive review should be allowed if the defendant points to deficiencies in the original decision that give reason to question the outcome, already in a brief overview. According to the PMCA, such an order was also appropriate and reasonable since it would limit the risk that preliminary injunctions are wrongfully granted. Turning to the specifics of the decisions of the TBoA, the PMCA held that a preliminary review of the presented evidence gave cause to question the documents on which the TBoA had based its decision and the conclusions that the TBoA had drawn from these documents. Consequently, the PMCA proceeded to examine the prior art documents in detail. Upon a substantive review, the PMCA found that the TBoA's applied starting point for the skilled person was contradicted by the prior art and held it plausible that the invention was going to be revoked. The preliminary injunction requests were thus dismissed.

Comment

As an observer, it may be confusing that the Patent and Market Courts of Sweden can reach different conclusions regarding the same patent. However, it should be stressed that the burden of proof to overturn the presumption of validity lies on the defendant. If the defendant does not question the validity of a patent, the patent will be presumed valid, as has also been established by the CJEU. The cases also highlight that the question of the validity of a patent will only have an *inter partes* effect until it has been finally decided.

Based on a large number of decisions, we can conclude that it is possible to overturn the presumption of validity if the defendant can provide

(i) evidence of formal errors during prosecution,

(ii) new evidence or circumstances not considered by the patent authority, or

(iii) evidence that the patent authority's decision is s ubstantively wrong.

The clarity provided by the PMCA may result in more extended preliminary injunction proceedings since defendants are likely to put more effort into dissecting the patent authority's decision and arguing that it is substantively wrong. How this will be balanced in relation to the summary nature of preliminary proceedings remains to be seen.

Wendela Hårdemark and Petter Larsson

Presumption of validity in preliminary injunction proceedings, part 2 (PMCA, PMÖ 3175-23 and PMÖ 3178-23)

Introduction

In this case, the PMCA adds to its already extensive case law on the presumption of validity of a patent in preliminary injunction proceedings and indicates that interim decisions from other jurisdictions concerning corresponding foreign patent rights carry little or no relevance in Swedish preliminary injunction proceedings.

Background

In the spring of 2023, an international pharmaceutical company and proprietor of a divisional composition and medical use patent for multiple sclerosis treatment sought preliminary injunctions against two different generic companies to halt the launch of a generic multiple sclerosis drug. The generic companies disputed the action in its entirety, arguing that the presumption of validity of the patent should be overturned by referencing *inter alia* the EPO's decision to revoke the parent patent, some new evidence relative to the prosecution phase that challenged the inventive step of the patent and several adverse preliminary injunction decisions from other European jurisdictions.

The PMC relied on the summary nature of preliminary injunction proceedings and the well-established presumption of validity for granted patents and granted the preliminary injunctions. The decision was appealed to the PMCA.

Decision

In its decision, the PMCA elaborated on the exceptions to the presumption of validity by referencing its previous case law and the CJEU's judgment in Phoenix Contact (C-44/21). As explained by the PMCA, overturning the presumption will, in general, require that the defendant establishes a probability that the patent in suit is invalid by presenting new evidence or new circumstances not considered during the prosecution phase or showing that the decision to grant the patent by the administrative authority was flawed or erroneous.

In the proceedings, the defendants had argued that the parent patent had been revoked and that the EPO had not sufficiently considered this in its assessment while granting the patent in suit. However, according to the PMCA, more was needed to overcome the validity presumption. Instead, the PMCA noted that the EPO had been aware of the revocation when examining the divisional application. Further, the PMCA held that the evidence presented was not considered new. Despite its conclusion, the PMCA re-assessed the substantive assessment made by the EPO to find that the inventive step attack did not overturn the validity presumption. Finally, the PMCA noted that it had read all the decisions from other jurisdictions referred to by the defendants. However, the assessments made in those preliminary proceedings were, according to the PMCA, not to affect the outcome of the matter at hand. The preliminary injunctions were thus upheld.

Comment

The PMCA's decisions in these cases add to its extensive case law on the standard of the presumption of validity. The same patent had been subject to preliminary injunction proceedings in November 2022 (PMÖ 11098-22), where the PMCA had reached the same conclusion after establishing that new evidence, clearly not directly considered by the EPO in the grant of the patent in suit, was presumed known by the examiner at EPO since the examiner

had reviewed the same document in the prosecution of the mother patent. Moreover, it was not enough that the mother patent had been revoked to overturn the presumption of validity.

The outcome further cements the rather high standard to overturn the presumption when not even new evidence not considered during the prosecution phase is dismissed based on the PMCA's presumption that the examiner granting the patent in suit had been aware of the information.

Not as surprising is the PMCA's position on foreign decisions. It is evident that the PMCA will have an interest in establishing its autonomous position and that an independent assessment is made under Swedish law. However, we are not discouraged by this position and recommend that prudent litigators continue to cite favourable foreign decisions, even though the Swedish IP courts will be reluctant to rely on them in their rulings expressly.

Wendela Hårdemark

First ever Swedish ruling on standard essential patents (PMC, PMT 7202-22)

Introduction

This judgment is the first Swedish ruling on whether the enforcement of standard essential patents ('SEP') abused a dominant position in the manner envisaged by the CJEU in Huawei Technologies (C-170/13). This is a first instance judgment currently on appeal but we report on it here because the judgment is the first of its kind in Sweden. The court finds that the SEP holder has not abused its dominant position, holding among other things that the requirements set out in Huawei Technologies are not absolute but shall be based on an overall assessment.

Background

The Swedish court has now issued its ruling in the multijurisdictional patent dispute between a Finnish patent holder and European member of a Chinese group of companies. The cases were heard on the Swedish designations of two European patents pertaining to the allocation of preamble sequences for an access procedure in a mobile communication system. The claimed technology was essential to the LTE and 5G standards. The defendant argued, among other things, that it had not been offered a license for the two patents on fair, reasonable and non-discriminatory ('FRAND') terms and that the injunctive relief sought accordingly was to be rejected.

The defendant also objected that the at-issue patents were invalid and brought revocation proceedings against them.

Decision

The court found that the patents comprised added matter, lacked novelty and comprised method claims that did not constitute inventions.

The patents were accordingly declared invalid. In the novelty part of its analysis the court found that certain features of the invention as claimed were not to be considered for novelty purposes. The reason cited was that the features in question could be achieved outside of the claimed apparatus and were thus not distinguishing features thereof.

With respect to infringement the court made a hypothetical examination and held that the two patents indeed were standard essential and that the defendant's products used the inventions claimed therein. Interestingly, the court held that the features of the invention that were not considered limiting for the claimed apparatus were not relevant to prove infringement.

Turning to the competition law defence, the court noted that the defendant had the burden of proof for showing that the claimant had abused their dominant position and held that the standard of proof required the defendant to demonstrate that the claimant had abused their dominant position. This is the normal standard of proof in Sweden, which is more demanding than the preponderance of the evidence.

The court then defined the relevant product market as the license market for the two patents in question. Only the claimant could offer licenses to use the relevant patents and the company was accordingly considered as dominant on the relevant market.

The court also noted that although the parties could not be consideredas competitors, the defendant's group of companies had legitimateexpectations to enter an agreement with the claimant on FRAND terms.

Having established the above, the court summarised the requirements for a finding of abuse of dominant position as set out in paragraphs 60-69 of the CJEU's judgment in Huawei Technologies. Regrettably, significant parts of the reasoning as to whether there had been an abuse of the claimant's dominant position are confidential. However, based on the parts not confidential, the following can be gathered.

First, the court noted that it interprets Huawei Technologies such that paragraphs 60-69 of that judgment is not exhaustive and cannot be decisive as to whether there has been abuse of a dominant position. Rather, such a finding should be based on an overall assessment. The court, for example, noted that it cannot be equired that all offers are in writing if the parties have negotiated for a long time in the course of which several offers have been exchanged verbally. In the immediate case, the court held that it had been shown that certain non-written offers had reached the parties and were accordingly to be taken into consideration.

The court then noted that the defendant had had a license to manufacture and sell (etc.) products using the claimant's patents essential for the LTE standard between July 2018 and June 2021. The claimant had thereafter contacted the defendant's group to begin discussions of extending the license to also include patents essential for the 5G standard.

The particulars of these initial negotiations are confidential. However, it is clear that the court found that the defendant's group knew that the license had to be renewed and that the defendant otherwise would infringe the patents at issue in the infringement proceedings.

The court noted that the group of companies to which the defendant belonged had not prioritised negotiating a new license on FRAND terms. Rather, the court considered the defendant's group of companies to have been outright passive in some instances.

The court held that although it was understandable that the defendant's group had needed some time to analyse the claimant's first offer, it had waited unnecessarily long to provide a counter-offer once the first offer was analysed. In fact, the court held that it could not be ruled out that the defendant's group employed a deliberate delay strategy. The defendant had thus not, the court found, expressed its willingness to conclude a license agreement on FRAND terms.

The court further found that the defendant had not been able to prove that terms offered by the claimant were not FRAND, or that the defendant's counteroffers were.

Last, the court noted that the security provided by the defendant's group was insufficient. The amount of the security had not been set considering that the license fee could increase if decided by an independent third party.

Accordingly, the court concluded that the claimant had not abused its dominant position.

Comment

Even though major parts of the reasoning are confidential, it is noteworthy that the court takes the position that the requirements in paragraphs 60-69 of Huawei Technologies are not absolute. Instead, the full picture shall be taken into considerations and an overall assessment shall be made. What the court in practice deviates from as compared to the CJEU ruling is the requirement that offers need to be in writing. The judgment has been appealed to the PMCA and it remains to be seen whether the appellate court agrees with the first instance's reasoning We will report on the outcome of the appellate proceedings in a future edition of this Yearbook.

Björn Rundblom Andersson and Måns Ullman

Trademark law

General introduction

2023 has been a slow year in Swedish trademark law, at least on the enforcement side. From the Swedish PMCA, we report on one awaited judgment regarding trademark infringement through *inter alia* arguably decorative use on heavy goods vehicles. We also report on a number of judgments from the CJEU, a large portion of which are focused on procedural aspects such as jurisdiction and entitlement to bring an action in a particular Member State.

On the prosecution side, the aftermath of Brexit continues to unfold. For UK trademark rights, for which no local representative has been recorded (which is often the case for EUTMs that were cloned into the UK Register in connection with Brexit), we recommend considering appointing a UK representative now, if not done earlier. This since, as from 1 January 2024, a UK address for service is required for all new contentious proceedings in which cloned UK trademark registrations, derived from EUTMs, are relied upon as basis for the proceedings. This includes new oppositions, applications for invalidity and revocation applications. Even without plans for new contentious proceedings, it makes sense to appoint a UK representative for UK trademark registrations to ensure that all official notifications are safely received.

Further, the positive trend in China continues and we have seen a lot of decisions where the Chinese trademark office as well as courts continue to make life more difficult for bad faith filers and their attorneys. One further welcomed change in prosecution proceedings in China, is the possibility to now request a stay of application proceedings awaiting invalidation or cancellation actions against cited trademarks. This limits the need for re-filings and saves costs for the original rightsholders.

Infringement claimants risk it all when a counterclaim becomes a counterstrike (CJEU, C-654/21 LM)

Introduction

In this judgment, the CJEU clarifies the scope of counterclaims for invalidity or revocation of EUTMs. The CJEU sets out that a counterclaim is an independent action that is not affected by the scope of the infringement action. Invalidity claims may further be brought before either the EUIPO or a national court, as the jurisdiction regarding invalidity and revocation is divided and both the EUIPO and national courts may invalidate an EUTM. The counterclaim is not restricted by the trademark classes covered by the infringement action and the entire trademark registration may thus be invalidated.

Background

The proprietor of an EU word trademark brought an action against the defendant for trademark infringement before a national court. The defendant filed a counterclaim for a declaration of invalidity of the trademark in its entirety, while the infringement action only concerned certain goods and services registered under the EUTM. The national court asked the CJEU whether all claims for a declaration of invalidity of the contested mark, regardless of its actual connection with the trademark infringement action, fell within the concept of 'counterclaim for declaration of invalidity' pursuant to Articles 124(d) and 128(1) EUTMR or whether that concept must be interpreted as covering only those claims which have an 'actual connection' with the infringement proceedings.

Decision

The CJEU began to clarify the scope of a counterclaim for declaration of invalidity of a trademark within the frame of infringement proceedings. The CJEU pointed out that a counterclaim is not defined in the EUTMR, but is usually understood as a cross-action brought by the defendant in a case brought against the defendant before the same court. The CJEU held that a counterclaim must thus not be confused with a defence as such, but is a separate and autonomous concept that is independent of the infringement claim and can be proceeded with even if the infringement claim is withdrawn. The court thereafter stated that the concept of a counterclaim must be understood as a legal remedy which is, on one hand, conditional on the bringing of an action for infringement but, on the other hand, is intended to extend the subject matter of the dispute and to obtain recognition of a claim which is separate and independent from the main claim. The court then concluded that the nature of a counterclaim provided for in Article 128 resulted in that the subject matter of that counterclaim cannot be restricted by that of the action for infringement in connection with which that counterclaim is brought.

In support of this conclusion the CJEU held that the provisions of Article 128 state that the counterclaim should only be based on the invalidity provisions of the EUTMR and the defendant may choose any or several of the grounds for invalidity and is not restricted to those grounds that fall within the scope of the infringement claim. According to the court, this meant that an invalidity counterclaim could cover the whole trademark and not only the trademark classes that the infringement action related to. CJEU motivated this statement with, in particular, the objective of the absolute grounds for registration to protect the public interest underlying them, and particularly highlighted the grounds for invalidity in Article 7(1) where the trademark is contrary to public policy or to public morals or is likely to mislead the public.

Comment

The decision is an important clarification of the scope and the possibilities for seeking invalidation or revocation of an EUTM when brought as a counterclaim in an infringement proceeding. The CJEU points out that a counterclaim is an independent action separated from an infringement action. Hence, a counterclaim should be dealt with even if the infringement action is rejected or withdrawn and is not limited by the subject matter of the infringement action.

The case introduces new aspects that parties should consider in an infringement action. In particular, the claimant must be aware that the defendant has the possibility to have the entire trademark declared invalid in the same proceedings through a counterclaim. From the defendant's perspective, as the defendant has a possibility to have the trademark invalidated in its entirety, this could be a strategic advantage both when it comes to the pre-trial discussions that usually take place before an infringement action and as a defence once an infringement action is brought before the court.

Josefine Arvebratt, Maria Bruder and Angelica Kaijser

Severe minimum prison sentences for trademark infringement found to violate the EU Charter of Fundamental Rights (CJEU, C-655/21)

Introduction

How do Member States and the EU strike a balance between proportionate and deterrent punishments for trademark infringement? The CJEU addresses the line between these two interests in this case, relating to national legislation prescribing severe criminal sanctions for trademark infringement. The court also confirms that it is possible to have both administrative and criminal sanctions for IP infringement. In this context, the CJEU comments on the relationship between the EU's obligations under the TRIPS Agreement and the Charter of Fundamental Rights of the European Union (the 'Charter').

Background

An individual had committed trademark infringement by selling counterfeit clothes through its sole-trader business. Under national law, trademark infringements could be categorised both as an administrative offence (resulting in administrative sanctions) and a criminal offence. The criminal sanctions included imprisonment for up to five years, or five to eight years for repeated offences and offences causing 'significant harmful effects'. The prison sentence could also be combined with fines and destruction of the infringing goods.

The questions tried by the CJEU concerned whether the national legislation, having both administrative and criminal sanctions for infringements of IP rights, was compatible with the principles of legality and proportionality of criminal offences and penalties in Article 49 of the Charter. Thus, the questions referred to the

court did not concern whether an infringement had actually occurred. The national court also referred questions regarding whether Directive 2004/48 ('Enforcement Directive') allowed for the harm suffered by rightsholders to be taken into consideration when establishing if a trademark infringement constitutes a criminal offence.

Decision

The CJEU started by examining its jurisdiction. In relation to the questions regarding the interpretation of the Enforcement Directive, the court found these questions inadmissible as the Enforcement Directive does not apply to national rules relating to criminal procedures and criminal penalties.

For the questions concerning the interpretation of the Charter, the CJEU noted that the fundamental rights guaranteed by the Charter are applicable only in situations governed by EU law and that the Enforcement Directive does not harmonise the trademark laws of the Member States in relation to criminal offences. However, criminal procedures are encompassed by the TRIPS Agreement. The TRIPS Agreement was entered into by the EU and thus forms an integral part of EU law. Consequently, when Member States are discharging their obligations under the TRIPS Agreement, they are implementing EU law within the meaning of the Charter. The CJEU therefore found it had jurisdiction to respond to these questions.

Under the principle of legality established in Article 49(1) of the Charter, criminal law provisions must comply with requirements of accessibility and predictability in relation both to what constitutes a criminal offence and to the sentencing. This principle implies that legislation must clearly define offences and the penalties in which they may result. The CJEU reiterated, with reference to previous case law, that the requirement is met where an individual knows

which acts or omissions will make him or her criminally liable. The principles of legality and proportionality did not, however, prohibit the Member State from imposing a combination of administrative and criminal penalties for the same act. Consequently, the CJEU held that provided that the criminal provision, as such, was consistent with the requirements deriving from the Charter, that principle did not preclude national legislation from categorising the same conduct as both a criminal and an administrative offence, even if the conduct sanctioned by those offences was defined in similar or even identical terms.

The court went on to assess whether the severity of the national provisions was proportionate under Article 49(3) of the Charter. Section 5 of the TRIPS Agreement states that members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale, that remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, and that in appropriate cases, remedies available shall also include destruction of infringing goods. Meanwhile, it follows from EU case law that any measures must not go beyond what is necessary to achieve the legitimate objectives and must be proportionate to the severity of the offences. Furthermore, the national court's ability to amend the sanctions and impose a less severe penalty depending on the seriousness of the offence may affect whether they areconsidered proportionate.

Turning to the case at hand, the CJEU stated that the sanctions in the national penal code fulfilled the obligations under the TRIPS Agreement. In particular, the use of 'and/or' in the TRIPS Agreement meant that a combination of imprisonment and fines was allowed. However, the CJEU held that the legislation was

disproportionate and violated Article 49(3) of the Charter, given the severity of the sanctions and the fact that the national court had very limited possibilities to remedy the sanctions and impose penalties below the minimum sentence of five years imprisonment.

Comment

First, this judgment confirms that criminal procedure and sanctions fall outside of the areas of IP law harmonised through the Enforcement Directive.

Secondly, the CJEU provides a clear and confirming answer that both administrative and criminal sanctions are allowed for IP infringements. From a Swedish perspective, this confirmation is welcome as the same acts of infringement may lead to both criminal sanctions and civil law injunctions under national trademark law.

Finally, the case provides guidance on the limits regarding proportionate criminal sanctions for IP infringements. If the minimum sentences for certain types of infringements are high, national legislation should provide the courts with a possibility to consider all relevant facts and remedy the penalties if, in a particular case, such severe sanctions go beyond what is necessary to achieve the legitimate interests of the legislation.

Siri Alvsing and Simon Fredriksson

National law determines whether unanimity or a majority is required to terminate or maintain a trademark license held in joint ownership (CJEU, C-686/21 Legea)

Introduction

This case concerns whether EU trademark law requires unanimity of joint owners of a trademark to grant or terminate a license agreement with a third party, or if a majority decision would be sufficient. The CJEU concludes that this question is determined by national law. The confirmation that the area remains unharmonised is significant, insomuch that joint ownership of trademarks is regulated differently between Member States. The outcome raises the question of whether joint ownership of trademarks, in particular where owners are domiciled in different Member States, can be considered a satisfactory approach in terms of predictability.

Background

The joint owners of a national and EU trademark decided to grant a company an exclusive, royalty-free and perpetual license to use their trademarks. Several years later, one of the owners sought to terminate the license agreement. In the course of national proceedings between the owner and the licensee, questions arose as to whether the grant or termination of a licence to a trademark held in joint ownership can be decided by a majority decision or whether it requires a unanimous one. The national court referred these questions to the CJEU.

Decision

The CJEU first noted that joint ownership of national trademarks is not governed by Directive 2015/2436, but this does not imply *per se* that joint ownership of such trademarks is excluded and must

rather be governed by national law. This includes a joint owner exercising rights conferred by the trademark including the right to grant or terminate a licence.

The court observed that the aim of the directive is not to achieve full alignment of the trademark laws of the Member States. Furthermore, the court held that while the EUTMR recognises the existence of joint ownership of EUTMs, it does not regulate the terms for a joint owner's exercise of the rights thereto. On that note, the CJEU concluded that an EUTM as an object of property shall be dealt with in the same way as a national trademark, and therefore national law of a Member State applies.

Comment

The judgment establishes that national law governs the terms for a joint owner exercising trademark rights. This may appear to row against the tide in the light of the widely harmonised trademark legislation.

The question of applicable law is crucial for every owner to have a decisive voice in any decision-making regarding a trademark they hold. Applicable national law is determined by criteria set by EU law including where an owner has their seat or domicile on the date relevant for a dispute. As the domicile of an owner may change over time, it is possible that the governing law could change from the date when a trademark is registered by joint owners, to a later date when a dispute arises between the owners, as to how and to what extent the matter is regulated may differ between Member States. A key takeaway from this judgment is the importance of carefully drafted co-ownership agreements and that the owners should ensure that they are well-informed with regard to the particulars of the registration procedures, not least in relation to applicable law.

