



## Study Question

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**Joint liability for IP infringement**

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### I. Current law and practice

***Please answer all questions in Part I on the basis of your Group's current law.***

**1** Are there any statutory provisions which specifically apply to Joint Liability?

No

Please Explain

No Swedish legal concept corresponds with the study question's definition of Joint Liability. Therefore there are no statutory provisions which specifically apply to Joint Liability.

The different scenarios described in the study question could however establish joint liability for two or more parties under the broad Swedish legal concept of responsibility for complicity (Swe: medverkansansvar). Complicity is a concept from Swedish criminal law (Chapter 23 Section 4 of the Swedish Criminal Code) which is also applicable in civil cases. The complicity concept from criminal law can be applied to a civil case for IP infringement since Swedish IP legislation generally considers IP infringement a crime. In order to be liable under the concept of complicity a party must have furthered the infringement by advice or deed.

Numerous statutory provisions in Swedish IP legislation apply to the concept of complicity by extending the scope of liability also to complicit parties. For example, statutory provisions governing injunctions, orders to produce information, infringement investigations and claims for damages can be used to establish liability for several parties to an infringement.

**2** Under the case law or judicial or administrative practice in your jurisdiction, are there rules which specifically apply to Joint Liability?

No

Please Explain

In NJA 2005. p. 608 the Swedish Supreme Court accepted a concept joint non-contractual liability covering pure economic loss for two parties.

The case is however unlikely to be applied to IP infringement due to widespread availability of the concept of complicity in existing Swedish IP legislation. The case is therefore of limited relevance to this study question.

Several cases discuss joint liability, but within the meaning of Swedish IP legislation, i.e. that IP infringement is a crime, see for example PMT 11706-15, PMT 11574-16, NJA 1986 p. 702, NJA 1993 p. 188 and RH 2013:27. These cases are, as we have understood the question, excluded but provides a good basis for understanding the question out of a Swedish perspective.

**3** In the following hypotheticals, would party A be liable for Joint Infringement with party X? In each case, please explain why or why not.

**3.a** X sells handbags in a shop which is a small stall located in a shopping mall owned by A. The handbags infringe the registered design of Z. A knows that X (and other tenants) sells infringing goods.

Yes

Please Explain

A can be held jointly liable with X under the Swedish concept of complicity if A furthers X's infringement by advice or deed.

If A's actions are limited to renting out the retail space but A's business is otherwise legitimate, and A is made aware of the fact that one or a few of the tenants sell infringing goods, this would generally not be considered a furtherance by advice or deed sufficient to establish joint liability for A and X.

But if A furthers X's infringement by for example taking a percentage of X's sales of infringing goods, or by loading and unloading the infringing goods, A could likely be held jointly liable with X (cf. RH 2013:27, The Pirate Bay, where the operators of a file-sharing site were held jointly liable for copyright infringement under the concept of complicity).

**3.b** X sells handbags in an online shop which is hosted by a large market place platform owned by A. The handbags infringe the registered design of Z. A knows that X (and other web shop operators hosted by A's market place platform) sells infringing goods via their respective online shops.

Yes

Please Explain

See answer to (a) above.

If A only supplies the technical means for the platform (e.g. server space, web portal) but it is clear that each seller is responsible for their respective online shops, A would generally not be held jointly liable with X. If, however, A provides additional services to X and other web shop operators, such as payment solutions, marketing of X's products, or if A is aware that virtually all products sold by the operators using the platform are infringing goods, A could be held jointly liable.

**3.c** X sells handbags in an online shop. The handbags infringe the registered design of Z. A designed the online advertising campaign for X's shop and books online advertising resources for X on websites and in search engines. A knows that X sells infringing goods.

Yes

Please Explain

Yes, this would most likely constitute joint infringement. The fact that A takes an active part is material (cf. B 3143-17, Swefilmer, where the court relies on the fact that the defendants have taken an active part (e.g. administrating advertising, payment and marketing) for an extended

period of time in a way which has been substantial for the operation).

**3.d** For each of the hypotheticals in (a) to (c) above, does it make a difference if A merely suspects that X sells infringing goods? If yes, what is the level of "suspicion" required, and how is it demonstrated?

**3.d. Hypothetical A**

Yes

Please Explain

Yes, joint liability in (a) to (c) for A would require knowledge or a level of "suspicion" which amounts to negligence. It is not certain that it would be sufficient that A has been made aware of an alleged infringement by a rights holder, or that X has previously been found, after judicial review, to have sold infringing goods.

