

Report Q204

in the name of the Swedish Group
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Liability for Contributory Infringement of IPRs

Questions

1) Analysis of current legislation and case law

- 1) *Does your national law provide for liability for contributory infringement of IPRs, in respect of the offering or supply of means for working an invention, for enabling illicit commercial use of a trademark, for making a copyrighted or design protected product, etc.?*

It is only the Patents Act (SFS 1967:837) that includes a specific provision on contributory infringement (Section 3, paragraph 2). The provision was introduced in 1978 (Gov. Bill 1977/78:1) and is modeled on Article 26 of the Community Patent Convention (CPC) and states:

“The exclusive right also implies that no one, without the consent of the proprietor of the patent, may exploit the invention by offering or supplying a person who is not entitled to exploit the invention with such means for carrying out the invention here in Sweden which relates to an essential element of the invention, if the person offering or supplying the means knows, or it is obvious in the circumstances, that said means are suited and intended for use in carrying out the invention. If the means are a generally available commercial product, this paragraph only applies if the person offering or supplying the means attempts to induce the receiver to commit acts referred to in the first paragraph [**Note. Directly infringing acts**]. In applying the provisions of this paragraph, persons using the invention in a manner specified in paragraph three, points (1) [**Note. Private use exception**], (3) [**Note. Experimental use exception**], (4) [**Note. Exception for use related to regulatory requirements**] or 5 [**Note. Pharmacy *ex tempore* exception**], shall not be considered as entitled to exploit the invention.”

All intellectual property acts penalise intentional or grossly negligent infringement and since 1994 (Gov Bill 1993/94:122) also attempts and preparations to infringe. Pursuant to the Swedish Penal Code (SFS 1962:700, Chapter 23:4(1)), it is a penal offence to assist another by advice or deed in a criminal act. Consequently, a person who is found guilty of aiding or abetting an infringement of an IPR may be subject to penal sanctions such as imprisonment and fines. In addition, pursuant to the Swedish Tort Liability Act (SFS 1972:207), Chapter 2 Section 2, one who commits a criminal offense is liable to compensate any damages caused including pure economic loss.

What is less clear is whether one can be liable for damages where penal liability has not been established. The starting point in Swedish law has generally been that a prerequisite for liability to compensate pure economic loss is the existence of penal liability or specific statutory rules such as the provisions in the IP laws on civil liability for damages. The literal text of the rules on civil liability for damages in the IP laws however seems to encompass only those who commit a direct infringement. Notwithstanding this, the Swedish Supreme Court

has held that it can not be excluded that one can be liable for damages for pure economic loss even where criminal liability has not been established (NJA 2005 p. 608). The Swedish reporters are however unaware of any case in Sweden where a contributory infringer has been found liable for damages where criminal liability has not been established.

Pursuant to express provisions in the Copyright Act (SFS 1960:729, Section 53 b) it is also possible to obtain injunctive relief, also as an interlocutory measure, against such accomplices, irrespective of whether they fulfill the required subjective intent or negligence for criminal liability or not.

According to statements by the legislator in the preparatory works to the aforesaid provision of the Copyright Act (Ds 2003:35 p. 384-387) the possibility of injunctive relief against accomplices, should exist also for other intellectual property rights even in the absence of express provisions to this effect.

Also the Marketing Act, dealing i.a. with issues of passing off in a manner which could be considered to complement or even overlap trademark protection, includes a provision allowing injunctive relief against anyone who has "contributed substantially" to the unlawful marketing activity (SFS 1995:450, Section 14)

- 2) *If so, is it a condition for such liability that the means supplied are actually used by another (the person supplied) for committing acts that amount to direct infringement of the IPR in the same country (or in another country where there is a corresponding IPR)? Are there any additional conditions that apply in such cases?*

The purpose of the rules on contributory infringement in the Patents Act is that it shall be an independent type of infringement which provides additional protection to the patentee irrespective of the existence of – or possibility to prove – an act of direct infringement. However, there is a limitation in territoriality per se in that an act of contributory infringement (i.e. offering or supplying with means which relates to an essential element of a patented invention) has to be conducted in Sweden and concern an *intended* use of the invention in Sweden. A mere offering of an essential element of a patented invention made outside of Sweden or made in Sweden for intended use elsewhere than in Sweden, is thus not covered by the provision – regardless of patent protection in such other country/ies.