If joint ownership of a trademark is considered, it should be kept in mind that it may bring additional challenges depending on the set-up, such as the risk of weakening the trademark's distinctive character by using it to identify a different commercial origin, issues of ownership in the event of the death or bankruptcy of one of the joint owners, or ambiguity as to who is eligible to bring infringement actions, etc. The difficulties regarding these issues continue as the area remains unharmonised and should be governed by the co-ownership agreement.

In summary, even though the CJEU's judgment clarifies the extent of the harmonised area of trademark law, it does not contribute much to improved predictability with respect to joint ownership of trademarks. Hence, the area continues to be difficult to manage and the safest option may be to rely on other arrangements such as joint ventures.

Siri Alvsing and Camilla Magnusson

National courts' jurisdiction over anchor defendants in trademark infringement cases (CJEU, C-832/21 Beverage City Polska)

Introduction

As a general rule, a person shall be sued in the Member State in which they are domiciled. There are, however, exceptions. Article 8(1) of Regulation No 1215/2012 ('Brussels I') concerns jurisdiction in cases with more than one defendant, where there is such a close connection between claims that it is expedient to hear them together to avoid the risk of irreconcilable judgments resulting from separate proceedings. In this judgment, the CJEU answers the question whether this includes a situation where the defendants are parties to an exclusive distribution agreement.

Background

The holder of an EUTM sued both a Polish and a German company before a court in Germany, arguing that both companies had infringed its trademark rights. Despite similarities between the defendants' company names, there were no formal connections between them. Instead, the defendants' relationship consisted of an exclusive distribution agreement. Following an appeal by the Polish defendant questioning the jurisdiction of the German court, the national court asked the CJEU whether jurisdiction over both defendants could be based on Article 8(1) of Brussels I in the context of an infringement action, where the defendants are accused of having committed a materially identical infringement of an EUTM and where those defendants are connected by an exclusive distribution agreement.

Decision

Referring to the language of Article 8(1) of Brussels I, the CJEU first noted that a prerequisite is that the claims against the two defendants are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings. In order for judgments to be regarded as irreconcilable, it is not, according to the court, sufficient for two cases to have different outcomes – they must also concern the same situation of fact and law.

The same situation of law exists when the claimant intends to protect its exclusive right, which is recognised throughout and has the same legal effect across the EU, since any difference in the legal basis under national law does not affect the assessment of the risk of conflicting decisions. As this case concerned an EUTM, the CJEU held that the requirement that the cases must concern 'the same situation of law' was fulfilled.

As regards the requirement of 'the same situation of fact', the CJEU referred to the recitals of Brussels I, pointing out that the aim of the provision was to facilitate the administration of justice and minimise the risk of concurrent proceedings and irreconcilable judgments. At the same time, the court emphasised that Article 8(1) is an exception and must therefore be interpreted restrictively, and that ultimately, it is for the national court to decide whether there is a sufficient connection between the actions to establish jurisdiction.

In its referral, the national court had pointed out that there were no economic and organisational links between the defendants. The CJEU held that the existence of a sufficient connection is dependent on the relationship between the infringing acts, rather than such connections between the defendants. In order to establish the existence of the same situation of fact, particular attention should be paid to the nature of the contractual relationship between

the defendants. According to the court, an exclusive contractual relationship between the defendants may make it more foreseeable that alleged acts of infringement may result in a single court having jurisdiction to rule. Arguments for the existence of a link in this particular case included the exclusive nature of the distribution agreement and the close co-operation through the operation of two websites, both of which belonged to one of the co-defendants, through which the allegedly infringing goods were sold.

In summary, the CJEU held that an exclusive distribution agreement may be sufficient to establish a sufficiently close connection between claims, such that Article 8(1) of Brussels I is applicable. The final assessment of jurisdiction must, however, be made by the national court.

Comment

This judgment establishes that a contractual link between defendants affects whether one court has jurisdiction to rule on all alleged acts of infringement committed under that contract. Given the CJEU's focus on whether it is foreseeable for the parties of a contract that they may be jointly brought before one court, it appears that the closer the relationship is between the contracting parties, the higher the risk is that a party may be sued outside of their own domicile.

An issue with basing jurisdiction on this fact is that the contractual relationship between defendants may not be known to the trademark holder. Many jurisdictions lack a general right to discovery prior to proceedings being brought, including Sweden. It may therefore be difficult for the rightsholder to obtain sufficient evidence that there is a sufficiently strong contractual connection between the defendants, to argue jurisdiction based on Article 8(1) of Brussels I.

Siri Alvsing and Simon Fredriksson

International jurisdiction of EU trademark courts (CJEU, C-104/22 Lännen MCE)

Introduction

This judgment concerns whether certain online activities can form the basis for jurisdiction for an EUTM court under Article 125(5) of the EUTMR, which stipulates that infringement proceedings may be brought in the Member State where an act of infringement has taken place. The CJEU elaborates on the criteria to be considered in establishing whether there is a sufficient connection between the online activities and the Member State in which the public was allegedly targeted.

Background

A Finnish company alleged that two companies established in Germany had infringed its EUTM in Finland. The defendants had used a word identical to the EUTM: the first defendant had used it as a Google AdWord under the Finnish top-level domain google.fi, such that its website was displayed as the first search result, and the second defendant had used a meta tag identical to the EUTM to enable internet search engines to identify images of its products.

The trademark holder argued that these online activities constituted trademark infringement and that the infringing acts had taken place in Finland since the advertising, which was in English, was addressed to the international public and targeted every country where it was visible. The defendants challenged the jurisdiction of the Finnish courts, arguing that the alleged infringing acts had not targeted the Finnish market, in particular as they were not present on the Finnish market.

The Finnish Market Court referred the case to the CJEU, asking for guidance on what factors to take into account when establishing jurisdiction to hear an infringement action for an EU trademark court of a Member State in which consumers and traders are targeted by online advertisements and offers for sale are located.

Decision

The CJEU held that establishing jurisdiction under Article 125(5) EUTMR requires evidence supporting a reasonable presumption that acts of infringement may have been committed or threatened within the territory of the Member State. The court emphasised that Article 125(5) requires an active conduct of the defendant. According to the CJEU, this requirement is fulfilled when a company has paid an operator of a search engine with a national top-level domain of a particular Member State in order to make the company's website available to the public of that Member State, thereby offering products for sale to that public. Thus, the court held that paying for Google Ads on google.fi constitutes a sufficient connection to Finland to establish jurisdiction for the Finnish courts.

However, the use of the trademark as a metatag for a photo-sharing service under a generic top-level domain, was not considered a sufficient connection. The CJEU held that a website under a generic top-level domain was not intended for the public of any particular Member State and that the meta tag was only intended to enable search engines better to identify the images contained on that website, increasing the accessibility thereof. Thus, the condition of active conduct was not considered fulfilled.

Lastly, the CJEU stated that other factors, such as the nature of the products in question and the geographical market in which the defendants operated, shall be assessed on a case-by-case basis by the national court examining the issue of jurisdiction.

Comment

Establishing jurisdiction for online activities often raises several questions unless the defendant is domiciled in the Member State where the action is brought. The issue is further complicated by the fact that different legislative acts establish different factors as forming the basis of jurisdiction. For EUTMs, Article 125(5) EUTMR provides for jurisdiction in the Member State where an infringement has taken place. As online activities originate from one country but may reach consumers worldwide, it may be difficult to assess whether an act of infringement has taken place in a particular Member State.

It may also be difficult for companies that market their products or services online to predict in which countries they may face legal repercussions. The requirement of active conduct serves to increase predictability, and the CJEU's conclusion that using a country-specific top domain constitutes such active conduct which targets the Member State of that top domain further clarifies this issue. In light of this judgment, companies should make an active choice of what top-level domains they use for marketing activities.

It should be kept in mind that if an action is brought in the Member State where the infringement has taken place, the court only has jurisdiction to adjudicate the infringing actions within that Member State. This means that any injunctions issued will be limited to that territory and compensation can only be claimed for the damage which has occurred within that territory. If a claimant seeks an EU-wide injunction or damages for several Member States, an action may instead be brought in the Member State where the defendant is domiciled.

Siri Alvsing and Felicia Taubert

Figurative element not sufficient to avoid rejection of descriptive mark (GC, T-210/22 Procter & Gamble v EUIPO - Safeguard)

Introduction

The question discussed in this case is whether the term 'safeguard' should be considered descriptive and/or devoid of distinctive character in relation to household and cosmetic products in class 3. The GC holds that the assessment must take into consideration the perception of the relevant public and that it is sufficient for a term to be regarded as descriptive, if the term is perceived by a part of the relevant public as descriptive in relation to the goods in question.

Background

The applicant filed an EU trademark application for the following figurative mark.

The application covered goods in class 3, for example 'bleaching preparations and other substances for laundry use; cleaning preparations; soaps; deodorants for personal use; non-medicated body care preparations; cosmetic preparations for body care; hand care preparations; body wash; body lotion; shower and bath gel'.

The EUIPO rejected the application on the grounds that the mark was considered descriptive of certain characteristics of the goods and was devoid of any distinctive character.

The applicant filed an appeal, which was dismissed by the BoA. In its decision, the BoA found that the mark was descriptive in relation to all goods since it simply informed the relevant public that the goods are safe to use.

The applicant brought an action before the GC requesting the court to annul the decision and register the mark. The applicant relied on two pleas:

» The mark is not descriptive;

» The mark is capable of distinguishing the goods of one under taking from those of other undertakings.

Decision

In its appeal the applicant argued that the term safeguard is a fanciful word for the goods at issue, that it is not part of the basic vocabulary of the English language and that it is an old English term not known to the wider public. The GC, however, briefly concluded that the BoA was correct in its conclusion that term safeguard would be understood as evoking protection.

The GC did not dispute the definition submitted by the applicant, that the term safeguard could be defined as a noun for 'a person or a thing that ensures protection against danger, damage, injury etc.' and as a verb, 'to defend or protect' but concluded that the definition is directly descriptive in the context of allergen-free, antiviral and antibacterial varieties of the goods applied for.

The applicant had argued that the intended purpose of the goods was to wash, clean and prevent undesirable odours and not to protect against allergies. However, the GC concluded that the general public in the case clearly included consumers with allergies. The term safeguard, when referring to the goods in question, may

be understood to indicate that the goods can be used safely by any person suffering from allergies or to protect against harmful germs, viruses, and bacteria.

Moreover, the court concluded that it is sufficient for a term to be regarded as descriptive if the term is understood by part of the relevant public as descriptive in relation to the goods. On this basis, a sign with several possible meanings should be refused registration if at least one of its possible meanings designates a characteristic of the goods in question.

Lastly, the GC held that the figurative element, a two-dimensional shape on which the term safeguard was written, had a background function and was clearly evocative of a shield. The very function of a shield is to provide protection for the person using it and, in view hereof, the court found that the figurative element would not distract the attention of the relevant public from the descriptive message of the term safeguard.

In conclusion, the GC deemed the sign to be descriptive in relation to the goods covered by the application and the appeal was dismissed.

Comment

At first sight, the outcome appears a bit surprising since there is, in our view, no obvious link between the term safeguard and goods in class 3 in general. Further, the figurative element, at least to some extent, adds to the overall distinctiveness of the mark.

However, as the decision underlines, it is sufficient to be regarded descriptive, if the term is perceived as descriptive by part of the public. This is important to remember when choosing a trademark, especially if you want to choose something suggestive, at the edge

of being descriptive. The decision underlines the challenges in choosing trademarks which, even if not primarily descriptive, could be perceived as suggestive. Even if you are able to register such a trademark the scope of protection will also be affected by that choice. Further, if you are able to register simply because of figurative elements included in the trademark, a registration might not provide any exclusive right to the term as such. If you want a broad scope of protection and increase the chances of being able to build a strong brand in the long run, it is often better to choose a non-descriptive and non-suggestive fanciful trademark to begin with.

Joanna Wallestam and Helena Wassén Öström

3D sign consisting of the shape of the product itself survives invalidation action based on absolute grounds – for the second time (GC, T-297/22 BB Services v EUIPO - Lego Juris)

Introduction

In this case the GC reviews the validity of a 3D trademark consisting of a human-like toy figure which is compatible with a well-known building brick system (LEGO®). The basis of the invalidation a ction, was, firstly, that the trademark consisted exclusively of a shape which resulted from the nature of the goods themselves, and, secondly, that the mark consisted exclusively of a shape which is necessary to obtain a technical result.

This judgment provides thorough guidelines on the application of said two absolute grounds for refusal and invalidity.

Background

A German company applied for invalidity of a 3D trademark registered as an EUTM. The trademark represented a human-like toy figure that appeared compatible with a well-known brick building system. The distinctive character of the trademark had been established through evidence showing acquired distinctiveness. The invalidity action was based on Article 59(1)(a) read in conjunction with Article 7(1)(i) and (ii) of Regulation No 40/94. Under Article 7(1)(i) of the regulation, any trademark which consists exclusively of a shape which results from the nature of the goods themselves is excluded from trademark protection, while Article 7(1)(ii) of the regulation provides the same for trademarks that consist exclusively of a shape which is necessary to obtain a technical result.

The invalidation applicant submitted that the figure constituted 'interlocking building figures' and that the shape of the figure was such that Article 7 would be applicable.

The BoA stated in its decision that the nature of the figure was as a toy figure to be played with and thus not, as the applicant claimed, as an interlocking building figure. This despite the fact that it was undeniable that the toy figure was compatible with the well-known brick building system of the trademark holder. The BoA, hence, established that the present case concerned a toy figure within the general category of 'games and playthings' in class 28 and rejected the applicant's claims for invalidity.

The applicant appealed the BoA's decision to the GC.

Decision

For the purposes of carrying out an examination of whether the absolute grounds of invalidity in question are applicable, it is, according to CJEU case law, necessary to identify the essential characteristics – the most important elements – of the sign concerned in light of the nature of the goods represented. While this identification of essential characteristics of the sign must begin with an assessment of the graphic representation of the sign, as set out in the trademark registry, the competent authority may also, according to relatively recent case law developments (see, by analogy, Gömböc (C-237/19)), refer to other useful information such as the perception of the relevant public, that allows it to identify the essential characteristics.

The court began by concluding that the figure should be classified as a toy figure within the category of 'games and playthings' but

held that the BoA made an incorrect assessment when it failed to also classify the figure as an interlocking building figure compatible with the well-known brick building system of the trademark holder. This since the figure contained parts that could be assembled and disassembled, as well as having connectors that were compatible with other products manufactured in the same building system. Hence, the court found that the goods concerned were of a dual nature with two purposes, namely, playing, which is a non-technical nature, and enabling assembly or combination, being of a technical nature.

As regards the assessment of the essential characteristics of the figure, the court held that the BoA erred in only finding the head, torso, arms and legs of the figure, being the non-technical and human-like parts to be such essential characteristics. The BoA should also have considered the protrusion on the head, the hooks on the hands and the holes at the back of the legs and under the feet as essential characteristics.

For the purposes of making a conclusion on the first plea, namely whether the shape results from the nature of the goods themselves, the court found that

(i) the cylindrical shape of the figure's head

(ii) the rectangular shape of the neck,

(iii) the flat and angular trapezoidal shape of the torso, and

(iv) the shape of arms with hands and legs with feet

were of decorative and imaginative nature and, hence, were not inherent to the generic function of a toy figure nor of an interlocking building figure

Article 7(1)(i) requires that all essential characteristics of the product shape result from the nature of the goods themselves. Consequently, the court dismissed the applicant's first plea.

As for the second plea, the court concluded, upon similar reasoning, that the BoA was correct in identifying the function of the figure as an object with the capacity to be played with, but that the figure also had the function of being compatible with the well-known brick building system of the trademark holder. Using the same logic as the BoA, the court concluded that the figure included several elements that were decorative or imaginative, for example the shape of the cylindrical head. Hence, the trademark did not consist 'exclusively' of a shape which is necessary to obtain a technical result. Although the BoA made an incorrect assessment by failing to find that the technical result of the goods was not limited to the capacity to play but also included the interlocking nature, these omissions of the BoA had no impact on the conclusion that Article 7(1)(ii) did not apply.

In summary, the court concluded that the BoA had erred in part of its assessment, but that the errors of assessment did not have bearing on the legality of the contested decision, and, thus, the validity of the trademark registration was upheld.

Comment

This specific trademark registration has been subject to an invalidation action before the GC also in Best-Lock (T-396/14). Since the

parties were not identical, that judgment did not have the force of res *judicata* with regard to the present case. In terms of the court's reasoning, this ruling differs from the previous one in that the figure was considered to be both interlocking building figures and toy figures.

Considering recent case law development, in particular Gömböc, it has been clarified that the court is not limited to only examining the graphic representation of the trademark when identifying the essential characteristics of the sign at issue but may also refer to other useful information. Pursuant to this case law, the court can, for instance, refer to the perception of the relevant public, when carrying out this examination.

Other than that, the common theme of this judgment is that 3D trademarks may very well have several functions and essential characteristics that effect the applicability of Article 7 of the regulation, and that those differences do not necessarily intrude upon each other.

There is also a parallel case involving the same parties and a highly similar figure, with the only difference being the existence or non-existence of the protrusion on the figure's head. The outcome of those proceedings was essentially the same as in this case.

Simon Fredriksson and Annalena Nordin

Griffins subject to trademark infringement? (PMCA, PMT 8422-21)

Introduction

This case regarding infringements of trademarks of one of Sweden's largest and most well-reputed truck manufacturers concerns several interesting aspects of trademark law. The PMCA clarifies when non-registered trademark rights are established through use on the market and when they have a sufficient reputation to enjoy an extended scope of protection. The court establishes the importance of being able to produce sufficient evidence for a relevant point or period in time, of showing when the infringing measures have in fact taken place if the proceedings concern a limited period in time, and comments on trademark use in accordance with good business practices.

Background

One of Sweden's largest truck manufacturers brought an infringement action against a company that assembled and customised truck chassis. The truck manufacturer was the holder of several EUTM's and national trademarks incorporating *inter alia* griffins, a V8 symbol, and the word SCANIA (both word and device marks) registered for trucks and related products in class 12, as well as other goods and services in other classes. The truck manufacturer also claimed non-registered trademark rights to the griffin and the V8 symbol in a slightly different design. The truck manufacturer claimed that the infringing actions consisted of affixing identical or similar marks both on trucks and on goods in other classes. The defendant counter-sued for revocation of some of the trademarks, claiming that the holder had not used the trademarks as required by the EUTMR.

The PMC found that none of the trademarks at issue had been infringed and revoked one of the trademarks for goods in classes 7 and 9. The case was appealed to the PMCA, where it was limited to the issues of infringement of some of the enforced registered trademarks, the existence of non-registered trademarks established through use and the extended scope of protection for well-known trademarks.

Decision

The PMCA first assessed the existence of non-registered trademarks established through use and, where the elements of the trademarks coincided with the registered trademarks, whether they were sufficiently well-known to enjoy an extended scope of protection. Both of these assessments concern whether the trademark is known by a significant part of the relevant public. The court emphasised that the national provision on extended protection for well-known trademarks must be interpreted in light of Article 10(2)(c) of Directive 2015/2436/EU ('Trademark Directive').

Notably, the truck manufacturer had not invoked a market survey as evidence in relation to the SCANIA trademark. The PMCA nevertheless found that the trademark was sufficiently well-known, with reference to e.g. that the company had a market share of around forty percent over a ten-year period, that the trademark was prominently exposed on the front of the trucks and in marketing activities. For the trademarks consisting of a griffin with a bicycle hub, the truck manufacturer had invoked a market survey covering a similar trademark consisting of the same griffin but without the bicycle hub. The court found that this provided indirect support for a finding that also the griffin with the bicycle hub was well-known. Unlike the first instance court, the PMCA therefore held that the trademarks SCANIA and griffin with a bicycle hub were known within a significant part of the relevant public for goods in class 12, and thus that they were eligible for protection as non-registered trademarks and that the registered trademarks were well-known and enjoyed an extended scope of protection.

For the griffin without a bicycle hub, however, the PMCA held that it had not been used to function as a trademark but rather in a mere decorative manner. Furthermore, the PMCA found that the registered trademark V8 SCANIA was not well-known, as the use was limited and the evidence did not include a market survey to show awareness. The market survey which had been invoked only covered the unregistered trademark 'V8', which had been used on trucks equipped with V8 engines and always together with the manufacturer's 'house trademarks'. In relation to the trademark V8, the PMCA particularly noted that 'V8' was a descriptive feature of engines and was thus not eligible for protection.

Turning to the alleged infringements, the truck manufacturer had only claimed infringement for a limited period in time. The PMCA emphasised that in relation to several allegedly infringing measures, there was no evidence on record that showed when the actual measures (affixing the trademarks to the goods) had taken place. Furthermore, the truck manufacturer had not used available legal measures, such as requesting the court to order the defendant to disclose when the measures had been undertaken, to obtain such evidence. Therefore, the PMCA held that it had not been shown that the infringing measures had taken place within the relevant time period.