But if the overall circumstances are such that it should have been obvious to A that X sells infringing products, for example by A receiving a cease and desist letter from rights' holders, A's decision to not investigate the matter further and within reason try to determine whether infringement is taking place or not could be considered negligent. To summarize – a level of suspicion/likelihood of infringement triggering a duty to investigate. This level is most likely determined on a case by case basis where the overall circumstances determines the outcome.

**3.d.i Hypothetical B**

No

Please Explain

**3.d.ii Hypothetical C**

No

Please Explain

**4** In the following hypothetical, would party A be liable for Joint Infringement with party X? In your answer, please explain why or why not?

**4.a** Z owns a patent claiming a method for addressing memory space within a memory chip which is built into telecommunication device having further features (main processor, suitable software etc.). A manufactures memory chips. The chips are objectively suitable to be used for the claimed method. A's memory chips are distributed over multiple distribution levels to a plethora of device manufacturers. A has no knowledge of the actual end use of its memory chips.

No

Please Explain

A would not likely be considered liable for Joint Infringement. In order to potentially qualify for liability a more direct involvement would most likely be required, (Sw. *främja i råd och dåd*) aiding and/or abetting the infringement by deed or advice. In this hypothetical, there is no such qualifying activity from A, as A does not appear engaged or even aware of the specific infringing acts.

**4.b** Further, under your Group's law, would it be considered obvious (in the sense of Q204P) that A's chips would be put to one or more infringing uses and if so, why?

No

Please Explain

No, this would not be obvious.

**5** In the following hypotheticals, would party A be liable for Joint Infringement with party X? Please explain why or why not.

**5.a** Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". A operates server "a" in your country, which exchanges encrypted messages with server "b" operated by X, also located in your country. A and B know that their servers exchange encrypted messages according to the patented method.

No

Please Explain

There appears to be no direct, indirect or contributory infringement by any sole party in this scenario. If a third party could be held liable for any sort of infringement, A and B/X could potentially be held jointly or severally liable for aiding or abetting such infringement, by deed or advice, if their behaviour in the specific case could be considered sufficiently involved to qualify.

If A and B/X act jointly with the intention to exercise the invention, it is possible that criminal law rules on acts made "jointly and in collusion" could potentially be applied by analogy to establish infringement by them. There is no such case law of which we are aware

**5.b** Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". A operates server "a" in your country, which exchanges encrypted messages with server "b" operated by X, located outside your country. A and B know that their servers exchange encrypted messages according to the patented method.

No

Please Explain

See answer a) above. In this scenario there appears to be no infringement in Sweden, in which case we do not expect a court to find Joint Infringement.

**5.c** Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". X operates server "a" outside your country, which exchanges encrypted messages with server "b" operated by Y, located in another country outside your country. A, located in your country, is a software consultant advising X and Y how to use the patented method (but A does not supply any software).

No

Please Explain

Since the encrypted exchange between servers a or b does not take part in Sweden, and further Z owns the patent, there exist no grounds for infringement action under current law.

**6** Are there any other scenarios which result in Joint Liability for IPR infringement under your Group's current law?

No

Please Explain

See above under a) on possible analogous application of criminal law principles.

**7** What remedies are available against a party found liable for Joint Infringement? In particular:

**7.a** Is an injunction available?

Yes

Please Explain

Since there is no case law on the subject in Sweden, it is not clear, but if a court would find criminal law rules applicable by analogy, then an injunction should be available.

**7.b** Are damages or any other form of monetary compensation available?

Yes

On what basis?

Again there is no case law, but probably full compensation for the loss incurred could be adjudged.

**7.c** Are any of the available remedies different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?

No

Please Explain

## II. Policy considerations and proposals for improvements of your Group's current law

**8** Are there aspects of your Group's current law that could be improved?

Yes

Please Explain

Yes of course. We would like to incorporate the aforesaid criminal principles of acts of infringement by several persons/entities acting in collusion (Sw. Medgärnings-mannaskap).

**9** Should acts outside the scope of direct infringement or Contributory Infringement give rise to Joint Liability for IPR infringement?

Yes

Should that sound in availability of injunctive relieve and/or damages? Please explain why or why not.

Again there is no case law, but probably full compensation for the loss incurred could be adjudged.

**10** Should Joint Liability be excluded if one or more acts being necessary for establishing Joint Liability for IPR infringement are committed outside the domestic jurisdiction? Please explain why or why not.

No

Please Explain

No, we would suggest also in this regard that the legislator looks into the possibility of incorporating international criminal principles regarding cross border acts of infringement committed by persons/entities with ties to Sweden and acting in collusion (Sw. aktiva personaltetsprincipen) or cross border infringing acts directed towards Swedish interests (Sw. passiva personaltetsprincipen).