- 3) *If it is not a condition for liability for contributory infringement that the means supplied are actually used by another (the person supplied) for committing acts that amount to direct infringement in the same country (or in another country where there is a corresponding IPR), is it then, on the other hand, a condition for such liability, for example*

- *that the means offered and/or supplied were suitable to be put into an infringing use;*
- *that the means relate to an essential, valuable or central element in the invention or product or service that constitutes direct infringement;*
- *that the means offered and/or supplied were actually intended for such use on the part of the person supplied;*
- *that the means offered and/or supplied were intended to be put to that use in the country in which they were offered or supplied;*
- *that, at the time of offering and/or supply of the means, the suitability and intended use were known to the supplier or were obvious under the circumstances; or*
- *that, to the extent the means are staple commercial products, the supplier induces the person supplied to infringe directly?*

Are there other conditions? Please respond separately for patents, trademarks, designs, copyright etc., if the rules differ from each area of IPR to the other.

As appears from the translation of the relevant provision in the Patents Act under Question 1 above all the conditions according to a) through f) apply.

4) *Are the rules concerning contributory infringement set out in the laws protecting IPR?*

In respect of Patents only, see the answer to Question 1 above.

5) *If such protection is not set out in the laws protecting IPR, does it follow from generally applicable principles of e.g. tort law?*

The protection existing for intellectual property rights, other than the specific provisions on contributory infringement of patents mentioned above, is mainly based on criminal law provisions on aiding or abetting a direct infringement, cf. the answer to Question 1 above.

6) *What are the legal consequences of holding an act to be a contributory infringement of an IPR, in particular:*

- *can the IPR owner obtain injunctive relief to the same extent as in case of direct infringement?*
- *can the IPR owner obtain damages and other compensation to the same extent as in case of direct infringement, or only relative to the contributory infringer's contribution?*

Contributory infringement under the Patents Act is considered to be an infringement as such which means that all the ordinary sanctions are available, including right to injunctive relief and damages.

However, case law (Court of Appeal 1997-10-30, DT 9) suggests that it can be problematic to draft the scope of an injunction so that it fulfils the basic legal requirement for clarity, where the contributory infringement is dependant on the suppliers subjective knowledge of the intended use i.e. where it is not "*obvious in the circumstances*" that the means are suitable **and intended** for infringing use. In the specific case the specific customer had alternative non-infringing uses which could not be ruled out based on the evidence.

There is no express limitation on the liability for damages for a party found to have committed contributory patent infringement in the Patents Act. A comment made in the preparatory works of the Patents Act (Gov Bill 1966:40 p 210) concerning the situation prior to the enactment of the provisions on contributory infringement to the effect that the rules on damages in the act would apply also to accomplices to an infringement, clearly indicates that no limitation on liability has been intended. In the one case where an accomplice's liability to pay compensation appears to have been tried by the courts (Svea Court of Appeal, 1971-03-26) the level of reasonable compensation for use of the invention that was awarded does not indicate any reduction in relation to that of a direct infringement.

As it appears there is no case where the amount of damages for contributory infringement has been tried (in one case the liability to pay compensation was only established in a declaratory judgment but then direct infringement was also involved – Stockholm District Court 2006-10-12, T 27256-05 - and in another case the level of compensation was undisputed – Svea Court of Appeal 1997-10-30, DT 9).

It is however possible that the fact that the contributory infringer has only made a limited, indirect use of the patented invention could, if properly argued, affect the level of reasonable compensation for the use of the invention that a court would award.

In respect of other compensation than reasonable royalty for the use of the invention, the requirement for proximate cause between an act of infringement and the damage for which compensation is sought, could work as a general limitation in respect of liability for contributory infringement. However, even if the offering or supply of the means to infringe

only has concerned a certain part of the patented invention it may still have caused the patentee to lose the sale of the entire corresponding product.

II) Proposals for substantive harmonisation

- 7) *Should measures generally be available against acts that qualify as contributory infringement of IPRs, as defined in these Working Guidelines?*

The precise effect of the introduction of contributory infringement in the Patents Act is difficult to assess but the Swedish group has noted that case law on this provision is very sparse. This could lead to the conclusion that a harmonisation among the different intellectual property laws, which involved the introduction of corresponding provisions in other laws than the Patents Act would be of limited interest, apart from the interest of harmonisation as such.

See also further under question 12) below regarding the interest of widening the scope of the effort of harmonisation in relation to the definition of contributory infringement now set forth in the Working Guidelines for Q204.

- 8) *If so, what should be the conditions for holding an act to be a contributory infringement of an IPR?*

The concept of harmonisation leads the Swedish group to recommend the existing rules for patents as the starting point for any harmonised rules on contributory infringement but it has not sought to identify the specific technical amendments which might be necessary for respective intellectual property right.

- 9) *Should the conditions be different for different kinds of IPRs? Why?*

See answer to Question 8) above.