As a defence, the alleged infringer invoked that it had not used the relevant trademarks, but rather the griffin as the landscape animal of the province of Skåne. The company had submitted a decision

from the County Administrative Board in Skåne permitting such use. In this regard, the PMCA held that the image they had been granted permission to use was in fact not the image actually used. Instead, there was a high level of similarity between the trademarks at issue and the allegedly infringing signs. The PMCA therefore dismissed this argument and found the use to infringe the truck manufacturer's trademark rights.

One of the issues before the PMCA was how trademarks may be used in accordance with good business practice when trucks are customised by other companies, such as in the present case. The PMCA held that what is decisive when assessing if the use is compatible with good business practice is that the exposed trademarks are affixed to the trucks by the trademark holder, meaning that the company customising the truck could not affix even the trademark of the manufacturer of that particular truck. In addition, the PMCA stressed that the company could not use the manufacturer's trademarks in a way that gives the impression of a commercial connection between them, for example by using it in marketing materials.

Comment

In practice, the general position seen in case law in Sweden has long been that in order to prove that a trademark is known within a significant part of the relevant public, and thus eligible either for protection as a non-registered trademark or for an extended scope of protection as a well-known trademark, it is essentially required to submit market surveys to prove the level of awareness within that public. It is interesting in this case to note that the PMCA finds in favour of the trademark holder, despite the absence of such evidence. However, it should also be noted that the trademarks at issue are the truck manufacturer's 'house trademarks', that the truck manufacturer is one of Sweden's best known companies, and that the evidence showed e.g. that it had had a very significant market share for a long period of time. Unless a case concerns a trademark similarly well-known on the Swedish market, trademark holders are still advised to conduct market surveys in order to prove awareness – irrespective of whether the legal assessment concerns acquired distinctiveness, non-registered trademark rights, or well-known trademarks.

The importance of different types of evidence also, yet again, confirms that trademark holders are well-placed to regularly review, collect and archive marketing materials, market analyses, sales figures etc. to be used in potential proceedings, rather than to attempt to collect such evidence only when a dispute has already arisen.

In relation to the non-registered mark V8, the judgment also confirms the difficulties in acquiring protection for a trademark that is only used together with other signs, in particular if that other sign is the most distinguishing part of the trademark (for example, the holder's 'house trademarks'). In order to protect the trademarks independently, it is therefore advisable to register and use both signs separately as well.

Finally, the judgment serves as a reminder that when infringement is claimed for a limited period in time, it is vital to be able to establish when the infringing acts have in fact taken place. For many types of infringing acts, such as the sale of infringing goods, this may be fairly simple. If the infringement also involves for example manufacturing and the evidence consists of images of the products in marketing materials, the trademark holder must also be able to prove that the actual manufacturing has taken place within the relevant time period. In order to fulfil this burden of proof, the trademark holder should remember to use the different procedural measures available to obtain information and evidence.

Siri Alvsing and Felicia Taubert

Distinctiveness for non-traditional trademarks and inherent distinctiveness for surface patterns (PMCA, PMÄ 14666-22)

Introduction

In this case regarding a trademark application for a geometrical figure as a surface pattern, the PMCA provide guidelines in relation to distinctiveness for surface trademarks and particularly the assessment for their inherited distinctiveness. This case further elaborates on the responsibilities an applicant holds in relation to showing distinctiveness for signs, patterns or products that are not typically associated with being trademarks.

Background

A company applied for the registration of a trademark consisting of geometric figures in the form of black and white triangles that repeat themselves without limitation. The trademark applied for corresponds with the pattern that adorns the pavement on the square of Sergels Torg in Stockholm. The trademark application included, among other things, textile products in class 24 and paper products in class 25. The application was rejected by the Swedish Intellectual Property Office ('IPO') and the applicant appealed to the PMC, who also rejected the application.

The case made its way to the PMCA for a final decision on registrability of the surface pattern.

Decision

The PMCA assessed the trademark applied for and confirmed that it consisted of a surface pattern, which can be protected as a trademark if the general requirements for registrability are fulfilled.

As the application also covered a number of goods, the average consumer was to be interpreted as the general public. The court found that surface patterns and their distinctiveness should be assessed similar to the assessment of 3D trademarks. This position gave that the surface pattern needed to divert from the norm to the extent that it would be considered something unusual in its appearance in the relevant industry, which the surface pattern did not. The PMCA therefore found that the trademark lacked inherent distinctiveness.

Like the PMC, the PMCA further found that the company had not shown that the trademark had acquired any distinctiveness. As the trademark consisted of a surface pattern and the applicant was unable to show distinctiveness, the court held that it will only be perceived as a decoration and not function as a trademark. As the prerequisites for registration were not fulfilled, the company's appeal was rejected, and the application denied.

In addition, the applicant tried to invoke additional evidence upon appeal. However, the PMCA found the evidence inadmissible since the applicant had not shown that it was unable to invoke the evidence already before the PMC (a prerequisite for invoking additional evidence upon appeal under Swedish procedural rules).

Comment

This case shows that an applicant needs to be diligent in the application procedures and that the burden of proof in relation to distinctiveness, especially for what traditionally has been called 'non-traditional' trademarks, lies on the applicant alone. The inherent distinctiveness for surface patterns is in general low and as the PMCA explains, they need to divert from the general norm to have inherent distinctiveness. The responsibilities for the IPO are to

follow general rulings and procedures for assessing distinctiveness. However, the IPO has neither the mandate nor the responsibility to go beyond the grounds and evidence provided by the applicant in its assessment of the application.

It is furthermore worth noting that the PMCA has classified the case as an indicative ruling. This should be seen as an indicator that the case can be used as a 'do not' example for applicant once trying to obtain a trademark registration for a surface pattern or any other 'non-traditional' trademark.

Linnea Harnesk

Generous scope of protection for the designation of origin HALLOUMI (PMC, PMÄ 12476-23)

Introduction

This case concerns a trademark application for the device mark Falloumi! which was refused after opposition based on the protected designation of origin HALLOUMI.

Protection as designation of origin covers the term used to describe foodstuffs which are produced, processed and prepared in a specific geographical area and the protected form is an absolute ground for refusal of trademarks. Compared to trademarks, designations of origin have a broader scope of protection and the overall evaluation in an opposition based upon a designation of origin differs from the evaluation of risk for confusion that is carried out in oppositions based on earlier trademark rights.

The case highlights the difference in purpose and scope of protection between trademarks and designations of origin. This, especially, in view of an earlier decision between the same parties, in which the EU collective trademark registration for HALLOUMI did not constitute a bar against the word mark FALLOUMI.

Background

A company was granted trademark registration for the below device mark.

The registration covered services in class 43, for example 'restaurant services; bar services; café services; catering services'.

The Foundation for the Protection of the Traditional Cheese of Cyprus named Halloumi filed an opposition based on its earlier EU collective word mark HALLOUMI for cheese in class 29, the well-known status of the trademark and the designation of origin HALLOUMI.

The Swedish Intellectual Property Office ('IPO') rejected the opposition and upheld the registration. The IPO found that there was no likelihood of confusion, that the Foundation had not shown that the collective mark was well-known and the trademark FALLOUMI! did not allude to the protected designation of origin. Accordingly, the IPO rejected the opposition.

The decision was appealed to the PMC.

Decision

In its appeal, the Foundation only relied upon the designation of origin and argued that trademarks and designations of origin are different types of rights with different purposes and scopes of protection. The assessment carried out by the IPO had excluded the crucial test of whether the device mark FALLOUMI! fell within the scope of protection for the designation of origin.

In its decision, the PMC initially referred to CJEU case law stating that an overall assessment of all relevant circumstances must be conducted to determine whether a trademark alludes to the designation of origin. The decisive factor is whether use of the trademark gives rise to a clear link between the mark and designation of origin. If the trademark causes the average consumer to immediately think of the designation of origin, the use will be considered an unlawful evocation of the designation.

The court held that there was a visual and phonetic similarity between the trademark and designation of origin and that FALLOUMI! could be seen as a play on words for the word HALLOUMI. The court further found that all services covered by the trademark registration were similar to a certain degree to the cheese covered by the designation of origin.

Taking into account the visual and phonetic similarity between FALLOUMI! and HALLOUMI, as well as the link between the services and the product (cheese) covered by the designation, the court concluded that the average consumer would associate the device mark FALLOUMI! with HALLOUMI. In view hereof, the use of the trademark constituted an unlawful evocation of the designation of origin. Consequently, the court annulled the IPO's decision and the registration for FALLOUMI! was revoked in its entirety.

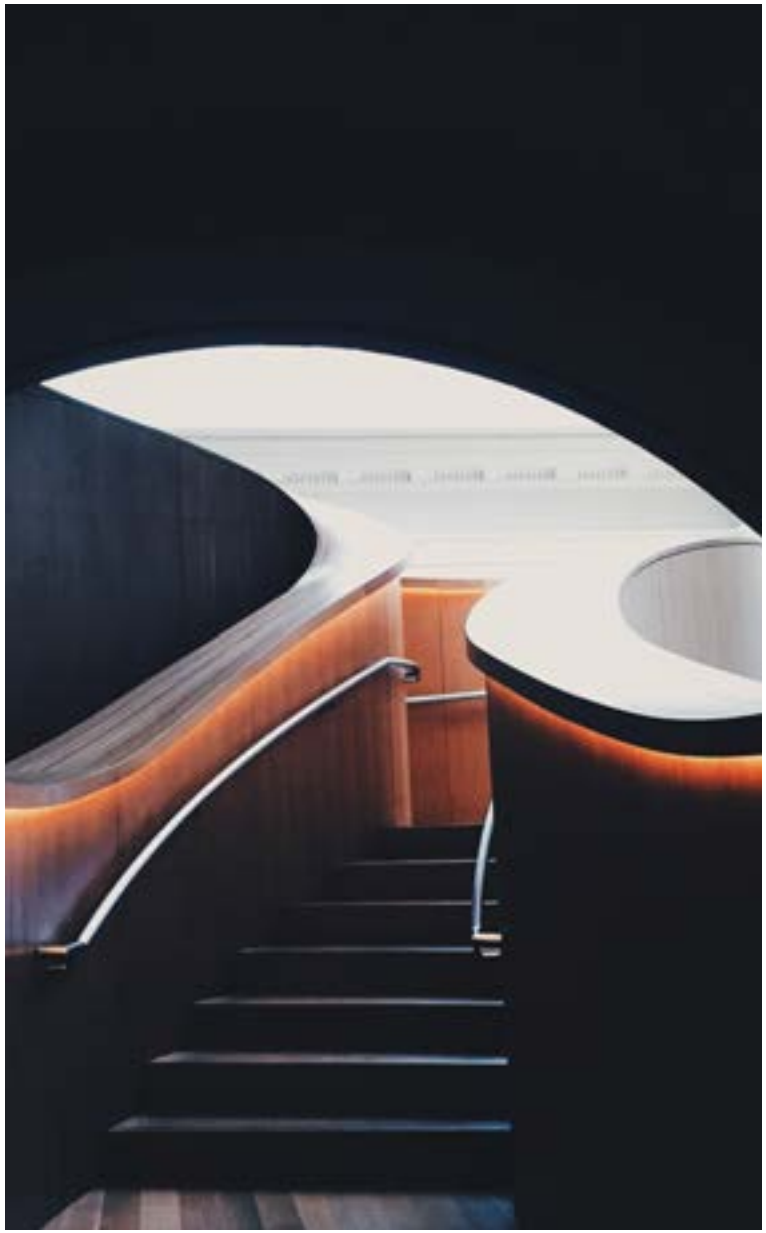
Comment

The PMC's decision is obviously a huge win for the Foundation, and it confirms the strong protection provided for designations of origin.

A few years earlier the Foundation was unsuccessful in an opposition against the application, filed by the same applicant as in the present case, for the word mark FALLOUMI filed for the goods falafel in class 29 (the PMCA's judgment in PMÖÄ 5507-20, which we reported on in our 2021 Yearbook). The main difference between the two cases is that the Foundation, in the earlier case, only relied upon its registered collective EU trademark for HALLOUMI and the well-known status of that mark. The designation of origin was not registered until after the earlier case had already been initiated and the Foundation was therefore not able to rely on it as basis in

those proceedings. The fact that the Foundation was able to rely on the protected designation of origin in the present case is clearly a key factor for winning. The case is an important reminder of the different purpose and scope of protection between trademarks and designations of origin, as well as the difference in evaluation that comes into play when these types of rights are relied upon as basis for actions against third parties' trademarks.

Joanna Wallestam and Helena Wassén Öström



Design law

General introduction

The progress of EU design law seems to be an ongoing theme for 2023. The Commission is now close to finalising the new design legislation package for a new directive and regulation. The trilogue discussions commenced in November 2023 and hopefully by the end of next year the directive and regulation will enter into force, with an implementation time of 18 months.

In the evolving landscape of design law, several key themes have emerged throughout the year. Notable among these are rulings on the criteria of novelty and individual character, impacting the level of protection afforded to designs. The digital era has prompted the EU to grapple with challenges associated with virtual and digital designs, acknowledging their importance in contemporary creative expressions as well as protection for complex products and their visibility during normal use.

The case law development for design law in 2023 bears testament to the dynamic nature of design protection, responding to technological shifts, market trends, and the ongoing need for a balanced approach to intellectual property rights. The impact of these legal developments extends across diverse industries, underlining the importance for businesses to navigate design-related challenges with a keen understanding of the evolving legal landscape.

In this chapter, we will provide our analysis of five cases (one PMCA case, two CJEU and two GC cases) that we believe are of particular interest. It is with great pleasure that we see that one of the design cases of 2023 is from the PMCA, since design law development otherwise tends to take place at EU level.

The visibility of components of complex product's during normal use (CJEU, C-472/21 Monz Handelsgesellschaft International)

Introduction

Questions regarding component parts of complex products and whether such designs are eligible for protection has seemingly become a popular subject for the CJEU in the beginning of 2023. In this case the CJEU provides a clarification on what is 'visible during normal use' as this is the condition for design protection in the EU for designs that fall under the definition of being component parts of complex products. What is considered as being visible during normal use has been given a broad interpretation which establishes possibilities for protection based on visibility during acts before and after the complex product's primary use.

Background

A German company filed an application for declaration of invalidity against a competitor holding a nationally registered design for 'saddles for bicycles or motorcycles', whereas the design was represented with one view of the underside of the saddle. The applicant argued that the design was to be invalidated since it constituted a component part of a complex product, the bicycle, and was not visible during the bicycle's normal use. The German Patent and Trademark Office was the first instance to rule on the matter and decided to reject the application for invalidity. Subsequently, the German Federal Patent Court reversed the decision and invalidated the design. Upon appeal to the German Federal Court of Justice the court referred two questions to the CJEU. The German Federal Court of Justice asked for a preliminary ruling regarding, essentially:

(i) whether a design is considered visible if it is objectively possible to recognise the design when the component is mounted, or if visibility should be assessed under certain conditions of use or from a certain observer perspective or only from the objective possibility of recognizing the design applied to the component part as integrated in the complex product; and

(ii) if the answer to question 1 is that visibility should be assessed under certain conditions of use or from a certain observer perspective

- should the normal use be assessed from the intended use by the manufacturer or the customary use by the end user?
- what are the criteria for the use of the complex product to constitute 'normal use'?

Decision

The CJEU did not answer the question strictly as one and two but rather gave one overall answer, concluding that a bicycle is a complex product and that the saddle was a component part of the bicycle since the bicycle could not be subject to normal use without the saddle.

The condition of visibility during normal use is a special condition for protection of component parts of complex products which is motivated by the fact that the appearance is a decisive element of a design and hence the visibility is an essential feature.

With this background, the CJEU proceeded to state that it is not sufficient to make the assessment of visibility *in abstracto*, unconnected to any practical situation. Hence, the component

part must not remain visible in its entirety during every point of time that the complex product is used. Further, the assessment of visibility during use is not to be viewed solely from the point of view of the end user, but also any external observers.

Moving on to the term 'normal use' the CJEU established that it was intended to refer to the end user's customary usage of the complex product, in order to exclude the use of that product at other stages of trade and thus to prevent circumvention of the visibility condition. While the intended use from the manufacturer was not to be considered, the CJEU clarified that the manufacturer's intended use and the customary use often align with each other.

The CJEU concluded that the requirement of visibility in relation to the design of component parts shall be viewed in the light of normal use, and such normal use shall be based on the actions taken by an end user during its customary use, including actions performed before or after the complex product has fulfilled its principal function, with maintenance, service and repair work remaining excluded as set forth in the relevant provisions of the EU harmonised regulations.

Comment

For clarity to the reader of this article it shall be mentioned that the referred question was asked with reference to old legislation, Directive 98/71/EG, since this was the regulation which the German national legislation is based on. The wording of Article 4 of Regulation No 6/2002 ('Community Design Regulation') mostly resembles that of the old legislation and the CJEU's reasoning therefore remains relevant also in relation to the Community Design Regulation.

The main takeaway from this judgment is what the CJEU states about visibility of the design in 'normal use', and more specifically the fact that actions both prior to and after the primary use are included. The clarification made by the CJEU in this judgment is important and appears reasonable, considering that the use and day-to-day care and storage of a bike requires that the user walks around and sometimes looks beneath the bike, thus making the design of the underside, as in this case, part of regular use of the product. Furthermore, it is not unusual that bike users detach the saddle when parking the bike on the street. Applied to other products, the CJEU's reasoning appears to broaden the scope of what can potentially be protected. We look forward to following the outcome in the main proceedings of the referring court. Considering the reasoning of the CJEU, we expect the application for invalidation to be rejected.

Looking ahead, the reform of the EU design law package is yet to be decided upon and it remains to be seen if the visibility requirement for component parts of complex products will be removed. Such possible removal could provide even further opportunities for design protection of component parts of complex products in the future.

Simon Fredriksson and Annalena Nordin

CJEU clarifies conditions for protection of technical designs and the principle of 'what you see is what you get' (CJEU, C-684/21 Papierfabriek Doetinchem)

Introduction

Whether a design is dictated by its technical function continues to be a ground of invalidity often relied upon in design cases in the EU. In this case a German court referred three questions on the subject to the CJEU for a preliminary ruling. The preliminary ruling provides some guidance on the relevance of existing alternative designs for the same technical solution and whether the possibility of inclusion of multiple colours in the design has any significance when this is not evident from the design registration.

Background

A German rightsholder of an RCD for paper-packing dispensers brought an infringement action against a competitor. The competitor brought a counterclaim arguing that all the design features of the design in question were solely dictated by technical functions and that the design was therefore to be invalidated.

The case went all the way up the German court system clearly showing the uncertainty on when a product should be considered as being solely dictated by its technical function. After reaching the highest instance, the German Federal Court of Justice referred the case back to the Higher Regional Court in Düsseldorf which requested a preliminary ruling from the CJEU.

The German court referred three questions to the CJEU regarding the interpretation and application of Article 8 of Regulation No 6/2002 ('Community Design Regulation'). In essence, the questions referred to the CJEU were:

(i) What role does the existence of other possible designs for the same technical function have in the interpretation of Article 8 of the Community Design Regulation?

(ii) Whether the fact that the product can include more than one colour should be given any significance when the RCD does not indicate several colours?

(iii) If question 2 was answered in the affirmative: does this affect the scope of protection of the design?

Decision

The CJEU started off by identifying that the product's appearance is the decisive factor for a design as well as acknowledging that Article 8 is intended to prevent technological innovation from being hampered.

The fact that there are alternative designs fulfilling the same technical function is often argued as a determining factor for the assessment of whether a design has a purely technical function. The CJEU clarified that while it certainly can be significant in the assessment, it is not decisive on its own. If this was the only relevant factor, a single economic operator could acquire several RCDs for the same technical solution and thereby, in essence, hinder competitors from innovating. Instead, the CJEU concluded that national courts must consider all objective circumstances in each case, such as the reason that dictated the choice of design for the product, the product's actual use as well as the existence of alternative designs and the ownership of such alternative design rights.

For the second question, the CJEU was asked whether courts, when interpreting Article 8, must take into account the fact that the design allows for multiple colours when this is not apparent from the design registration or application. The decisive aspect

brought forward by the CJEU on this question was the need for predictability and clarity of the scope of the design rights. In more detail, the CJEU stated that both competent authorities and competitors require clarity and precision in order for the system regarding Community designs to work properly, and for Article 8 to be given a reasonable scope of applicability. Furthermore, the objective of the graphic representation in the application is to define the design and thereby its scope of protection. For this reason, the CJEU found that the fact that a design allows for a multicolour appearance cannot be taken into account where that is not apparent from the registration. The CJEU concluded its reasoning by stating that an opposite view on the matter would lead to a lack of certainty regarding the scope of protection of a design right.

The third and final question referred to the CJEU was dependent on the answer of the second one, and with the CJEU's negative answer, the third question did not require any further inquest.

Comment

This judgment emphasises the importance of analysing and choosing a good filing strategy before the filing of a design application. The judgment confirms the principle of 'what you see is what you get' which is relevant also for trademark rights in the EU. As always, the importance of a good filing strategy cannot be over-emphasised, since the scope of protection may vary depending on the chosen filing strategy.