**11** Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

No

Please Explain

Not really.

### III. Proposals for harmonisation

***Please consult with relevant in-house / industry members of your Group in responding to Part III.***

**12** Is a consolidated doctrine of Joint Liability for IPR infringement desirable?

Yes

Please Explain

Yes, a consolidated doctrine of Joint Liability applicable to different kinds of IPR infringement creates legal certainty. Legal certainty is a universal positive that among other things increases the value of IPRs, strengthens the position of rightsholders and serves to dissuade potential infringers.

**13** Is harmonisation of the laws of Joint Liability for IPR infringement desirable?

Yes

Please Explain

Yes, since Joint Liability is handled significantly differently across different jurisdictions creating legal uncertainty, harmonisation would be desirable.

***If YES, please respond to the following questions without regard to your Group's current law.***

***Even if NO, please address the following questions to the extent your Group considers your Group's current law could be improved.***

**14** Please propose a suitable framework for Joint Liability for IPR infringement, focussing on the hypotheticals set out in Questions 3 to 5 above:

**4.a** The acts in question are limited to activities such as renting retail space, hosting websites, advertising etc. (as further described in Question 3 (a) to (d) above)

According to our understanding of the question, a suitable framework for Joint Liability would be a proposal for harmonisation according to a consolidated doctrine of such liability.

In order for the suitable framework to apply to the many different circumstances under which Joint Liability should be able to arise in relation to different IPRs, such a suitable framework would have to be fairly general in nature. The framework should set out a clear test for when the separate actions of two parties could give rise to Joint Liability for IPR infringement. The test should be similar to the Swedish concept of responsibility for complicity where courts test whether the separate parties furthered the IPR infringement by advice or deed. The framework should be formulated in a way so as to complement fields where broadly defined joint liability is already established, such as contributory patent infringement and responsibility for online service providers for copyright infringement.

**4.b** The means supplied or offered by the contributory infringer related to a substantial element of the subject matter of the protected IPR, but at the time of offering or supply, the suitability and intended use were not known to the supplier or obvious under the circumstances (as further described in Question 4 above)

When thus distinguishing between for example contributory patent infringement and a new broad concept of Joint Liability, it would likely be difficult to formulate a suitable framework that applied to two or more parties' joint patent infringement that did not amount to contributory patent infringement.

**4.c** The infringing acts are divided between two parties, and the acts of each party do not qualify as direct infringement or Contributory Infringement, as further described in Question 5 (a) to (c) above.

The Swedish group recognises the challenge facing legislators in formulating a suitable framework for Joint Liability to be applied broadly with significant practical effects. As part of the framework, evidentiary standards for claims for damages should be considered, as well as the possible inclusion of a limited reverse burden of proof in order to establish Joint Liability under certain circumstances, as outlined in for example Question 3 above.

**15** Are there any other scenarios which should result in Joint Liability for IPR infringement, and where harmonisation is desirable?

Yes

Please Explain

Any scenarios where the acts of one or more parties does not separately amount to direct or indirect infringement, but constitutes a furthering of the infringement by advice or deed should be able to result in Joint Liability (cf. Question 14 above).

**16** What remedies should be available against a party found liable for Joint Infringement? In particular:

**6.a** Should an injunction be available?

Yes

Please Explain

Yes (on the merits as well as in the interim). The mechanics of such injunction could benefit from being designed as to ensure a deterrent effect. This by (a) supplementing the injunction with a fine/penalty and (b) equipping the court with alternate models to calculate the fine/penalty (e.g. enabling the court to choose a fixed amount or an amount exceeding anticipated financial gains for the infringers).

**6.b** Should damages or any other form of monetary compensation be available?

Yes

On what basis?

Yes, monetary compensation should be paid for any actual damage that the rights holder(s) have suffered from the infringement, for example loss of profit and good will damages.

**6.c** Should any available remedies be different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?

Yes

Please Explain

The liability for damages should vary based on each liable party's relevant actions. The significance of such relevant actions could be assessed in different ways (e.g. the relevant action's significance for enabling the infringement or the relevant action's impact on actual damages suffered by rights holder).

**17** Please comment on any additional issues concerning any aspect of Joint Liability you consider relevant to this Study Question, having regard to the scope of this Study Question as set out in paragraphs 7 to 13 above.

No comment

**18** Please indicate which industry sector views are included in your Group's answers to Part III.

Industry (Collecting society STIM) and law firms (Sandart, Hannes Snellman, Lindahl, Synch, Cederquist).