- 10) *What should be the legal consequences of holding an act to amount to contributory infringement of an IPR, in particular?*

- *Should the IPR owner be able to obtain injunctive relief to the same extent as in case of direct infringement?*
- *Should the IPR owner be able to obtain damages and other compensation to the same extent as in case of direct infringement, or only relative to the contributory infringer's contribution?*

The purpose of introducing contributory infringement must be to increase the protection by creating a further and independent kind of infringing act and accordingly the same sanctions as for other infringing acts should be available, including injunctive relief and damages.

- 11) *Should the legal consequences be different for different kinds of IPR? Why?*

The Swedish group has not been able to identify any reasons to differentiate the sanctions among the different intellectual property rights and note that such differentiation would contradict the basic ambition of harmonisation.

- 12) *Does your Group have any other views or proposals for harmonisation in this area?*

As noted under question 7) above is the case law concerning contributory infringement as defined in the Working Guidelines and implemented in the Swedish Patents Act sparse, which indicates that the practical value of such rules is limited. It would therefore be of interest to look at the wider field of liability for individuals/entities who are indirectly involved in and/or benefit from activities which involve infringement, in order to establish the content

of applicable legislation and identify possibilities for improvement and harmonisation. The Swedish group suggests that contributory infringement in a wider perspective be subject for further studies.

Summary

It is only the Swedish Patents Act that includes a specific provision on contributory infringement, as defined in the Working Guidelines. Otherwise, all intellectual property acts, including the Patents Act, penalise intentional or grossly negligent infringement, including attempts and preparations to infringe, and there is furthermore criminal liability for persons who is found guilty of aiding or abetting an infringement of an IPR. Pursuant to the Swedish Tort Liability Act, one who commits a criminal offense is liable to compensate any damages caused, including pure economic loss.

In respect of harmonisation the Swedish group is positive to the introduction of express provisions on contributory infringement in other IPR laws than the Patents Act, subject to technical adjustments, but also suggests that contributory infringement in a wider perspective than as defined by the Working Guidelines, is made the subject for further studies.

Résumé

Ce n'est que dans la loi suédoise sur les brevets que l'on trouve des règles spécifiques concernant la violation indirecte telle qu'elle est définie dans les directives du *Working Guidelines*. Par ailleurs, toutes les lois ayant trait au domaine du droit international des brevets, y compris la loi sur les brevets, prévoient des sanctions pénales aux violations préméditées ou résultant d'imprudences graves, y compris les essais ou les préparations à cet effet. En outre, la loi prescrit la responsabilité pénale des personnes qui se sont avérées coupables d'assistance à l'acte de violation lui-même. Selon la loi suédoise sur l'indemnisation des dommages, toute personne commettant une infraction criminelle est tenue d'indemniser tous les dommages causés, y compris les pures atteintes à la fortune.

Pour ce qui est de l'harmonisation, le groupe suédois est positif à ce que des règles formelles concernant la violation indirecte soient aussi introduites dans les autres lois du domaine du droit incorporel, avec, éventuellement, l'apport d'autres adaptations techniques. Mais il propose, en outre, que la violation indirecte fasse l'objet de nouvelles études dans une perspective plus large que celle de la définition donnée dans le texte du *Working Guidelines*.

Zusammenfassung

Nur das schwedische Patentgesetz enthält eine spezifische Bestimmung zur mittelbaren Patentverletzung, so wie der Begriff in den Arbeitsrichtlinien definiert ist. Auf der anderen Seite sehen alle Gesetze zum gewerblichen Rechtsschutz, einschliesslich des Patentgesetzes, vor, vorsätzliche oder grob fahrlässige Verletzung, einschliesslich versuchter oder vorbereiteter Verletzung, strafrechtlich zu ahnden. Ferner gibt es die strafrechtliche Haftung für Personen, die der Mithilfe oder Mitwirkung bei der Verletzung von gewerblichen Schutzrechten für schuldig befunden werden. Gemäss dem schwedischen Gesetz zur Haftung aus unerlaubter Handlung, ist derjenige, der eine Straftat begeht, haftbar, verursachte Schäden zu ersetzen, einschliesslich rein ekonomischer Verluste.

Bezüglich Harmonisierung stellt sich die schwedische Gruppe positiv zu der Einführung von expliziten Bestimmungen zur mittelbaren Verletzung in anderen gewerblichen Schutzrechtsgesetzen als dem Patentgesetz, unter Berücksichtigung von technischen Anpassungen, regt aber auch an, dass mittelbare Verletzung in einer breiteren Perspektive als in den Arbeitsrichtlinien definiert Gegenstand weiterer Studien sein sollte.