Simon Fredriksson and Annalena Nordin

GC clarifies the notion of 'component part of complex products' (GC, T-617/21 B&Bartoni v EUIPO - Hypertherm)

Introduction

In this case relating to invalidity of an RCD through Article 25(1)(b) of Regulation No 6/2002 ('Community Design Regulation') the court reached an interesting conclusion on what constitutes a component part of a complex product. Article 4(2)(a) of the Community Design Regulation provides for a limitation of design protection in relation to component parts of complex products where these are required to remain visible during normal use in order to be available for design protection. The product design in the subject case was not visible during normal use. It was even necessary for the user to remove parts of the remaining product to replace a used electrode, making the entire product unusable. The product which the design related to, was still not considered a component part of a complex product.

Background

An RCD for an electrode used in welding torches, was declared invalid by the Invalidity Division on the basis that the electrode was a component part of a complex product under Article 25(1)(b) in conjunction with Article 4(2)(a) of the Community Design Regulation and did not remain visible during normal use. The decision was appealed to the BoA, where the decision to invalidate the RCD was reversed before it was appealed to the GC.

The applicant for invalidity, in essence, alleged that the BoA had misunderstood the concept of a 'component part of a complex product' and, hence, had erred in its decision concluding that the electrode was not a component part of a complex product.

Decision

Before going into the merits of the single plea of law, the court discussed the admissibility of late filed evidence. The background to the delay in filing the evidence was that the court had, as set out in Article 89 of its Rules of Procedure, requested the parties to submit their position with regard to the market for electrodes. The question was whether the factual details and evidence submitted in response to the court's request was admissible, by way of an exception from Article 85(1) and (3) of the Rules of Procedure which lay down that evidence is to be submitted in the first exchange of pleadings. The court concluded that said materials were admissible. The court then went on to conclude that Article 4(2)(a) of the Community Design Regulation, which provides that a component part of a complex product is only eligible for protection if it remains visible during normal use, is an exception from the design system overall, and that such provision should hence be interpreted narrowly in order to minimise the exclusion of the protection of designs. The court then went on to confirm that the BoA was correct in its examination of:

(i) the consumable nature of the electrode;

(ii) the absence of disassembly and re-assembly when the electrode is being replaced;

(iii) the fact that the torch is regarded as complete without the electrode, and;

(iv) the interchangeability of the electrode.

Hence, the court started off by considering the importance of the electrode's consumable nature. Since it the Community Design Regulation does not define what a component part of a complex product is, the court found it correct to examine and put emphasis on the electrode's lack of firm and durable connection with the remaining product. The electrode is meant to be replaced easily by the end users, has a lifespan much shorter than the remaining product and is not attached in nearly the same manner as, for example, the handle.

The fact that the electrode was intended to be replaced and that such replacement is straightforward for the end users was given further importance in the second part of the assessment of whether the electrode was a component part of a complex product. The court found that exchanging the electrode did not require the remaining product to be disassembled and re-assembled, even though several parts had to be removed in order to enable the exchange of the electrode. Here, the court relied on the fact that the operation of replacing the electrode was simple for the end user, which in turn meant that the electrode was less likely to constitute a component part of a complex product.

Further, the court concluded that the applicant was correct in that the complex product in whole became unusable when the electrode was removed. While the completeness of the complex product is a relevant factor in the determination of a component, in this case the court concluded that an end user would not consider the complex product as incomplete even without the electrode. An opposite interpretation would, according to the court, lead to a large number of separate products being considered component parts of complex products within the meaning of the Community Design Regulation, and hence being excluded from design rights in case they do not remain visible during normal use.

The fourth and last aspect of the assessment was the role of interchangeability of electrodes between different complex products on the market. On this, the court stated that the mere existence

of interchangeability does not exclude it from being a component part of a complex product. However, a product which cannot be substituted is more likely to be viewed as a component part.

As a result of its overall assessment, the court determined that the BoA did not err in law in its prior decision finding that the electrode was not a component part of a complex product.

Comment

The court's reasoning in this case clearly illustrates how it came to its conclusion and may be used as guidance for other cases. Together with the CJEU's decision in Monz Handelsgesellschaft International (C-472/21), the applicability of the limitation of protection for component parts of complex products has been significantly clarified.

In the subject case, the court came to an interesting conclusion when stating that there was no disassembly involved in the replacement of the electrode although several parts had to be unscrewed to achieve the replacement. The described actions required by the end users may be simple enough for a professional, but the court does not provide any reasoning regarding the distinction of the relevant end user.

It must be emphasised that this decision was based on the court's overall assessment of all relevant factors at hand in the subject case. As always, each case must be assessed on a case-by-case basis. The importance of each single of the factors assessed cannot be easily determined. On the other hand, the different aspects considered and reasoned around by the court and the statement that Article 4(2) of the Community Design Regulation should be interpreted narrowly may serve as guidance in future similar cases.

Simon Fredriksson and Annalena Nordin

Can backdating transfers of design rights be a way to avoid invalidation based on lack of novelty? (GC, T-757/21 Activa - Grillküche v EUIPO - Targa)

Introduction

Before the filing of a Community design application, it is crucial to consider whether the object for registration fulfils the novelty requirement, or whether you can at least rely on the grace period of twelve months after the first disclosure pursuant to Article 7(2) of Regulation No 6/2002 ('Community Design Regulation').

In this complex decision the GC investigates whether the backdating of a transfer of the rights to an identical design which has been disclosed during the twelve-month period preceding the date of filing of the application can remedy the disclosure and hence put the exception in Article 7(2) of the Community Design Regulation into play. The GC finds that agreements made between two parties may be backdated and consequently that a rightsholder of an RCD may enjoy the benefits of the transferred design's grace period for novelty, under the condition that there is no risk of fraud or circumvention of the objective of the Community Design Regulation in the subject case.

Background

A German company filed an action for invalidity against a competitor's RCD on the basis that it lacked novelty and individual character in accordance with Article 5 of the Community Design Regulation. In support of its claim the claimant presented three previous designs including a Chinese utility model which was undisputedly identical to the defendant's design and thereby the subject of the GC's prior art assessment.

It was also undisputed between the parties that the Chinese utility model was published on 24 June 2015, being less than twelve months prior to the defendant's application for an RCD on 5 April 2016. It was further undisputed that the Chinese utility model had been transferred through two agreements, from the designer to his employer and then later to the defendant. This second agreement had been signed after the filing date of the RCD, but the agreement was backdated in a way where the design rights were already effectively assigned to the defendant prior to the date of the disclosure of the Chinese utility model.

Decision

The claimant argued that the BoA had made an error in its decision to let the defendant benefit from the grace period for the Chinese utility model, notwithstanding that the application for the contested RCD had already been filed when the agreement on transfer of rights was signed. The claimant alleged that the rights of a successor in title could only be assessed on the facts available on the filing date. The backdated transfer agreement could, according to the claimant, not give the defendant the benefit of successor in title as described in Article 7(2) of the Community Design Regulation since it would then be possible to circumvent the invalidity of a design by turning to the owner of the earlier design in order to have that design transferred to the defendant.

The question for the GC was therefore if the defendant could be considered a successor in title and enjoy the benefits of the Chinese utility model's grace period of novelty pursuant to Article 7(2) of the Community Design Regulation. The GC firstly concluded that there was no provision under EU law preventing the transfer agreement to be backdated, nor to be considered in invalidity proceedings.

The GC stated that the Community Design Regulation had to be interpreted in the light of its recital 20, which states that the objective of the twelve-month grace period was to allow designers to test their product before applying for an RCD. The GC concluded that the transfer agreements in the case were entered into to protect the interest of the designer, or later, his successor in title. The GC reasoned that there was nothing in the Community Design Regulation that prohibited design rights being subject to a grace period from being acquired.

The claimant further argued that the transfer agreements were to be disregarded due to the risk of fraud they allegedly brought with them. In this regard, the GC emphasised the previous business relationship between the defendant and the Chinese company prior to the date of application of the defendant's design. The GC hence concluded that there was no indication of fraud in the present case.

There was also an argument from the claimant's side where the validity of the transfer agreements was questioned. The BoA had in their judgment stated that the mere questioning of the agreements' validity was insufficient to undermine their credibility as evidence. Furthermore, the GC stated that the agreements were governed by national law according to the Community Design Regulation. This argument was thus dismissed.

In conclusion, the GC decided to dismiss the appeal on the basis that the contested design had been disclosed within the twelve-month grace period based on the Chinese utility model that had been transferred to the defendant. Nothing in the Community Design Regulation prevented the agreement from being backdated and having effect from that earlier date.

Comment

The interpretation and method used by the GC in this case comes together to form a very reasonable conclusion, although it may, at first glance, seem irrational that a backdated agreement is given effect from a date prior to its signing. Considering, however, that there are no provisions prohibiting such contract in the Community Design Regulation, and that the GC emphasised that one has to be mindful of the potential for fraud in the assessment, this judgment from the GC appears well-reasoned and in line with EU law.

Although the strategy worked well for the defendant in this case, it seems like a more straight-forward option to make sure to finalise and sign the written contract as soon as the parties have come to an agreement.

This case does not provide further details on when a transfer of designs rights would be found fraudulent or a circumvention of the objective of the Community Design Regulation and we are looking forward to further case law on this aspect.

Simon Fredriksson and Annalena Nordin

Interim measures and invalidity claims within the same design infringement case (PMCA, PMÖ 4794-23)

Introduction

In this case regarding an infringement action related to an RCD, the PMCA provides a new frame of reference on how an invalidity defence can be implemented in connection with a claim for interim measures. The ruling confirms that defendants can make a claim for invalidity of an RCD as a defence against infringement in preliminary injunction proceedings, without initiating a separate action for revocation. In conjunction the court analyses and delivers a judgment on the similarities between several designs.

Background

This case stems from a lawsuit filed by a Swedish company holding several RCDs for glass balustrades, suing a competitor for infringement and seeking interim measures. The claimant held that the defendant intentionally or negligently had imported, marketed, and sold products that did not give an informed user a different overall impression to the claimant's RCDs. The acts of commercialisation were also allegedly conducted without the claimant's consent. These claims were based on defendant's single concluded sale to a customer, which was subsequently annulled, and certain advertising of the product which had commenced in late 2021. The defendant in turn claimed that the RCDs were invalid based on their lack of novelty, distinctiveness and for being dictated solely by their technical function.

Decision

The judgment from the PMCA was twofold. The court commented on the matter of an RCD's presumption of validity as well as the

possibilities of invalidity claims in cases regarding interim measures. While an RCD enjoys a presumption of validity, the defendant may in cases regarding interim measures make a claim for invalidity without having to initiate separate proceedings. The court thus accepted that both claims were able to be assessed within the confines of the same proceedings.

The court then turned to the issue of burden of proof for alleged invalidity, noting that it rests on the defendant claiming such, but also that there is no standard of proof to rebut the validity presumption set out in the Community Design Regulation or the national rules on designs. Since a claimant must make it likely that an infringement is taking place to be awarded interim measures, the court deemed it reasonable to place the same burden of proof on the defendant for the invalidity claim. The court also concluded that the invalidity assessment shall be conducted in light of the limited assessment of registrability as the registration authority does prior to registration of an RCD.

In one sentence, the court found that the defendant has failed to provide sufficient evidence to support its invalidity claim, after which the court moved on to the question of whether the claimant had established a likely case of infringement.

To argue its case the claimant relied on five RCDs and presented several images as evidence of infringement. The court found that the defendant's products where similar to one RCD which demonstrated a height-adjustable balustrade without horizontal profiles or side pillars. The similarities where present both in terms of its general design but also its dimensions. It was therefore determined that an informed user would not get a different overall impression between the product and the RCD.

Several pictures did not sufficiently show the height adjustability of the balustrades, which led the court to conclude that those images gave the informed user a different overall impression. For the other four RCDs presented, the court concluded that none showed any products with rounded glass balustrades or corner pieces without a post in the angle. Therefore, the informed user would not have the same overall impression of the defendant's product, which included such features.

Thus, the court held that the claimant had established a likelihood of infringement in one its five RCDs. Although the defendant had cancelled its only sale for the product, the defendant's website remained untouched. This led the court to recognise that continued infringement would diminish the value of the RCD's exclusive right. A preliminary injunction under penalty of a fine was thus granted.

Comment

The court's reasoning in this case means that a defendant, using the possibility presented in Regulation No 6/2002 to bring an invalidity action against a design in the same case, has the burden of proving it likely that the registration will be declared invalid. The decision to set the standard of proof for the defendant's invalidityclaim to the level of 'likely', i.e., the same as for the claimant's action for interim measures, provides a reasonable opportunity for a defendant to succeed with its invalidity objection.

It is worth mentioning that the court found, based entirely on the fact that the defendant's website remained unchanged, a risk that continued infringement would degrade the RCD's value. It remains to be seen what impact this decision may have in the future.

Simon Fredriksson and Linnea Harnesk

Copyright law

General introduction

2022 was another great year for copyright. In this Yearbook we report on the CJEU's blockbuster decision regarding the Republic of Poland's challenge to the infamous Article 17 of Directive (EU) 2019/790 ('Digital Single Market Directive'), as well as on two judgments which present valuable clarifications on the EU law requirements that must be fulfilled by national systems in the Member States for the collection and distribution of copyright levies and on another CJEU judgment that provides further clarifications on the boundaries on the distribution of TV channels to guests in hotel rooms.

On the Swedish front, we have identified a number of interesting cases that cover issues such as copyright in individual parts of applied art and consequential limitations on repair or reupholstering of furniture, works of applied art and database rights in the context of content aggregation.

On the legislative front, important changes to the Swedish Copyright Act implementing the Digital Single Markets Directive entered into force on 1 January 2023. These changes will likely shape the copyright landscape for years to come and may give rise to litigation in several fields which we look forward to reporting on in the future.

Cross-border satellite retransmission (CJEU, C-290/21 AKM)

Introduction

Satellite retransmission in Directive 93/83/EEC ('SatCab Directive') and its relationship to Directive 2001/29/EC ('InfoSoc') continues to give rise to interesting and complicated copyright questions. When a satellite package provider bundles packages of encrypted programmes from various broadcasting organisations (located in various Member States) and makes those programmes available in another Member State by retransmission, the satellite package provider must obtain an authorisation for the act of communication to the public from a competent collective management organisation ('CMO').

The present case deals with the question of which CMO the satellite package provider shall secure authorisation from, and what the scope of the license shall be.

Background

A satellite television package provider, established in Luxemburg, bundled packages of encrypted programmes from various broadcasting organisations in different Member States. The introduction of each of the programme-carrying signals into the chain of communication (the so-called act of uplinking) was carried out in those other Member States. Those signals were received by satellite-receiving equipment within Austria and were made available to paying subscribers in Austria by means of a decoder.

An Austrian CMO brought an action seeking an injunction against the broadcasting by the television operator's satellite signals in Austria since it had not licensed the satellite television package provider.

The referring court asked in essence whether the SatCab Directive meant that the satellite package provider should secure authorisation from either:

» the CMO in the Member State where the programme-carrying signal was introduced into the chain of communication leading to the satellite (according to the so-called country of origin principle); or

» the CMO in the country to which these programme-carrying signals are used to give paying subscribers access to the content (in this case Austria).

Decision

The CJEU reiterated that, in order for the provision in Article 1(2)(b) of the SatCab Directive to be applicable, there must be a communication to the public by satellite. With reference to Airfield and Canal Digitaal (C-431/09 and C-432/09), the court also reiteratedthat a transmission constitutes a single

(i) The communication is trigged by an act of introducing of programmecarrying signals carried out under the control and responsibility of the broadcasting organisation.

(ii) Those signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.

(iii) Those signals are intended for reception by the public.

(iv) If those signals are encrypted, their decoding device is provided to the public by the broadcasting organisation or with its consent.

A transmission of television programmes that meet all the cumulative conditions mentioned above constitutes a single communication to

the public by satellite. As a result, such a communication is considered 'indivisible'. However, the court stated that the indivisibility of such a communication does not mean that the satellite package provider's role in that communication can occur without the authorisation of the rightsholders. There are no free lunches in European copyright law. If the protected works in the communication are made available to a new public, the satellite package provider must also secure authorisation from a competent CMO.

The court held that since this particular communication to the public only is considered to take place in the Member State in which the programme-carrying signal is uplinked according to Article 1(2)(b) of the SatCab Directive, the satellite package provider was only required to obtain the authorisation from a competent CMO in that Member State. However, crucially the court also held that, for the purpose of determining the appropriate remuneration of the copyright holders, all aspects of the broadcast must be considered. If a part of the actual or potential audience is located in another Member State than the one in which the programme-carrying signals are uplinked – as was the case here – the CMOs in the country of origin must offer the satellite package provider a license that also includes the use in Austria and must therefore somehow find a way to value that right.

Comment

The country of origin principle in the SatCab Directive may be deceptively straight-forward. If a programme-carrying signal is uplinked in one Member State, then anyone who contributes to the communication to the public of that signal (so both the broadcasting organisation and in this case the satellite package provider) needs to secure authorisation from a competent CMO in that Member State. But when – as in this case – the satellite package provider intends to retransmit the signal into another Member State, the CMO in the uplinking country should issue a license that also covers this use of the signal in the other country. This will get tricky. CMOs have a hard enough time deciding what the value of such a right should be in their own country; now for example the Swedish CMO must also decide what that right is worth in Poland, Germany and Malta, and so on. This decision presents a very pragmatic solution for satellite package providers but one that will require a lot of work at European CMOs that work with licensing programme-carrying signals.

Hans Eriksson and Filip Jerneke

CJEU clarifies the scope of the private copying exception in relation to the deduplication process (CJEU, C-426/21 Ocilion IPTV Technologies)

Introduction

In this case the CJEU discusses communication to the public and private copying in relation to a company which provides an IPTV service to network operators who retransmit programs to end users and offer the end users an opportunity to copy the re-transmitted programs. The CJEU finds that the company's measures do not amount to an 'act of communication', since it is the network operators that give the end users access to the protected content and not the company, and that this is the case even if the company knows that its service may be used to access protected content without the consent of the authors. On the other hand, the CJEU finds that the copying does not fall under the private copying exception, since each copy is made available to an indeterminate number of users who wish to view the copied content.

Background

Two TV broadcasters sued a company who provided an IPTV service to commercial customers such as telephone or electricity companies, hotels and stadiums ('network operators'). The service allowed re-transmission of the TV broadcasters' programs, but also the possibility for end users to record re-transmitted broadcasts and replay them up to seven days after the initial broadcast. It was an individual end user that initiated a recording, but such a recording was made available to all end users who wanted to watch the recorded content. This process is called deduplication.

The IPTV service was provided as

(i) an on-premises solution which was managed by the network operators but for which the compa ny provided both necessary hardware and software and technical assistance, or

(ii) a cloud solution managed directly by the company.

As regards the on-premises solution, the agreement between the company and each network operator stipulated that the network operator must ensure that it had sufficient rights for all the content they made available to end users.

The questions that the CJEU had to consider were whether the on-premises service constituted a 'communication to the public' according to Article 3(1) of Directive 2001/29/EG ('InfoSoc') for which the company should be held liable and whether the recording mechanism fell within the private copying exception under Article 5(2)(b) of InfoSoc.

Decision

Referring to existing case law, the CJEU underlined that a key factor when evaluating whether an act of communication is present, is the indispensable role played by the service provider and the deliberate nature of its intervention. A service provider makes an act of communication when it intervenes, in full knowledge of the consequences of its action, to give its customers access to protected work, particularly where, in absence of that intervention, those customers would not be able to enjoy the protected work.

The CJEU stressed that it was only the network operators that gave end users access to protected works and that the company did thus not play an indispensable role within the meaning of the existing case-law and could therefore not be regarded as having carried out an act of communication.

In that context, the CJEU clarified that any knowledge that the company may have of the fact that its service may be used to access protected broadcasting content without the consent of the authors was not in itself sufficient for it to be regarded as making an act of communication within the meaning of Article 3 of InfoSoc.

Further, the CJEU had to determine whether the private copying exception that is provided for in Articles 5(2)(b) of InfoSoc, can be deemed to cover a service like the one at issue where recordings of programmes are made at the initiative of end users but each copy is made available by the network operator to an indefinite number of users who wish to view the same content.

Referring to the requirement that a copy under the private copying exception must be made by a natural person, the CJEU stressed that even though end users initiated each recording, the recording feature added value to the company's service. Considering the deduplication set-up, the CJEU found that the recording service was of main interest in the company's offer. In those circumstances and subject to the verifications to be carried out by the referring court, it must according to the CJEU be held that such a service is not covered by the private copying exception.

Comment

The CJEU's judgment is well-tuned in the sense that it on the one hand upholds the principle that follows from recital 27 of InfoSoc that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of InfoSoc, but at the same time it establishes reasonable restrictions for the use of the private copying exception in a way that would have a detrimental and undesirable impact on the interest of rightsholders.

Angelica Kaijser and Stefan Widmark

Standing to bring a claim under the Enforcement Directive (CJEU, C-628/21 Castorama)

Introduction

Questions from national courts regarding the interpretation of EU law on the issue of legal standing to bring a claim under IP law are unusual before the CJEU. But in this case, the referring Polish court requests clarification on what 'standard of proof' of authorship a litigant has to show in order to request an order of information against an alleged copyright infringer under Directive 2004/48/EC ('Enforcement Directive').

The court found its answer in a contextual reading of the Enforcement Directive which resulted in a nebulous answer that may best be summarised as 'some'.

Background

The claimant in this case was a person who marketed and sold motivational posters with simple geographic figures and colours with messages like 'My house, my rules' and 'Perfect people don't exist, and yet here I am'.

The claimant claimed these posters constituted works protected by copyright that had been infringed by the defendants. The claimant sued, seeking an information order, demanding information about the defendants' reproductions, in particular with regard to the distribution networks and the quantity of posters received or ordered, a complete list of their suppliers, the date on which those goods were placed on sale in bricks-and-mortar and online shops, and the quantity and the proceeds of the sale of those goods, broken down into physical sales and online sales. This information

was argued to be necessary for the purpose of bringing a subsequent legal action for among other things copyright infringement. On the face of it, the information requested would seem to be the standard type of information claimants usually demand when seeking an information order in cases of blatant copyright infringement.

The defendant made a number of objections (in accordance with the famous kitchen sink/spaghetti against the wall strategy), questioning among other things whether the posters constituted original works protected by copyright, whether the copyright was held by the claimant, argued that the scope of the order if granted should be narrow and claimed that the information requested constituted trade secrets.

In order to support its claim for an information order, the claimant invoked the following evidence:

» printouts of pages from claimant's website displaying posters for sale in the online shops;

» invoices showing sales of these posters from 2014 onwards;

» printouts of pages from defendants' website showing marketing of more or less identical posters; and

» invoices relating to the defendants' sale of these posters.

The referring court was uncertain about which 'standard of proof' the claimant must show in support of the application for an information order under the Enforcement Directive. Must the authorship be 'fully established' by the evidence invoked, or is it enough if the evidence 'lend credence' (a term suggested by Advocate General Rantos in his opinion) to the claim that the claimant is the author, when seeking an information order?

Decision

On the one hand, Article 8 of the Enforcement Directive does not say that the applicant for an information order must be the holder of the IP right. But on the other hand, Article 4 sets out the different types of parties eligible to seek any of the remedies, and one of those parties is the holder of the copyright.

Based on the above, the court found that the Enforcement Directive could be interpreted as meaning that the applicant must show that he or she is actually the holder of the IP right concerned, when seeking an information order under Chapter II of that directive. But the court also reiterated that when interpreting a provision of EU law, it is necessary to consider not only the wording but also the context and objectives pursued by the rules. For the purpose of interpreting what 'standard of proof' the claimant must invoke, the court found it necessary to examine the context of that provision and the objectives pursued by that directive.

When looking at the 'standard of proof' prescribed in other parts of the Enforcement Directive, the court found that in order to request a disclosure of evidence (Article 6) or a request for a provisional measure for preserving evidence (Article 7), the applicant must present 'reasonably available evidence sufficient to support [the] claims' and similar language is also used in Article 9.

Another important point made by the court is that it follows from the preambles of the Enforcement Directive that claimants should be able to seek an information order as a separate procedure, not only as part of a full infringement case on the merits (which the CJEU also confirmed in M.I.C.M (C-597/19)). Echoing the Advocate General's opinion, the court suggested that if the Enforcement Directive is interpreted to mean that an information

order can only be sought if it is 'proven' or 'fully established' that the claimant is the holder of the copyright, then it seems impossible to seek an information order separately from main proceedings on the merits.

The court thus concluded that Article 8 of the Enforcement Directive must be interpreted to mean that the applicant for an information order must provide any 'reasonably available evidence' enabling the court seised of that request to satisfy itself with a sufficient degree of certainty that the applicant is the rightsholder, by submitting evidence appropriate to the nature of that right and any special applicable formalities.

Comment

This decision arguably raises as many new questions as it answers.

» What does 'reasonably available evidence' mean? In the context of a trademark or patent it may seem clear enough, but in the context of unregistered rights like copyright it gives little help to national courts and the referring court might be scratching their heads.

» Are the measures available under Articles 6, 7, 8 and 9 of the Enforcement Directive really similar enough to warrant the same standard of proof? It does not feel too far-fetched to argue that there is a difference between for example request for a provisional measure for preserving evidence (which can be used to investigate whether an infringement has taken place) and orders for information (which by its nature supposes that an infringement has taken place).

Taking a step back from this case, it also seems like the question the referring court really wants to know is whether motivational

posters, with simple figures and colours and trite text are original and qualify as works. It seems strange that this basic issue is not discussed in more detail in the decision. The writer's own reflection is that anytime a commercial actor has gone out of its way to directly copy something like a poster in order to sell it and make money, it seems likely that the copied poster is original. But until this writer's gut decides cases, national courts will have to continue wrestling with how to interpret the standard of proof prescribed the court in this case.

Hans Eriksson

Communication to the public redux (CJEU, C-775 21 and C-826 21 Blue Air and UPFR)

Introduction

In this decision the CJEU returned to the perennial copyright question whether the broadcast of music, or oven the mere installation of equipment allowing such broadcasts, in public places constitutes an act of communication to the public under Article 3 of Directive 2001/29/EC ('InfoSoc') and Article 8 of Directive 2006/115/EC ('Rental and Lending Directive').

This case concerned trains and airplanes and continued and expanded on the court's previous exploration of these issues as applied to dentist waiting rooms (C-135/10 SCF), rehab facilities (C-117/15 Reha Training), hotel rooms (C-306/05 SGAE), spas (C-351/12 OSA) and most recently rental cars (C-753/18 STIM & SAMI).

Unsurprisingly, the court found that the act of broadcasting music on transports did constitute a communication to the public, while the mere provision of such equipment did not. While the latter outcome may not in itself be surprising, the decisions seem to suggest a somewhat broader interpretation of preamble 27 to the InfoSoc than follows from earlier decisions.

Background

Both these cases originated from discussions between a Romanian music collective management organisation ('CMO') seeking payment from airlines and train operators.

» In the airline case, it was established in the proceedings that the airline had installed equipment and software to play music on airplanes, and that music had in fact been played.

» In the train case, it was established that the equipment and software had been installed in trains, but there was no evidence of any music being played.

According to the Romanian court, what distinguished the airline case from earlier CJEU case law was the argument in the case that the airline had no profit-making motive behind playing the background music in the airplanes. The Romanian court therefore asked the CJEU whether the broadcast of background music on airplanes in these circumstances constituted a communication to the public.

In the train case, the Romanian court wanted to know if the CJEU case law could be interpreted to mean that the mere provision of sound equipment and software enabling the playing of music was enough to constitute a communication to the public (an interpretation that would, on the face of it, contradict preamble 27 InfoSoc) as well as whether a provision in national Romanian copyright law that said that if you installed speakers in public transports you had a rebuttable presumption that music was communicated to the public over the speakers was acceptable.

Decision

The CJEU did not have a hard time answering the first question about whether the broadcast of background music in airplanes constituted a communication to the public.

By now it is well established in the CJEU's case law that in order to constitute a communication to the public there must be: (i) an act of communication, and (ii) a public. As the court has reiterated on several occasions, this assessment must be carried out in the individual case and may take into account a number of different factors.

In this case, the court found that the broadcast in an airplane of a musical work as background music constituted an act of

communication, since in so doing the airline intervened, in full knowledge of the consequences of its conduct, to give its customers access to that piece of music.

As to the question of what constitutes a public, the court pointed out that it followed from among others Reha Training that even though the concept of 'public' includes a certain *de minimis* threshold, in order to determine that minimal number, account must be taken both of the number of persons who may be given access to the piece of music at the same time (in an airplane or train, comparatively few), but also to how many of them may access the piece of music in succession (in the context of an airplane or train which fills up with travellers daily, arguably quite a lot and thus obviously a public).

The court also saw reason to mention that the existence or lack of a profit-making motive behind the airline's decision to play background music in airplanes was not decisive for the outcome of the case. As evidenced by earlier case law, a profit-making motive can be one factor taken into account when assessing a communication to the public, but the court clarified that a profit-seeking motive is not a prerequisite or an 'essential condition which determines the existence of a communication to the public'.

The second question concerned whether the mere installation of equipment and software, enabling the broadcasting of music in trains, constituted a communication to the public under Article 3 of InfoSoc and Article 8 of the Rental and Lending Directive. This question was the subject of a more nuanced discussion from the court, following similar discussions most recently in Youtube and Cyando (C-682/18 and C-683/18).

The court reiterated that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication to the public according to the wording of preamble 27 to InfoSoc. Importantly, the court also pointed out that there is national legislation demanding that trains (and airlines as well one would presume) be equipped with speakers for safety reasons. Under these circumstances, the court found that the train operator's installation of equipment and software that enabled the playing of music – but without any evidence of such music ever being played – did not in and of itself constitute an act of communication to the public since it is a mere provision of physical facilities for enabling or making a communication.

Lastly, as the court had concluded that the installation of equipment and software in a train had been found to not constitute a communication to the public, it was not surprising for the court to also find that the provisions in Romanian national copyright law creating a rebuttable presumption violated InfoSoc.

Comment

The focus on preamble 27 InfoSoc and what constitutes 'mere provision of physical facilities for enabling or making a communication' is interesting and seems to signal a slight methodological step away from the court's approach in earlier cases.

This could perhaps be read as the result of a strict *in casu* assessment, where in the airline case there was evidence of background music having been played on the airline, while in the case of the trains this was not the case. When in the trains case it is common ground that no music had actually been played in the trains, the sound equipment would per definition seem to be mere physical facilities that enable communication that fit well with preamble 27.

But this strict reading of preamble 27 could at least be questioned by some of the court's earlier case law, for example SGAE (C-306/05)

paragraph 43: 'It follows from Article 3(1) of Directive 2001/29 and Article 8 of the WIPO Copyright Treaty that for there to be communication to the public it is sufficient that the work is made available to the public in such a way that the persons forming that public may access it. Therefore, it is not decisive […] that customers who have not switched on the television have not actually had access to the works.' Why would the train operator install software that enabled the playing of music over the trains' speakers, unless they plan to do so? And is not the installation of that music-playing software into a speaker system in a public transport something like another small step on the road towards a fully realised communication to the public?

Hans Eriksson

CMOs' legal standing to enforce rights (CJEU, C-201/22 Telia Finland)

Introduction

In this case, the CJEU provides important clarifications regarding the rights of collective management organisations ('CMO') to enforce copyright infringement in their own name under Directive 2004/48/EG ('Enforcement Directive'). The CJEU finds that for a CMO to have a legal standing to sue, both the CMO's direct interest in protecting the relevant rights, and its legal capacity to represent those rights, must follow directly from the Member State's national law, and cannot simply be derived from the Enforcement Directive or other EU law.

Background

The claimant in this case was a Finnish CMO which represented authors' copyright interests based on mandates from the authors, and which was additionally entitled to issue extended collective licenses on behalf of non-member authors according to the Nordic model, for the purposes of licensing retransmission of televisions programs to television companies. The CMO brought an action against a television company that refused to enter into a license for the use of such works in television programs.

The defendant objected to the CMO's claims, arguing that the CMO lacked standing to sue. The defendant argued that even though the CMO was authorised to grant licences for the retransmission and to collect the associated remuneration, only the initial holder of the copyright in the television programs concerned (the authors) could bring an action for infringement of that copyright.

The CMO argued that it had standing to sue, based on the argument that its status as a CMO that was entitled to issue extended collective licenses, meant that it had a direct interest in bringing proceedings in the event of unlawful use of the rights it represented, in accordance with the Enforcement Directive. Or, in the alternative, that the CMO had the right to bring proceedings in respect of the unauthorised use of these rights on the basis of the mandates for management and representation granted to the CMO by rightsholders.

The first instance court found that the CMO lacked standing to sue. On appeal, the referring court was unsure whether Article 4(c) of the Enforcement Directive meant that a CMO automatically had a direct interest within the meaning of the Enforcement Directive, or whether the CMO had the general capacity to bring legal proceedings against the defendant in its own name, since neither of these prerequisites were explicitly set out in national law.

Decision

The CJEU reiterated that under Article 4 of the Enforcement Directive, the capacity of an CMO to seek, in its own name, the application of the measures, procedures and remedies provided for by the Enforcement Directive, was subject to the condition that the CMO was:

(i) regarded by applicable national legislation as having a direct interest in the defence of such rights, and

(ii) that national legislation authorised the CMO to bring legal proceedings for that purpose in its own name (or that this followed from general procedural rules).

With reference to SNB-REACT (C-521/17), the court found that while Article 4(a) of the Enforcement Directive provided that Member States are to recognise the holders of intellectual property rights as persons entitled to seek application of the measures, procedures and remedies under the Enforcement Directive, Articles 4(b) to (d) stated that other persons than the actual authors (like CMOs) are only entitled to enforce these rights if permitted by provisions of applicable law (which could be EU law or national law).

Since there was no national law that explicitly established that the CMO had a direct interest in the protection of these rights, the second question became whether national courts were obliged to recognise CMOs' right in this regard under applicable EU law (the Enforcement Directive). In this part, the CJEU pointed out that it followed from the preparatory works to the Enforcement Directive that the option to give CMOs such a right under the directive had been discussed but ultimately rejected during the legislative process. Member States were thus not required to recognise that CMOs have a direct interest in seeking, in their own name, the application of the measures, procedures and remedies provided for in the Enforcement Directive, and in order to establish that a particular CMO had that right, that must explicitly follow from national law (or from general procedural rules).

Comment

The CJEU's clarification in this decision that CMOs direct interest and legal capacity to bring legal proceedings for copyright infringement in its own name must follow from national law may send legislators and CMOs around Europe back to the drawing board to make sure that the Enforcement Directive is implemented in a way that grants CMOs those rights in a clear and unambiguous manner.

Hans Eriksson and Angelica Kaijser

Principles on limitations to fair compensation for private copying (CJEU, C-260/22 Seven.One Entertainment Group)

Introduction

In this case, the CJEU clarifies the legal requirements for when a Member State may exclude broadcasting organisations from receiving fair compensation, in accordance with Article 5(2)(b) of Directive 2001/29/EC ('InfoSoc'), for private copying of their broadcasts.

Background

A German broadcasting company requested a German collective management organisation ('CMO'), in accordance with a contract between the parties, to pay compensation in respect of private copying levy.

The CMO argued that it could not pay the requested levy due to a provision under German law, according to which broadcasting organisations are excluded from the right to fair compensation.

The question for the CJEU was whether an exclusion of broadcasting organisations from the right to fair compensation is in conflict with Article 5(2)(b) of InfoSoc.

Decision

The CJEU established that it follows from a combined reading of Article 2(e) and Article 5(2)(b) of InfoSoc that broadcasting organisations which are holders of an exclusive reproduction right, must in principle be granted the right to fair compensation in the Member States which have implemented the private copying exception.

Further, the CJEU established that Article 2 of InfoSoc, which defines, in items (a) to (e) thereof, the exclusive reproduction right of the different categories of rightsholders, applies no difference in treatment between those categories of rightsholders.

In the light of the foregoing considerations, the CJEU stated that broadcasting organisations, referred to in Article 2(e) of InfoSoc must, in principle, in the Member States which have implemented the private copying exception, be granted the right to fair compensation provided for in Article 5(2)(b) of that directive, in the same way as the other rightsholders expressly referred to in Article 2.

Referring to existing case law, the CJEU stressed that Member States enjoy a broad discretion in defining the various elements of the fair compensation system and that fair compensation must be linked to the harm resulting for the rightsholders from the making of copies for private use. The CJEU also stressed that Member States have the option to provide for an exemption from payment of fair compensation where the harm caused to rightsholders is 'minimal' and that the setting of a threshold below which the harm may be classified as 'minimal' is within the discretion of the Member States, however provided that, in applying that threshold, the Member States must still be consistent with the principle of equal treatment. In the case at issue this meant, according to the CJEU, that broadcasting organisations referred to in Article 2(e) of InfoSoc are in a comparable situation to that of the other rightsholders referred to in that article, in that all of those rightsholders enjoy the exclusive right of reproduction provided for therein, and that a difference in treatment between those broadcasting organisations and the other rightsholders must therefore be based on an objective and reasonable criterion and be proportionate to the aim pursued by the treatment concerned.

In that regard, the CJEU confirmed that absence, or the 'minimal' level, of harm suffered by the category of rightsholders composed of broadcasting organisations, on account of the private copying of fixations of their broadcasts, constitutes such an objective and reasonable criterion which does not go beyond what is necessary to safeguard a fair balance of rights between the rightsholders and the users of protected subject matter. It is according to the CJEU, for the referring court, first, to satisfy itself, in the light of objective criteria, that broadcasting organisations, unlike the other categories of rightsholders referred to in Article 2 of InfoSoc, suffer only harm which may be classified as minimal in respect of non-authorised reproduction of fixations of their broadcasts. Secondly, it is for the referring court to ascertain, also in the light of objective criteria, whether, in the category of rightsholders composed of broadcasting organisations, all of those organisations are in comparable situations, in particular with regard to the harm they suffer, justifying that all of those organisations be excluded from the right to fair compensation. The CJEU thus clarified that any exclusion of the entitlement to fair compensation for broadcasting organisations presupposes that this 'twofold condition' is fulfilled.

Comment

The judgment establishes when a limitation in the entitlement to fair compensation can be made in relation to broadcasting organisations. However, in the light of the CJEU's reasoning, the same principles will also apply to other types of rightsholder categories listed in Article (2) items (a) to (e) of InfoSoc.

Since it is likely very difficult to show that no broadcasting organisation suffers more than a 'minimal' level of harm, our assessment is that an exclusion of broadcasting organisations from the right to fair compensation as Germany provides will not be deemed compatible with EU law.

Swedish law contains a similar exclusion of broadcasting organisations from the right to fair compensation. However, in a government inquiry presented by the Swedish government in April 2022 (*SOU 2022:20 Privatkopieringsersättningen i framtiden*) it is proposed that such exclusion shall be abandoned. Thus, the CJEU's ruling in this case implies that the proposed amendments to the Swedish Copyright Act are well founded.

Felicia Taubert and Stefan Widmark

Satellite broadcasts from Qatar found not to enjoy copyright protection in Sweden (Supreme Court, B 1513-22)

Introduction

In this criminal case, the Supreme Court deals with complicated questions of territoriality and clarifies when broadcasting signals from abroad may enjoy protection under the Copyright Act.

Background

A television company with its domicile in Qatar, whose business consisted of broadcasting sporting events and producing its own content which was broadcast during breaks, transmitted broadcasting signals through fibre cable to their branch in France. The signals were then transmitted to Great Britain and Spain for an uplink to satellites before the signals were received by their subscribers on the ground.

Pursuant to Section 48 of the Copyright Act, radio and television companies have certain exclusive rights to their broadcasting signals. It is the broadcasting signals themselves (and not what is being broadcast) that enjoy protection under this so-called signal right, which establishes *inter alia* that radio and television companies have an exclusive right to re-broadcast their broadcasting signals. However, the Copyright Act only applies to broadcasts which take place in Sweden or are being transmitted by a company that has its domicile in Sweden.

Pursuant to the International Copyright Regulation, the Copyright Act also applies to broadcasts which are made in a country that is a party to the Rome Convention and broadcasts which are made by companies that have their domicile in a country that is a party to the Rome Convention.

The Copyright Act also contains a provision applicable to situations when the broadcast is communicated to the public via satellite. This provision stems from Directive 93/83/EEC ('SatCab Directive') and expresses the so-called principle of broadcasting country (Sw. *sändarlandsprincipen*). According to this provision, the act which is relevant from the point of view of copyright and neighbouring rights will be deemed to take place in the country where the broadcasting company, which has responsibility for and control over the act, initiates the performance (in this case the broadcast). In this context, the performance is in an uninterrupted chain of communication to the satellite and then back down to the ground.

In this case, two representatives of a Swedish company were, among other things, alleged to have re-broadcasted the television company's broadcast. The first-instance PMC considered the broadcast to enjoy protection under the Swedish Copyright Act given that the broadcast was deemed to have been made in Spain and Great Britain, which were both parties to the Rome Convention. The PMC thus found the two defendants to be guilty of criminal copyright infringement.

However, contrary to the PMC, the second-instance PMCA dismissed the prosecution and held that the broadcasts did not enjoy protection under the Copyright Act. The PMCA found that the broadcasts were deemed to have been made in Qatar which was not a party to the Rome Convention.

Decision

The Supreme Court confirmed that it is established that the Rome Convention, which was adopted in 1961 when only traditional terrestrial broadcasts occurred, is applicable also to broadcast made by satellite.

By referring to Airfield and Canal Digitaal (C-431/09 and C-432/09), the Supreme Court stated that an intervening technical step should not be seen as an interruption in the broadcasting chain. Rather, all steps should be considered to constitute one single communication to the public, provided that the chain is completely controlled by the TV company. The Supreme Court also stated that this applies when applying the International Copyright Regulation. Thus, the Supreme Court in this case found that a broadcast by satellite, which included several technical steps, shall be deemed to have been made in the country where the transmission of the signals was initiated. The Supreme Court found that the broadcasting signal was initiated in Qatar and thus did not enjoy protection under the Copyright Act. The two representatives were thus found not guilty of criminal copyright infringement.

Comment

As stated by the Supreme Court, the assessment of where a broadcast was made from can be difficult when the broadcast, as in the present case, includes several technical steps – which most broadcasts do. The Supreme Court has therefore issued an important judgment when clarifying how the provision in the International Copyright Regulation should be applied.

The judgment also shows that the Rome Convention fulfils its purpose; the investments that had most likely been made by the television company in Qatar would have enjoyed protection under the Copyright Act if Qatar, at the relevant time, had been a party to the Rome Convention. Treaties between states will thus gain even greater importance.

Felicia Taubert and Stefan Widmark

Jaguar replica sportscar does not constitute copyright infringement (PMCA, PMT 625-21)

Introduction

This case concerns a dispute between international car manufacturer Jaguar and a Swedish company, as well as the Swedish company's two owners, regarding allegations of copyright infringement in the defendants' production of a replica Jaguar C-Type sportscar. The second instance PMCA reverses the first instance court's decision and finds that the replica does not constitute copyright infringement on two unusual grounds: there had been a sort of general consent from Jaguar in relation to some copyright exploitation, and the remaining copyright exploitation was allowed under the Swedish private use exception.

Background

The first instance PMC found the replica to constitute copyright infringement. Even though the famous C-Type Jaguar sports car was created in the United Kingdom in the 1950's, the court found the car model to be protected as a work of applied art under Swedish copyright today. The court reached this conclusion after a circuitous route, analysing the applicable UK law in the 1950's and later EU law and modern copyright law.

In order to establish the original ownership of the copyright, the court had to decide whether UK or Swedish law should be used. Since the issue had not previously been dealt with in Swedish case law, the court applied the so-called CLIP Principles (Conflict of laws in Intellectual Property, European Max Planck Group), resulting in that Swedish substantive copyright law should be applied, which led the court to find that Jaguar was the original copyright holder.

The defendants presented the novel argument that the replica did not infringe Jaguar's copyright, based on Jaguar's alleged decades long acceptance and even celebration of replica car culture in general, and Jaguar's discussions with the defendants about their replica C-Type in particular, at various meetings over the years. However, the PMC was not convinced that the defendants had made it clear to Jaguar that they intended to establish a commercial venture, rather than a hobby project for private use.

Decision

The PMCA confirmed that the Swedish Copyright Act was applicable, that the Jaguar C-Type model qualified for protection as a work of applied art in Sweden and that the right to exploit the work was held by Jaguar.

But Jaguar's case started to derail when the court decided to look more closely at the issue of whether it was the company that had taken actions that constituted infringement, or the private individuals who would then be able to rely on the exception for private use in Swedish copyright. According to the court, it was not shown that the company had made any copies of the work nor made it available to the public, taking into account *inter alia* that none of the two individuals were employed by the company and that both of them, under oath in court, denied that the replica was manufactured within the company. Interestingly, the court also found that the company could not be considered to have contributed to two individuals' private exploitation of the work (under thus be held liable for contributory infringement).

Furthermore, the court found that Jaguar had given a general consent to the exploitation and thus accepted different forms of exploitation of replicas of Jaguar's C-Type model. However, the court found that Jaguar had revoked its consent when a cease-and-desist letter was sent in February 2018.

The defendant's exploitations of the work after February 2018 were thus not allowed and the question became if the remaining actions that the defendants took after that date constituted copyright infringement. The defendant's convinced the court that the remaining actions were all taken in a private capacity and was thus allowed under the private use exception. The race was over, and the defendants had won.

One judge was of a dissenting opinion as regards (i) the applicable law on the question of the original ownership of the copyright, (ii) the transfer of such right and (iii) the motivation in relation to if Jaguar Car Limited has acquired the copyright.

The dissenting judge was of the opinion that UK law should be applied, but found that Jaguar owned the copyright also under UK law, and the dissent was thus not material for the outcome of the case.

Comment

The court's finding that Jaguar had given a 'general consent' to the exploitation of the car model is viewed as problematic by many, and as a violation of basic contracting law by some. This conclusion raises several interesting questions about what kind of actions a rightsholder must take to be considered to not have consented and thus lost the ability to take legal action to stop an infringement. Another important takeaway from this case is that the exception for private use in Section 12 of the Swedish Copyright Act can be interpreted more broadly than previously believed.

In summary, this decision contains a number of interesting questions which are important for the application of the law in Sweden.

The PMCA seems to have been of the same opinion as it unusually granted leave to appeal to the Supreme Court. Unfortunately, the case was only appealed in relation to litigations costs (and that action in turn was withdrawn a couple of days later), with the result that the Supreme Court will not give us any guidance in relation to the interesting copyright questions in this case.

Hans Eriksson and Felicia Taubert

Murder mystery copyright infringement (PMCA, PMT 15777-21)

Introduction

August finds many Swedes laying out on beaches or cooped up in summer houses with a good crime novel. Call it Scandinavian noir, detective stories or the Swedish *'deckare'* – we love a good murder mystery and crime fiction is consistently one of the most read genres of literature, and a big Swedish entertainment export to boot.

This year, summertime sleuths and daydreaming detectives alike will have to make do without noted Swedish crime author Jungstedt's second instalment in the Gran Canaria series, which has been found to constitute copyright infringement by the second instance the PMCA, reversing the first instance PMC's decision.

This story may not be one of murder or other ghastly deeds, but IP enthusiasts will likely find this tale of copyright contract interpretation and sloppy assignment language a veritable page-turner.

Background

Two authors, a Swede and a Norwegian, had entered into a publishing agreement for a book series comprising two books in what would be known as the Gran Canaria series. The authors separately wrote drafts of different chapters and then provided comments on each other's texts. The collaboration between the authors was close and they were identified as co-authors on the first instalment in the series, which was published in 2015 and became a commercial success.

During work on the second book in the series, the collaboration ended. The authors entered into an agreement in order to keep the Gran Canaria series alive and let the Swedish author continue

writing books in the series. However, at the time when the authors entered into this 'separation agreement', both authors had already written draft texts for the new book, and after the second book was published it became clear that the parties did not agree whether the separation agreement meant that the draft texts that the Norwegian author had already written was allowed to be used in the published sequel, or whether the agreement simply meant that the Swedish author could write a sequel in the Gran Canaria universe, without using any of the Norwegian author's work.

The first instance PMC did not find a *prima facie* case of copyright infringement in the Norwegian author's rights in the published sequel, and in addition, found that the separation agreement meant that all rights to the texts the Norwegian author had already authored had been assigned and could be used by the Swedish author. That decision was subsequently appealed to the PMCA.

Decision

The first issue before the court was whether the literary work that the Swedish author had published included works, or parts of works, authored by the Norwegian author in Norwegian and translated into Swedish.

The court carried out a comparison between the Norwegian language draft texts and the published book and found that the latter contained several texts that was almost a direct translation of the Norwegian language text that the claimant had written. In addition, the court stated that it was irrelevant that the claimant's drafts originally were written in Norwegian and then translated into Swedish before the publishing.

The court reiterated that also smaller parts of works, in this case paragraphs of texts (authored by the Norwegian author) in a larger

literary work (authored by the Swedish author), enjoy protection under copyright law, provided that they contain elements which are the expression of the intellectual creation of the author of the work (Infopaq (C-5/08)). The court looked at paragraphs of over 100 words and quite rightly found that it was obvious that literary texts of this type enjoyed copyright protection.

The second issue was whether the use the Swedish author had made of the Norwegian author's copyright protected texts, that is by including them in the sequel, was allowed under the separation agreement between the parties. On this centrally important point, the agreement was silent and only stated that the Norwegian author's name would be mentioned in the future editions and the claimant received about € 20,000 for signing the agreement. The Swedish author took the view that the Norwegian author, as a result of the agreement, assigned all the rights of the manuscripts that had been authored, while the Norwegian claimed that the agreement only meant that he gave the defendant the right to use the concept of the book series, i.e. characters etc.

The court found that the agreement was unclear. The court noted that the term 'assign' did not appear in the agreement and that it was not possible from the amount compensation paid to the claimant to conclude whether it was a question of compensation for the assignment of a copyright protected work, or whether it was a compensation for the defendant to be allowed to use the concept of the book series in the future. When assessing the meaning of the agreement, the court also used the well-known Swedish legal methods for contractual interpretation in the field of copyright, in short that assignments of copyright must be specific and should, when in doubt, be interpreted to the benefit of the assignor.

In light of this, the court found that the Swedish author had not shown that she had a right to use the copyright protected texts written

by the Norwegian author through the separation agreement or otherwise and thus found for the claimant.

However, as is often the case, the claimant's claim for damages found little favour with the court, who awarded a mere fraction of the sum sought by the claimant. But since copyright infringement was established, the defendant was injuncted from selling any more copies of the book, which will now perhaps one day become a collector's item in the genre.

The case has been appealed and the Supreme Court has granted leave to appeal, which means the last word in this feud has not been printed yet.

Comment

The present case emphasises yet again the importance of being thorough when negotiating and drafting agreements in the area of copyright. In hindsight it is clear that the Swedish author, who of course did not want all the work already invested in the sequel to a successful first novel to be wasted when the two authors decided to part ways midstream, should have made sure that it was clear from the separation agreement language that she could use all the texts already drafted by the Norwegian author. As it turned out, a costly lesson for all involved.

Hans Eriksson and Filip Jerneke

Who gets to be a member of a collective management organisation for copyright? (PMCA, PMÖ 8753-23)

Introduction

Collective management of copyright, that is several rightsholders banding together as a collective management organisation ('CMO') in order to exercise and commercialise the members' copyright collectively – as opposed to a person's efforts to exercise and commercialise his or her own copyright individually – is growing in importance within many creative sectors in the EU and Sweden.

This is especially true in many digital sectors where individual negotiations with platforms and other big internet actors are not practically possible and the CMO route is the only road that leads to remuneration. This trend is also evident from recent EU copyright legislation's such as Directive (EU) 2019/790 ('DSM Directive'), which continues to vest important new rights in CMOs.

This development inevitably raises the question: Who gets to be a member of a CMO? In this recent case from the PMCA, a split court found that a party's action for a declaration to become a member of a CMO was inadmissible on largely procedural grounds.

Background

According to Chapter 4 Section 1 of the Collective Management of Copyright Act (Sw. *lag om kollektiv förvaltning av upphovsrätt,* implementing Directive 2014/26/EU), anyone who meets the membership conditions set up by the CMO shall be granted membership. According to Section 2, such conditions must be objective, clear and non-discriminatory and must be publicly available. Pursuant to Chapter 12, some questions regarding membership in a CMO can be tried by the specialist Swedish courts, PMC and PMCA.

In this case, a Swedish trade union/interest organisation for professional visual artists applied for membership in a Swedish CMO in the visual sector. The organisation was not granted membership and as a result the organisation sued, seeking the court to determine that it had the right to become a member. Importantly, the claimant finally structured its claim as a declaratory claim, seeking the court to declare that the claimant had a right to become a member.

The first instance PMC found the declaratory claim inadmissible on procedural grounds. That decision was subsequently appealed to the PMCA.

Decision

The main issue in this case was whether an action for a declaratory judgment, regarding the right to become a member of a CMO, was admissible under general Swedish procedural rules, as opposed to an enforcement action seeking concrete admission to the CMO.

The practical difference between the two claims may seem minor for the claimant, but procedurally it would turn out to be determinative for the outcome of the case.

Pursuant to Chapter 13 Section 2 of the Code of Judicial Procedure, an action for a declaration of whether or not a certain legal relationship exists may be tried by courts if there exists an uncertainty as to the legal relationship, and that uncertainty is to the detriment of the claimant.

In the light of this, the court found that the first question to be answered was whether the right to become a member of a CMO could be considered to constitute a 'certain legal relationship'. The court found that earlier case law supported the conclusion that a 'certain legal relationship' only arises after an applicant has been accepted as a member, not before. After membership is granted, the management's statutes or conditions are considered to constitute the legal relationship between the applicant and the association and can therefore be subject to a declaratory claim, but not before.

In the present case, the membership application had been refused and, as a result, the court determined that no legal relationship had arisen between the parties. Hence, there were no conditions to bring an action for a declaration in this case and the court rejected the appeal.

However, the chairman was of a dissenting view and stated that the action for declaration should be allowed. Finding the court split on this procedural issue, the PMCA allowed the claimant to appeal the decision to the Supreme Court.

Comment

In this case, the court rejects the action for a declaration due to the fact that the right to become a member of a collective management is not considered to constitute a certain legal relationship that can be the subject of a declaratory judgment.

Quite simply, the claimant's own decisions on how to structure its case faced a procedural hurdle and fell flat. But beyond the fact that it is an interesting procedural question that now may end up before the Supreme Court, this case exemplifies the growing importance of CMO membership in many creative sectors. In this sense, this largely procedural case may be a harbinger for future substantial cases regarding CMO membership, CMO management and other important parts of collective management of copyright.

Hans Eriksson and Filip Jerneke

Media law

General introduction

2023 was not the busiest year in media law, but a fascinating one. In both cases covered in this book, the courts ruled on the limits of freedom of expression. The first case concerns the Estonia maritime disaster and a documentary filmed in 2019. The creators were prosecuted under the Act on the Peace of the Maritime Grave at the Wreck of Estonia, as the vessel is a burial site and therefore protected from diving etc. In this case, the court balances the respect of the burial peace on one hand and the freedom of expression on the other hand. The second case concerned the Consumer Agency's possibility to request information under Section 42 of the Swedish Marketing Act and the conditions under which such a request could be contrary to the freedom of expression, in particular the principles of exclusivity and prohibition of investigation.

We are looking forward to a hopefully more eventful year to come and more cases to report on in 2024.

An order to provide information and document does not violate the Fundamental Law on Freedom of Expression (Supreme Court, Ö 2318-22)

Introduction

The Fundamental Law on Freedom of Expression is applicable to TV-programs which are directed to the general public and are intended for reception using technical devices. One consequence of the applicability of said act is that the possibilities to intervene against such programs are severely limited. However, the Fundamental Law on Freedom of Expression is not applicable to depictions of a 'distinctly commercial nature'. Instead, such depictions are covered by common legislation, such as the Swedish Marketing Act.

In this case, the Supreme Court clarifies under what conditions an order to provide information and documents by the Swedish Consumer Ombudsman ('SCO'), may be considered to be in conflict with two principles under the Fundamental Law on Freedom of Expression: the principle of exclusivity and the ban on inquiries.

Background

In 2019, the SCO initiated a supervisory case against a Swedish state-owned gambling company that holds a very well-known gambling product: a scratch card called Triss. You win on Triss if you scratch three equal amounts or symbols. If you scratch three TV or clover symbols, you will have the opportunity to participate in a public draw on TV, which is shown as a feature during a general entertainment and news program.

The SCO was of the opinion that the Triss feature constituted marketing of the gambling product and initiated a supervisory matter. The purpose of the supervisory matter was to find out whether the Triss feature violated provisions of the Marketing Act and the Gambling Act.

Pursuant to the Marketing Act, all marketing shall be formulated and presented in such a way that it is clearly stated that marketing is involved. It shall also be clearly stated who is responsible for the marketing. If the lack of such information affects or is likely to affect the recipient's ability to make a well-founded commercial decision, the marketing shall be deemed unfair. In terms of marketing of gambling products, the Gambling Act prescribes an obligation to inform about the minimum age to be allowed to gamble, and to provide contact details to an organisation that provides information and support in relation to misuse of gambling, or other problems. As a supervisory authority, the SCO may request information and documents under the Marketing Act, provided that such request is proportionate.

Due to the lack of the abovementioned identification and information, the SCO, in a decision of April 2020, ordered the gambling company to submit an answer to the question whether the company had entered into a cooperation agreement with the television company (or another company within the same group) regarding the Triss feature. If such agreement existed, the SCO also ordered the gambling company to submit the agreement. According to the SCO, the fact that an agreement exists may be important for the assessment of whether the Triss feature should be considered to constitute marketing or not.

The gambling company and the television company appealed the decision, asserting that the Fundamental Law on Freedom of Expression, and thus the principle of exclusivity and ban on inquiries, was applicable on the Triss feature.

The applicability of the principle of exclusivity means that measures under e.g. the Marketing Act and the Gambling Act are prohibited. The ban on inquiries means that the general public may not investigate certain categories of persons connected to publications in e.g. radio and television, including authors of radio and television programs and those who have submitted information for publication in such medium.

The PMC found that information about an agreement could be important for the assessment of whether the Triss feature should be considered to constitute marketing of distinctly commercial nature and that the SCO must, when necessary, be able to order information in order to make an assessment. The PMC also stated that the order by the SCO was not in conflict with the Fundamental Law on Freedom of Expression but did not elaborate on its assessment in that regard.

Contrary to the PMC, the PMCA found that the order was in conflict with the ban on inquiries. According to the PMCA, the Triss feature was protected by the ban on inquires regardless of whether or not it was considered as marketing with a 'distinctly commercial nature'. The PMCA stated that the investigation itself is prohibited, and since the order by the SCO in this case also included the investigation of the authors of the TV program, the order was considered to not be allowed.

The case was appealed to the Supreme Court, which granted leave to appeal.

Decision

The Supreme Court stated that the SCO's assessment, that the Triss feature may be considered as marketing, was justified and thus that the SCO was authorised to investigate whether the Triss feature was compatible with the Marketing Act and the Gambling Act.

The Supreme Court found that the order of information was not in conflict with the principle of exclusivity. According to the court, it did not appear to be excluded that the Triss feature would be considered to be marketing of a 'distinctly commercial nature'. Thus, the measure referred to information relevant to the supervisory matter with the consequence that information could be requested. The measure was also considered as proportionate.

Further, the Supreme Court considered that it was clear that the purpose of the order was to obtain more information regarding the commercial terms between the parties and that such purpose *per se* could not be considered to be in conflict with the ban on inquiries. Furthermore, the Supreme Court stated that the circumstances in this case did not give any reason to expect that an agreement of such kind contained information about any person that the ban on inquiries is aimed to protect. In this regard, the Supreme Court emphasised that there was no appreciable risk of disclosure of protected information, especially since the order referred to a specified document of limited extent, and that there was a possibility to not provide the SCO the specific information if the agreement actually did contain the kind of information the ban on inquiries is aimed to protect.

As a result, the gambling company had to provide the ordered information, and eventually document, within four weeks from the decision.

One judge was of a dissenting opinion. The judge held that the order violated the Fundamental Law on Freedom of Expression since the overall purpose with the order was to eventually be able

to intervene due to the Triss feature, even though the order was not directly directed to someone who used their constitutionally protected freedom of expression, and that the Fundamental Law on Freedom of Expression did not support such intervention.

Comment

This decision is important from a consumer protection perspective. The Supreme Court clarifies that there are possibilities for the SCO to take investigative measures in relation to depictions which potentially violate marketing legislation, that is before it is entirely clear that the SCO can intervene at all against the marketing. In a first step, the SCO must decide whether it is a question of marketing at all and as a second step, whether the marketing is of a distinctly commercial nature. For such marketing measures – provided it is proportionate – the ban on inquiries does not apply.

It is now clear that the SCO must be able to investigate whether a depiction – in this case a feature during a TV-program – constitutes marketing with a distinctly commercial nature or not, despite the fact that the feature is shown during a constitutionally protected TV program. The decision gives room for a relevant application of the rules in the Gambling Act that aim to achieve a higher level of consumer protection on the gambling market.

Felicia Taubert and Stefan Widmark

The balance of the peace of the maritime grave and the journalistic interest (Court of Appeal for Western Sweden, B 5637-22)

Introduction

In this case, two persons were convicted for offences against the Law on the Peace of the Maritime Grave at the Wreck of the Passenger Vessel Estonia after diving close to and filming the wreck for the purpose of making a documentary film. In this context, the most interesting aspect is how the court draws the line between the peace of the maritime grave and the journalistic interest.

Background

As a result of the sinking of the passenger vessel Estonia in 1994, the Act concerning Protection of Peace of the Maritime Grave at the Wreck of the Passenger Vessel Estonia ('Estonia Act') was introduced in Sweden in 1995. The Estonia Act stipulates, *inter alia*, that diving and other underwater activities must not be carried out in the wreck or within a defined area around the vessel.

In 2019, a film crew conducted dives to and filming of the wreck. The filming material was then used in a televised documentary series. As a reaction to this, a prosecutor claimed that two individuals, who were a part of the film crew, had acted in violation of the ban on conducting underwater activities in the declared peace area of the wreck.

The prosecuted persons were convicted for offence against the peace of the maritime grave by the district court of Gothenburg. The judgment was appealed.

Decision

The first question that the Court of Appeal had to answer was whether the prosecuted persons had conducted the criminal act

or not. From the statements of the prosecuted persons, it appears that they were aware that they were conducting underwater activities within the defined area around the vessel and that it was also their intention to conduct such activities. In addition, the court stated that they had acted with criminal intent. As a consequence, the court found that the prosecuted persons had conducted the criminal act.

After finding that the Estonia Act was applicable in the present case, even though the vessel was German flagged, the court moved on to assess the question of discharge from liability regarding the publicity interest.

In accordance with the Freedom of the Press Act, all persons have the right to procure information on any subject whatsoever, for the purpose of publication in print. However, the freedom of procurement does not mean that the procurer has the right to procure information through criminal acts. Consequently, the procurer can be held accountable for the methods the person has used when procuring the information, provided that the method is unlawful. Hence, the freedom of procurement does not protect the method of procuring the information.

The method that was used to procure information in the precent case, diving and filming in the area of the maritime grave at the wreck of Estonia, is punishable pursuant to the Estonia Act and thus is not protected by the right to procure information.

Further, the prosecuted persons had alleged that the constitutional principles of the right to freedom of expression and information outweigh the purpose of the Estonia Act. As a consequence, the court needed to balance the interests protected by the Estonia Act against the interests protected by the freedom of expression and information.

The court stated that it could be argued that there was a legitimate journalistic interest in reviewing the sinking of Estonia, the subsequent investigation of the sinking and, as a result, also the wreck itself. The film crew's review led to new government committees, changed legislation and new assessments regarding Estonia's seaworthiness when the vessel was wrecked. The court held that these circumstances could indeed indicate that there was a legitimate journalistic interest. In addition, the most effective way to procure information about the sinking of Estonia was to dive and film the wreck.

However, the court stated, despite the abovementioned circumstances, that the underlying purposes with the Estonia Act outweighed the journalistic interest in the present case. The provisions of the Estonia Act have been passed to protect the peace of the maritime graves of the deceased and it cannot be protected in any other way than to prohibit diving and other underwater activities within the defined area around the vessel. Thus, the prosecuted persons were sentenced with fines.

Comment

The most interesting question in the present case is the balance of, on the one hand, the freedom of expression and the journalistic interest and, on the other hand, the peace of the maritime grave at the wreck of Estonia. Unlike the Supreme Court's case B 1471-13, which concerned the same type of balancing of interests, we assess that there was no other way to procure information on how the Estonia sank than to dive and film the wreck. Additionally, the film crew's review led to, *inter alia*, new government committees, and changed legislation aiming at e.g. a broadening of the room for further investigation of the shipwreck, which is also a clear indication that the journalistic interest was relevant. Against this

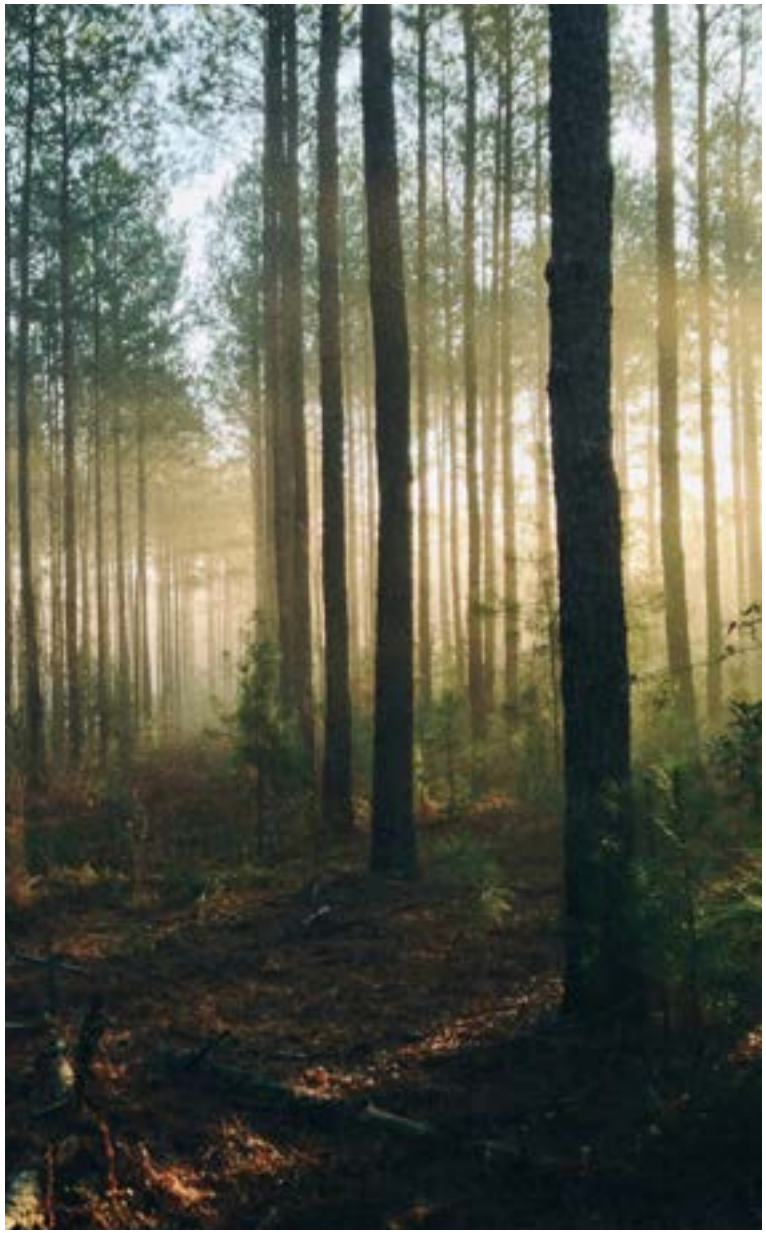
background, our view is that the journalistic interest was significant and that an opposite outcome would therefore have been well founded. Instead, as stated above, the Court of Appeal took the stand that the interest of the protection of the peace of the maritime grave outweighed the journalistic interest.

Filip Jerneke and Stefan Widmark

Marketing law

General introduction

Greenwashing continues to be one of the hottest topics within marketing law. The EU proposals for amendments to Directive 2005/29/EC ('Unfair Commercial Practices Directive') and a new Green Claims Directive have been subject to debate and received some criticism from different referral bodies, as many consider the suggested provisions to be unclear and to place a heavy burden on companies wishing to communicate their environmental efforts towards consumers. The proposed Green Claims Directive includes a system for verifying green claims before they are used on the market, and rather strict sanctions for companies that fail to live up to the directive's high standards of proof. This has raised concerns that instead of greenwashing, greenhushing will make it more difficult for consumers to contribute to the switch to a greener economy. It remains to be seen whether the proposals will be adopted in their current form, and when they will enter into force. We look forward to continuing to report on these developments.



One of this year's most notable judgments is the Supreme Court's ruling that it is possible for companies established outside of Sweden to market and sell alcoholic beverages to consumers, despite the fact that the state-owned Systembolaget has a monopoly on retail sale of alcoholic beverages in Sweden (T 4907-22, Winefinder). We also report on case law concerning the use of warning letters in connection with litigation, the relationship between an EU regulation on health claims and the Swedish Marketing Act, unfair clauses in consumer contracts and the use of superlatives when referencing objective test results in marketing.

Online sales of alcoholic beverages to consumers do not violate Swedish monopoly (Supreme Court, T 4709-22)

Introduction

In Sweden, the marketing and sales of alcohol is limited by a strict national alcohol policy with the objective to protect public health. This strict policy is, *inter alia*, expressed by Sweden applying a monopoly on the retail sale of most alcoholic beverages to consumers, conducted by the state-owned company Systembolaget.

However, since Sweden joined EU, the monopoly has to some extent been liberalised. For example, the Swedish Alcohol Act was amended as a result of the CJEU's judgment in Rosengren (C-170/04). The change made it possible for private individuals to import alcoholic beverages for private use into Sweden from a country within the EEA.

In the present case, the Swedish Supreme Court has rendered the final ruling relating to online sales of alcoholic beverages to Swedish consumers by a Danish company (we reported on the PMCA's judgment in the 2022 Yearbook). The outcome opens the door for companies, established outside of Sweden, to market and sell alcoholic beverages to consumers in Sweden.

Background

The case was initiated when Systembolaget targeted a Danish company, wholly-owned by a Swedish parent company, that marketed alcoholic beverages online for sale to consumers located in Sweden. The beverages were purchased on a Swedish language website, then shipped from a storage facility in Denmark through carriers engaged by the seller.

Systembolaget argued that this violated the Swedish state's monopoly on sale of alcoholic beverages and consequently should be prohibited under the rules in the Swedish Marketing Act. The PMC upheld Systembolaget's claim and found that the marketing was misleading and unlawful according to both the Alcohol Act and the Marketing Act. As a result, the court found that the marketing should be prohibited. The defendants appealed the decision to the PMCA. The PMCA reversed the first instance decision and found that the Danish company was established in Denmark and thus, pursuant to the E-Commerce Act, was free to market and sell beverages online to consumers in Sweden without interference of national Swedish rules (for further details on the PMCA's judgment, see our article in last year's Yearbook). That decision was subsequently appealed to the Supreme Court.

Decision

The present case concerned the question whether the defendants should be prohibited from marketing the sale of wine to consumers in Sweden. In order for the requested prohibition to be issued, the Supreme Court held that the online sale of wine to Swedish consumers had to be found to violate the Alcohol Act.

Pursuant to the Alcohol Act, sale of alcoholic beverages to consumers can only be conducted by the state-owned Systembolaget. However, as a result of the outcome in Rosengren, private individuals are allowed to import alcoholic beverages for private use. Additionally, distance sales are permitted if the alcoholic beverages are located in another EU or EEA state and are subsequently transported to Sweden by a carrier engaged by the seller. Consequently, the court stated that in order for distance sales to be permissible, the seller must be established outside of Sweden and no sales activities can be conducted in Sweden (for example through an agent). Failing that,

the sales are considered to constitute retail trade in violation of the state's monopoly under the Alcohol Act.

The main issue was therefore whether the seller was the Danish subsidiary or the Swedish parent company, and whether the sales activities were conducted from Denmark or Sweden. In this assessment, the court initially noted that the Danish company had been registered and had its seat in Denmark since 2005, that the alcoholic beverages were stored in a warehouse in Denmark and that the company had paid taxes and employed staff there. The Danish subsidiary was therefore found to be established in Denmark. It also followed from the purchase terms and order confirmations that the Danish company acted as the seller and entered into the purchase agreements with the customers. According to the court, the fact that the Danish company had purchased services related to finance, marketing and customer service from the Swedish parent company did not entail that the sales activities were conducted from Sweden.

In light of this, the court held that the facts and evidence did not support a finding that the defendants had conducted the sales activities from Sweden. Consequently, the court ruled that the sale of wine from Denmark to consumers in Sweden did not violate the prohibition against retail trade in the Alcohol Act, and thus that the marketing was not unlawful. As a result, Systembolaget's action was dismissed.

Comment

The present judgment has caused debate in Sweden – the Swedish monopoly on the sale of alcohol has been challenged throughout the years, and the outcome of this case shows that it is not as strict as it may appear at first glance. Wine consumption and interest in quality wines have increased in Sweden in the last few decades, and companies that sell wine and other alcoholic beverages to Swedish customers from other countries have become more common. This case confirms that such sales are permissible and firmly opens the door for wine producers and importers to operate towards Swedish consumers, as long as they are in fact established in a different country within the EEA.

One side of the debate has questioned whether the Swedish Alcohol Act should be amended to enforce Systembolaget's monopoly also against distance sales. However, in light of Rosengren, the question is whether that is possible as long as Sweden is a member of the EU, as prohibiting the online sales of alcohol from a company established outside Sweden may constitute unlawful restrictions on trade under fundamental EU legislation.

Another aspect of the judgment is that it establishes that, at least when looking at distance sales under the Alcohol Act, it is the country of origin of the sales that is decisive for the assessment. This differs from the established position under general marketing law, where jurisdiction and choice of law is generally decided by the country where marketing has effect. It remains to be seen whether the Supreme Court's reasoning in this case will have an impact on the application of the latter principle in other areas of the law.

Siri Alvsing and Filip Jerneke

Unsubstantiated health claims constitute unfair marketing by default (PMCA, PMT 6636-21)

Introduction

The Swedish Marketing Act implements Directive 2005/29/EC ('Unfair Commercial Practices Directive') but what is its relationship to other EU legislation in the field of marketing, for example Regulation No 1924/2006 regarding health claims made for foods? A foodstuffs company marketing food supplements using certain health claims was prohibited from continuing that marketing. In this judgment, the PMCA finds, following a preliminary ruling from the CJEU, that the EU regulation, which has direct effect in Sweden, takes precedence over the Marketing Act. Marketing that violates the regulation is found to violate good marketing practices and to be unlawful under the Marketing Act.

Background

A foodstuffs company manufactured food supplements labelled and marketed using claims that the supplements would have certain effects on the consumer's health. The Swedish Consumer Ombudsman ('SCO') sued the company for unlawful marketing.

The PMC requested a preliminary ruling from the CJEU, asking for guidance on *inter alia* the relationship between Regulation No 1924/2006 and the Unfair Commercial Practices Directive. In its preliminary ruling (C-363/19), the CJEU stated that health claims are made under the responsibility and risk of the foodstuffs company, as long as those exact claims have not been approved by the Commission in accordance with the regulation. The CJEU also stated that the regulation is *lex specialis* in relation to the Unfair Commercial Practices Directive and shall have precedence in the event of conflict. The PMC found in favour of the SCO and prohibited the company from using the health claims at issue.

The defendant appealed to the PMCA. One of the questions before the PMCA was how the marketing should be assessed in relation to the Marketing Act, and in particular whether marketing found to violate the regulation must materially affect or be likely to materially affect the consumer's ability to make an informed purchase decision (the so-called transactional test) in order to be prohibited under the Marketing Act.

Decision

Setting out the legal landscape for unfair marketing, the PMCA noted that marketing which does not comply with EU legislation may be incompliant with good marketing practices pursuant to Section 5 of the Marketing Act. Such marketing could also be unfair and be prohibited under Section 23 of the Marketing Act, provided that it materially affects or is likely to materially affect the consumer's ability to make an informed purchase decision. Noting that the regulation provides that health claims which are not allowed under the regulation shall be prohibited, without a corresponding requirement of a transactional test, the PMCA questioned whether it would be consistent with the regulation to apply the transactional test to decide if the marketing is unfair according to national legislation.

Since the regulation is *lex specialis* in relation to the Unfair Commercial Practices Directive and thus also to the Swedish Marketing Act, the PMCA stated that in every situation of conflict between the regulation and the Unfair Commercial Practices Directive, the regulation shall prevail. National courts are therefore prevented from applying the transactional test to health

claims made contrary to the regulation, since that would impose additional requirements contrary to the provisions in the regulation. The PMCA therefore held that health claims which are to be prohibited under the regulation shall be automatically considered unfair under the Swedish Marketing Act.

Having concluded that the foodstuffs company had failed to show that the health claims fulfilled the requirements of the regulation, the PMCA found in favour of the SCO and upheld the PMC's judgment.

Comment

The PMCA's judgment supplements the more general reasoning from the CJEU in its preliminary ruling. The PMCA establishes that an EU regulation which is directly applicable in Sweden prevails over national law. This departs from the general rule under Swedish law that marketing must affect or be likely to affect the economic behaviour of the consumer in order to be found unfair, unless it is prohibited under the so called black list annexed to the Unfair Commercial Practices Directive or shall be considered unfair by default pursuant to other national law provisions.

While this ruling specifically relates to health claims under Regulation No 1924/2006, it opens up for the possibility that other regulations covering different aspects of labelling or marketing shall be given the same importance. This means that the assessment of whether marketing is unfair or not will not only be carried out under Swedish law, but rather directly under EU law and thus autonomously throughout the whole EU. Since the aim of the Unfair Commercial Practices Directive and therefore the Swedish Marketing Act is to harmonise the field of marketing, this development should be welcomed.

Siri Alvsing and Angelica Kaijser

Unfair clauses in consumer contracts (PMCA, PMT 13691-21)

Introduction

In what situations are clauses in consumer contracts considered unfair? That question is clarified in this judgment from the PMCA. The PMCA finds that clauses that violate mandatory law are regarded as unfair. Companies utilising such clauses could be prohibited from continued use thereof.

Background

A Swedish credit company included, in its general terms for consumer credits, a clause that regulated that, apart from interest on overdue payment, the consumer should also pay a late payment fee to the creditor.

According to the Swedish Consumer Ombudsman ('SCO'), the late payment fee clause was unfair under the Act on Contractual Terms in Consumer Relations ('Consumer Contracts Act') as the condition implied that the debtor's obligation to reimburse the creditor's cost was extended beyond what was required by law. The SCO argued that the defendant should be prohibited from using such a clause.

The PMC found that the clause in question violated the Swedish Act on Compensation for Debt Collection Costs etc. (Sw. *lag om ersättning för inkassokostnader m.m.*) ('Debt Collection Act'), which in turn resulted in that the clause was deemed unfair under the Consumer Contracts Act, and the PMC thus prohibited the use of the clause. The defendant appealed.

Decision

To assess whether the clause was unfair under the Consumer Contracts Act, the PMCA started by examining whether the clause

violated any mandatory legislation. The PMCA noted that the Debt Collection Act was exhaustive in respect of what fees could be charged for extrajudicial debt collection. The court stated that the scope of the Debt Collection Act should be interpreted as covering the costs of all measures which are normally included in the procedure for the recovery of an overdue debt, and which were caused by the debtor's delay in payment. A consequence of this, the court held, was that if the credit company obtained compensation for measures other than those permitted by the Debt Collection Act, the contractual clause should be considered invalid under Section 6 of the Debt Collection Act and would thereby be in violation of mandatory law.

The court then examined whether the relevant late payment fee was covered by the Debt Collection Act. The defendant had submitted evidence that the late payment fee had a reparative purpose and was meant to cover administrative costs involved with debt collection. The PMCA however stated that the Debt Collection Act was clear in the respect that fees relating to emails and phone calls to the debtor were not covered by that act.

The court then held that as the late payment fee related to activities that took place after the payment was due, the clause could not be interpreted in any other way than as part of the creditor's pressure on the debtor for the purpose of inducing him or her to pay a claim that has fallen due. Thereafter, the court held that the clause imposed an obligation to a debtor to reimburse costs beyond what followed from the Debt Collection Act. Thus, the clause was found to be in violation of Section 6 of the Debt Collection Act and was therefore unfair under the Consumer Contracts Act. The judgment of the PMC was upheld.

Comment

By this judgment, the PMCA confirms previous case law whereby a clause that is in violation of mandatory law is deemed unfair under the Consumer Contracts Act. However, not all the judges agreed on the conclusion that the clause was in violation of the Debt Collection Act (and, as a consequence, should be deemed unfair under the Consumer Contracts Act). Two judges wrote a dissenting opinion holding that the clause could not be understood as that the late payment fee was aimed to reimburse the credit company for cost measures to get the debtor to pay an overdue debt. Thus, the late payment fee did neither fall within the wording of the Debt Collection Act nor could it be considered as being contrary to the purpose of the act. The clause could therefore not be considered contrary to any mandatory law and, as a result, nor as being unfair under the Consumer Contracts Act.

The defendant has filed an appeal to the Swedish Supreme Court. Leave to appeal has been granted and we look forward to reporting on the Supreme Court's judgment.

Maria Bruder and Simon Fredriksson

Unfair marketing restrictions on warning letters (PMCA, PMT 13795-21)

Introduction

In this case, the PMCA deals with a central issue for all rightsholders and IP litigators, namely restrictions on using warning letters from an unfair marketing perspective. In short, the PMCA holds that objectively drafted and nuanced warning letters generally are to be considered as legal correspondence preceding a potential dispute rather than marketing in the sense of the Swedish Marketing Act. The court's reasoning accounts for relevant case law and includes important take-aways for anyone involved in enforcement of IP rights.

Background

In 2013, the proprietor of two patents concerning a seed revitalisation method entered into a patent license agreement to allow for a commercialisation of the patented methods. In turn, the licensee contracted a third party to manufacture a machine that could perform the methods claimed by the patents. Due to a failure of timely royalty payments, the licensor terminated the license agreement. The termination was followed by correspondence between the licensor and the third party. In summary, three letters from the licensor included assertions that the licensee's right to use the patented invention had ceased, that the termination of the license agreement was merited even though the termination had been disputed, and that any use of the machine would constitute patent infringement which could lead to legal action being taken.

The licensee brought an action before the PMC under the Swedish Marketing Act against the licensor. Among other things, the licensee argued that the three letters constituted misleading marketing and violated good business practices.

In short, the PMC dismissed the claim that concerned the warning letters by finding that while the letters were indeed to be considered as marketing in the sense of the Swedish Marketing Act, the language therein was not misleading and did not violate good business practices. The case was appealed to the PMCA.

Decision

The PMCA's reasoning pedagogically clarifies that the assessment of warning letters – from an unfair marketing perspective – involves a two-step test; assessing whether the warning letter(s) qualifies as marketing, and if so, whether that marketing is misleading. As regards the first step, the court recollected that only acts of distinct commercial nature qualify as marketing in the sense of the Swedish Marketing Act. Further, the PMCA noted that in Swedish case law, there is a general acceptance of warning letters in civil disputes, although unnuanced and excessive language used in correspondence can be considered as unfair marketing. The PMCA also referenced the requirement under the ethical rules of the Swedish Bar Association which require that a counterparty is allowed reasonable time to consider a claim before legal remedies are used, and that the absence of such contacts could entail a cost liability under the Swedish Code of Judicial Procedure. Considering the foregoing aspects and in the words of the PMCA, objectively drafted and nuanced warning letters will typically not be considered as marketing in the sense of the Swedish Marketing Act.

As regards the second step, i.e. if a warning letter indeed qualifies as marketing, the PMCA held that for letters intended for a sole recipient, an individualised assessment of the content should be carried out, as opposed to the assessment of the average recipient within a certain target group which applies for ordinary marketing communications. Moreover, the PMCA stressed that the assessment of whether the marketing is misleading or not does not turn

on whether an IP infringement can be conclusively established, since warning letters are usually sent before a court has had the opportunity to decide on the issue. The same applies for other civil law issues that trigger warning letters in unfair marketing cases.

Turning to the facts of the case, the PMCA noted that the licensor had provided an objective and balanced description of the dispute, including the fact that the licensee had disputed the termination of the license agreement. In the absence of indications that the letters had been sent for the purpose of promoting sales, the PMCA held that the letters were nothing but legal correspondence between the parties, and that the Marketing Act did not apply. The action was thus dismissed in this part.

Comment

The appellate court's judgment, and the annexed letters in this case, should be studied with care by all IP litigators acting on the Swedish market, and the action itself should serve as an important reminder to be mindful of the tone and language in all legal correspondence concerning IP infringements. In this regard, the PMCA's reasoning includes a useful take-away in that the assessment of warning letters sent to a sole recipient should be based on the reasonable understanding of the letter of that party alone. To mitigate unnecessary risk exposure, that perspective is useful to keep in mind for anyone that considers sending communication which hints at IP infringements.

Considering the tone and language in the warning letters at issue, which were arguably in line with the standard in IP disputes in Sweden, the PMCA's ruling in this case is sensible. Indeed, an opposite outcome would likely have caused turmoil in the Swedish IP community, and significantly harmed the possibilities for effective enforcement of IP rights.

Maria Bruder and Petter Larsson

The use of superlatives in marketing of telecom services (PMCA, PMT 14821-21)

Introduction

In this case, the PMCA provides well-needed answers on both the question of how superlatives can be used when referencing objective test results in marketing, and how to correctly cite the source in the marketing. This judgment offers a clarification on the boundaries of permitted marketing aimed at Swedish consumers.

Background

The use of test results provided by objective third parties, measuring different aspects of mobile phone plans and nets and their use, is common and widespread in the telecom sector. This kind of information is highly valued by consumers in this industry since it is very difficult, if not impossible, for the general public to compare the technical performance of different mobile networks and services themselves. The mobile operators therefore look for any opportunity to make marketing claims such as 'best coverage' and 'fastest internet' when marketing their services.

One of the large mobile operators in Sweden argued that a competitor's marketing was misleading and unfair due to its use of superlative terms such as 'best' and 'the best', with or without references to third party objective test results that substantiated that claim. The claimant showed that the defendant had used the terms in several combinations through an array of channels including TV, social media, websites and storefronts.

The claimant argued that the marketing was illegal on three separate grounds.

» That the marketing was misleading pursuant to Section 10 of the Marketing Act.

» That the marketing was contrary to good marketing practises as described in Section 5 of the act.

» That the marketing constituted prohibited comparative marketing in accordance with Section 18 of the act.

At first instance, the PMC found for the claimant on all counts, the court concluded that the defendant had not shown reason to use marketing claims such as 'best in test', based largely on the traditionally exceedingly strict standard, that the claim of 'best in test' and similar, means that you are best in all tests, and in all relevant categories.

The defendant appealed to the PMCA.

Decision

The court reiterated that Section 10 of the Marketing Act prohibited misleading marketing claims regarding awards earned by the marketer. At the same time, the court emphasised that marketing based on references to test results and surveys is generally allowed and are often in the consumer's interest.

In regard to the use of superlatives in marketing, the court found that there is a distinct difference between marketing statements made with reference to a performed test and situations where no reference is made. Statements made without references are regarded as unreserved and only permitted if the marketer can provide proof of the statement being true. On the other hand, statements made with a correct reference are only prohibited if the marketer presents the results in a misleading way or if there are specific reasons to question the reliability of the test or survey. The court explained that the reference made must be clearly visible and understandable for the consumers at a glance. Marketing made using superlative statements with insufficient reference is viewed in the same way as non-referenced statements, that is, as unreserved.

The court reiterated that professional and properly performed test or surveys shall be permitted as an acceptable source for reference, unless any specific reason speaks to the contrary. In this case, the court did not see any reasons to question the validity of the objective third party test results, or the process employed by these companies. This was an important finding since a large part of the parties' argument in the case was about the validity of the methods used to conduct the different tests.

Based on this radically different reading of the evidence in the case, the court then examined each of the statements made individually with the outcome that most of the marketing was deemed permitted in accordance with the Marketing Act. The judgment also sets out in some detail how references to third party tests and surveys shall be used in marketing, how big the text should be, where it should be placed, etc. However, on two separate grounds the court found that some of the statements made were misleading. Firstly, there were instances where the reference to the test was non-existing or insufficient. Secondly, the court concluded that certain statements made with reference to the survey were worded in a way that went beyond what could be considered relevant in regard to the surveys' purpose and result. This meant that it was not clear to the consumer what the statement made was related to, and as a result the marketing was deemed misleading and improper.

In conclusion the PMCA found that several statements were made in a way where a consumer would not recognise through a

brief look at the marketing what the superlative statement were a reference to. Instead, the statements were deemed unreserved. The defendant was not able to prove that these statements were true and those statements were therefore deemed misleading and improper. The court allowed the case to be appealed to the Supreme Court. The case was appealed but the Supreme Court did not grant leave to appeal.

Comment

This judgment clarifies several important questions regarding references to third party objective test results in marketing, and superlatives based on these test results. Most importantly, the case dispels the idea that 'best in test' with references to that test, means best in all tests and in all categories. That is an outdated view of marketing that the court did well to scrap.

The judgment also gives well-needed and detailed instruction to marketers on how references to test results shall be transparently disclosed in the marketing. How big, where on the screen, for how long and the font size where all decisive factors in determining between acceptable and unacceptable referencing to the test and survey results.

Furthermore, the PMCA states that tests conducted or paid for by the same company that later uses it for marketing does not imply the test is unreliable, even though the disclosure of such facts should be clearly stated. This is an important clarification in a sector like the telecom sector, where it is the large Swedish mobile operators that pay the objective third party test institutes to carry out the tests and surveys.

Hans Eriksson and Simon Fredriksson

Trade secrets

General introduction

Trade secrets continue to be a hot topic in Sweden and this year we report on several interesting cases in this Yearbook, including what is likely the largest ever trade secret misappropriation case and a case regarding the use of technical evidence in trade secret misappropriation proceedings.

Alleged misappropriation of trade secrets (PMCA, PMT 7747-20)

Introduction

This judgment is the latest in a long-running dispute between two Swedish companies regarding the development and commercialisation of the ubiquitous Swedish electronic-ID service BankID. The proceedings, which have been pending since 2017, involve claims for compensation in the range EUR 100 million and is based on alleged misappropriation of trade secrets and copyright infringement.

In this decision, the PMCA upholds the PMC's rejection of all claims. However, unlike the lower court, the PMCA did not find that the claimant had demonstrated that any part of the at-issue information qualified as trade secret.

Background

During 2009–2010, the defendant developed an electronic-ID solution which since has been adopted by virtually all Swedes for all kinds of interactions online, both public and private. During the initial stages of the project, the claimant was evaluated as one of several potential partners. After a few meetings between the parties and an evaluation the defendant decided to move ahead with another company to build the solution.

The claimant subsequently alleged that the defendant had misappropriated trade secrets belonging to claimant, which the claimant purported to have shared with the defendant. The claimant argued that its general concept and certain characteristics of its system, which were presented as nine different features, had been used in the defendant's solution.

With few exceptions, it was contentious what information the claimant had shared. The defendant also argued, among other things, that the information purported to be trade secret largely was publicly known. The PMC placed the burden of proof for the latter argument on defendant.

In its judgment, the PMC ruled that some of the information held to have been handed to the defendant qualified as trade secrets. However, the court dismissed all the claimant's claims after finding that defendant had developed its solution without use of that information.

Decision

The PMCA disagreed with the lower court's finding that some of the at-issue information qualified as trade secrets. The court reiterated that the burden of proof for all circumstances needed to establish that certain information qualified for protection as trade secrets rests with the party that alleges that said information is trade secret (normally the claimant). The PMCA held that it was for the claimant to demonstrate that the information in question was unique for claimant. In other words, it is not sufficient that information is kept secret, it must also be secret.

Based on the evidence invoked, largely in the form of witness evidence from the people involved in the development project, the court found that neither the claimant's general 'concept' nor its nine features, qualified as trade secrets. The court noted that all elements of the information and techniques they described largely were common knowledge in the field and in many respects ideas that the defendant had contemplated before having any contact with the claimant.

There was a dissenting opinion as to reasons for the judgment. The judge in question reasoned that the burden of demonstrating public availability of information should be placed with the party which

makes that assertion. The reason cited being that it is difficult to demonstrate that something is not known. However, the dissenting opinion found that the defendant had met this burden of proof and ultimately came to the same judgment as the majority opinion.

Comment

The present case demonstrates the importance of how the information for which protection is sought is defined. The more general and abstract that the definition of the trade secret is, the more difficult is it to show that the conditions for protection are met.

The judgment is on appeal to the Supreme Court, which currently is considering whether to hear the appeal.

Hans Eriksson, Simon Fredriksson and Björn Rundblom Andersson

Swedish trade secret litigation and employment law (Labour Court, A 180/21)

Introduction

Claims of misappropriation of trade secrets against a company are tried by Swedish courts under normal procedural rules, while similar claims against a private individual (like a former employee) are handled as a labour case and tried according to special procedural rules. This means that litigating trade secrets in Sweden often involves employment law and collective bargaining agreements, whether the litigants want it to or not.

When you run a trade secret misappropriation case against both former employees privately and their new companies, you may end up with a witches' brew of procedural questions and complicated employment-related questions, something exemplified well by a recent decision from the Labour Court.

Background

The claimant in this case, Company A, took legal action against three former employees and their new company, Company B, with claims for trade secret misappropriation and demands for significant damages.

Company A was a member of a trade union for employers, Union A, while one of the former employees was a member of a trade union for workers, Union B (the two other former employees were not unionised). There was a collective bargaining agreement in place between the two unions that dictated certain questions between the parties which would turn out to be of central importance to the case.

What started out simple enough at the District Court level, with a summons application against all defendants that was being handled as one case, immediately turned complicated when Union A intervened on behalf of Company A against the unionised former employee and Union B. What was once one case was suddenly three:

» A labour case between Union A against Union B and the unionised former employee.

» A labour case between Company A against a non-unionised former employee.

» A normal case between Company A against Company B and the last non-unionised former employee.

Under these circumstances, the applicable procedural rules forced the now three-headed beast to be moved from the District Court to the Labour Court to be tried on the merits.

Decision

Swedish collective bargaining agreements regularly contain so-called negotiation arrangements which regulates how and within which deadlines certain kinds of negotiations between parties bound by the collective bargaining agreement must be held in the event of legal disputes.

According to Chapter 4 Section 7 of the Labour Disputes (Judicial Procedures) Act, a claim in court against a member of a union bound by a collective bargaining agreement cannot be tried by the Labour Court, unless such negotiations have been completed.

According to the collective bargaining agreement in place between the parties, Union A/Company A must complete negotiations with

the unionised former employee/Union B within four months of having 'become aware of the situation to which the legal claim relates' in order to subsequently file suit in court.

The parties disagreed on which exact date this four-month deadline should be calculated from. Union B argued for an early 'awareness date' (which would mean that Union A/Company A had not negotiated within the deadline and their claims should be rejected) while Union A argued for a later awareness date (which would mean that Union A/Company A had negotiated within the deadline and the case could proceed). Put another way, was the awareness date when Company A first realised that there had been an alleged misappropriation of trade secrets, but still felt it had to investigate further, or was the awareness date later, when Company A had fully investigated the matter and could formulate its demands?

The Labour Court's reading of the case law was that the awareness date should be the time when Company A had knowledge of the central circumstances of the alleged misappropriation of trade secrets, but not necessarily knowledge of all circumstances needed for a litigation (for example all the information needed to formulate a claim for damages, which can take a long time).

Applied to the facts of the case, the Labour Court found that Company A had reached the awareness date when they sent a cease and desist letter to Company B and the former employees alleging misappropriation of trade secrets, even if Company A argued that they still had to carry out additional investigations to formulate its claim for damages at this time.

Since Company A had not negotiated within the timeframe dictated by the collective bargaining agreement, the court rejected Union A's claims against Company B and the unionised former

employee. The remaining two cases were bounced back to the District Court level, but to complicate matters even further to a new District Court on account of the first District Court having based its jurisdiction over the case on the domicile of the unionised former employee whose case had just been rejected.

Lastly this decision also touched on the interesting question of how a claimant in a trade secrets case should know that the former employee is unionised. At some point Company A had approached Union B with a general request to know whether the former employee was a member of the union. Union B had not answered this question since union membership is a sensitive personal question. Company A argued that this was a delay tactic that had impacted the awareness date discussed above.

The Labour Court found for Union B also on this matter. There was no requirement in law or in the collective bargaining agreement for the union to answer general questions and inform Company A about whether the former employee was currently or had ever been a member of the union. In order to avoid this problem and be informed about the former employee's unionisation, Company A should simply have demanded this information in their early cease and desist letter or should have followed-up on this point in a separate letter.

Comment

The take-away from this judgment is that trade secret litigation in Sweden is complicated enough on its own, but having claims for misappropriation of trade secrets tangled up with employment law and collective bargaining agreements and handled under special procedural rules raises the stakes even more.

Potential trade secret litigants should therefore move quickly and thoroughly in their early investigation in situations where former employees are involved. Litigants should quickly ascertain whether the targets are members of trade unions in order to be able to adhere to the harsh deadlines prescribed in many collective bargaining agreements. This emphasises how important the early investigatory phase of a potential trade secrets case is and how time is of the essence. This can be particularly problematic as this early investigatory phase is commonly the same time during which the litigant is conducting complicated and time-consuming IT forensic investigations and preparing expert reports to be used in the subsequent litigation.

Hans Eriksson

SharePoint and OneDrive prove difficult to handle in Swedish trade secret litigation (District Court of Gothenburg, T 3135-20)

Introduction

Last year, we wrote about a decision from the PMC about the use of IT forensic evidence in trade secret litigation that seemed to signal a stricter evaluation of the expert forensic reports that are commonly used in such litigation in Sweden (see the article regarding this decision in the last year's Yearbook).

That trend continues this year with this recent judgment in a trade secret misappropriation case right out of central casting – the claimant being a company in which the defendants where previously employed in leading positions, and the claim of misappropriation being that they copied large amounts of sensitive documents before ending their employment and setting up competing shop – where the District Court of Gothenburg interpreted the invoked IT forensic evidence strictly and found that it did not support a finding of misappropriation of trade secrets (or connected claims of copyright infringement and violations of employment agreements).

While the earlier case is still being litigated on appeal, this new case reinforces the conclusion that Swedish trade secret litigants should be very careful not to over-rely on IT forensics in litigation and particularly suggest caution when the defendant uses SharePoint/ OneDrive and similar setups.

Background

IT forensics (also known as digital or computer forensics) is the field of forensic science that is concerned with analysing data from computers and other data carriers for use in civil litigation or criminal proceedings. Over the last few years, this kind of evidence has become more and more commonly used in investigations of suspected intellectual property infringement as well as misappropriation of trade secrets in a modern digital environment. There are several specialised third-party IT forensic actors that help clients conduct such investigations and prepare materials for submission in Swedish litigation.

Since the implementation of Directive (EU) 2016/943 ('Trade Secrets Directive') in Sweden, the protection of trade secrets has been significantly strengthened, including by expanding the concept of 'misappropriation' of trade secrets to also include a person unlawfully acquiring the trade secret (without the need to prove subsequent unlawful use or disclosure).

In a digital context (which is of course virtually all cases these days), IT forensics is used to evidence the unlawful acquisition of the trade secret information. In a typical case, the IT forensic may be contacted by a company upon a key employee's departure under suspicious circumstances. The IT forensic may be tasked to analyse the former employee's computer and phone and to flag any suspicious actions, such as unusual exports of data to a private email accounts or unknown USB devices. The findings are collected into a report which is filed as evidence in the litigation and the author is invoked as a witness.

In this case, the facts of the case are complicated, but in short, the claimant argued that the defendants had copied large amounts of trade secret documents around the time when they were leaving to form their own competing company. An infringement investigation was carried out and digital evidence secured which was analysed in the IT forensic reports that formed the backbone of the claimant's allegations of misappropriation of trade secrets.

IT forensic reports do however have certain inherent and likely unavoidable limitations. Last year's case from the PMC shone a light on the risks with relying too heavily on such evidence and in this year's case, the defendant's use of SharePoint and OneDrive proved to be an additional complication.

Decision

The court reiterated that in the modern, digital work environment, it is common for employees to have access to the digital resources of the company, including by using documents and other data in various ways (documents that the claimant argued constituted trade secrets). This is particularly true for high-level employees.

Even if the defendants in this case took various actions with documents before they ended their employment with the claimant, such uses may have been necessitated by the defendants' work for the claimant and do not prove that the defendants sought to steal the trade secrets.

The IT forensic evidence invoked by the claimant in this case thus needed to convince the court that the defendants took the actions with the documents in order to unlawfully acquire the trade secret information, as they were planning to start a competing business. The evidence failed miserably in this regard and the court had myriad large and small criticisms of the invoked evidence, some of which are summarised here.

One practical complication was the fact that the IT investigation concerned five different computers, and that the results were presented to the court in several different independent reports. There were apparently mistakes in the reports when referring to the different private and work-related computers and the different reports and those mistakes severely questioned the veracity of the findings. There was also apparently a hierarchy between the different reports, where some were preliminary and others final, and the claimant had invoked the preliminary reports to prove important parts of the allegations, even when those preliminary reports did not square fully with the final reports.

At the time of the investigation (2020), there were technical difficulties for the IT forensics to analyse networks of computers that used SharePoint and OneDrive. This made it exceedingly difficult to prove which files had been downloaded to a particular computer, or that had only been available on that computer though cloud storage.

Particularly the SharePoint synchronisation functionality, so-called Files On Demand, whereby the user can simply indicate files to be 'always downloaded on the computer', appears to have created pandemonium in the report's conclusion as to which files had been 'actively' downloaded by the employees (i.e. trade secrets that had been unlawfully acquired by the defendants). In one instance, it appeared from the judgment as if one of the defendants had tried to download a number of files to his personal computer using this function, but failed.

The uncertainties outlined above resulted in many apparent mistakes in the reports, such as files with wrong names and wrong timestamps, file accesses alleged to have happened in the time after the claimant confiscated the computers, and even suggestions that the computers had been connected to public wi-fi after having been confiscated.

In addition to the uncertainties identified above, the court found much of the claimant's invoked witness testimony to be presented out of context and lacking in specificity. The defendants' testimony

on the other hand, convinced the court that the then-employees' various actions with the files were necessitated by their work for the employer, especially during the last few weeks of the employment when the defendants were looking to handover their current work to successors. Defendants were also able to connect several of the documented instances of copying of files to specific work assignments or preparation for handover to successors, thus showing to the court that the copying was not completed in order to unlawfully acquire the trade secrets but were instead carried out as a natural and loyal part of fulfilling the employees' work for the employer.

On the merits of the claimant's claim that the defendants had violated their employment agreements by taking certain measures, the court also made some interesting observations about which actions a person who is about to quit his job is reasonably allowed to take while still employed.

The court denied the claimant's claims (misappropriation of trade secrets, copyright infringement and violation of employment agreement) and awarded the defendants full litigation costs. The case is currently on appeal.

Comment

This case reiterates and emphasises the limits of IT forensic evidence and the risks involved in relying too heavily on such evidence in IP litigation in Sweden. IT forensic evidence is to its nature somewhat preliminary, which the IT forensic experts themselves are careful to point out. When such evidence is relied on to substantiate important facts of the case, the IT forensic report and expert witness testimony should to the farthest extent possible be corroborated by other written or in-person evidence. Another challenge made abundantly clear in this case is to make sure the

contents of several over-lapping reports accessible to the court and to check that thereare no inconsistencies in the reports' findings. SharePoint and OneDrive proved to be the claimant's bane in this case, but from what we hear the IT forensics now have better tools to handle this particular challenge.

The take-away for current or potential Swedish trade secret litigants should be that Swedish courts are scrutinising IT forensic evidence carefully and that litigants should structure their cases accordingly. As a practical matter, this likely means involving lawyers early and intimately in the discussions with IT forensic experts about how they should structure their investigations and reports, in order to minimise risk of inadvertent mistakes. This however obviously leads to higher litigation costs and raises the stakes further in misappropriation of trade secret litigation.

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