

**Suède
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**in the name of the Swedish group by
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Criminal law sanctions with regard to the infringement of intellectual property rights

2 Substantive Law:

2.1 Compliance with Article 61 of the TRIPs Agreement

Criminal Sanctions Regarding Trademark Counterfeiting and Copyright Piracy

Under Swedish law, trademark counterfeiting as well as copyright piracy may be punished by fines or by imprisonment, Section 53 of the Copyright Act and Section 37 of the Trademark Act. The maximum term of imprisonment is two years, please see further under 2.6 below.

With respect to computer programs, reproduction for private use is now prohibited under the Copyright Act. Nevertheless, the reproduction for private use of computer programs, which have been published or copies of which have been distributed with the consent of the originator, is exempted from criminal liability in case the original is not used commercially or in public and the copies made are not used for other purposes than private use. Bearing in mind that Article 61 of the TRIPs Agreement only deals with copyright piracy on a commercial scale, the Swedish exemption should not be regarded as non-compliance with Article 61.

Criminal Sanctions Regarding Other Intellectual Property Rights

Not only trademark and copyright infringement could be subjected to fines or imprisonment. The same penal sanctions, i.e. fines or imprisonment for not more than two years, may also apply to infringements of other intellectual property legislation, please see Section 57 of the Patents Act, Section 18 of the Trade Names Act, Section 9:1 of the Plant Breeders' Protection Act, Section 35 of the Design Protection Act and Section 9 of the Semiconductors Act.

It should further be noted that the previous Swedish Marketing Practices Act also contained criminal sanctions. In the current Marketing Practices Act the criminal sanctions have been

removed. However, a violation of the Act may result in a monetary sanction referred to as market interference fee.

Access to Criminal Sanctions

One issue which could be relevant to the matter of compliance with the TRIPs Agreement is the limited possibility for the prosecutor to bring actions regarding violations of the industrial property rights. For further details in this regard, please refer to 2.7 and 2.9 below.

Other Measures

Other measures which may be ordered by the court are precautionary measures such as alteration and destruction. For such precautionary measures to be available, it is sufficient that the objective criteria for an infringement are fulfilled, and these measures do not constitute criminal law forfeiture. Furthermore, the court may prohibit continued infringement under the penalty of a fine. In relation to criminal liability, the Code of Judicial Procedure also allows a search of premises, provided that the reason for the search outweighs the intrusion inflicted upon the suspect. In addition, a possibility to carry out a civil law search of premises (infringement investigation) has recently been introduced into the intellectual property legislation. Such a search may be carried out if it can be reasonably assumed that an infringement has taken place. Seizure is possible when it can be assumed that the infringement constitutes a crime.

Measures Regarding Tools Etc. used in Relation to Infringements

The precautionary measures apply not only to goods which infringe the intellectual property rights but also to devices, tools etc. which have been used in relation to the infringement.

2.2 Pre-requisites for Criminal Liability

Objective Requirements

Penal liability requires firstly as an objective criterion that an infringement of a protected intellectual property right has taken place. The penal law principle *nullum crimen sine lege* is upheld by the Swedish Constitution as well as by Article 7 of the European Human Rights Convention. Technically, the penal liability is linked to the legal definitions of the scope of the sole rights given in the respective statutes. The objective criteria for infringement as such are the same for penal and civil liability.

Subjective Requirements

Secondly, for penal liability a special intentional element must always be fulfilled. There are as of today no provisions in force which impose a strict penal liability based solely on the infringement as such. The same intentional element applies to all protected intellectual property rights. It is formulated as a requirement that the infringing act must have been made either intentionally or by gross negligence.

In relation to criminal liability for garments infringing a copyright (RH 1995:128), intention and gross negligence have been explained in the following way. An intentional infringement

takes place if the defendant is aware that he copies another product and realizes that the original product has such qualities that copying is prohibited. In order to be grossly negligent the defendant must have reason to believe that the original product might be protected by copyright and should have realized that his action constitutes an infringement of the right. However, negligence in this respect is not sufficient for criminal liability. Criminal sanctions may only be applicable in case the defendant is grossly negligent. Furthermore, he has a duty to investigate the origin of the product. This duty is extensive in case the producer does not carry out any actual creating and in case it may be suspected that copying is not unfamiliar to the producer (RH 1995:128). The duty to investigate the origin of the products as well as a duty for the defendant to inform himself about trends through magazines etc was established in NJA 1995 s 164 in relation to civil law liability for violation of copyright. As concerns advice from technical experts, such advice would in certain cases probably be of importance in estimating whether gross negligence is at hand, please see further under 2.8 below.

Regarding trademark infringement, the *La Copie* case (RH 1990:68) made it clear that the defendants had acted intentionally despite the fact that they had been advised that their actions should not constitute any infringement by a lawyer and by the Swedish Consumer Agency.

Burden of Proof

The fundamental penal law principle that the accused does not need to prove his innocence applies also to intellectual property right infringements. Hence, it is the party alleging a criminal infringement, who has the burden of proof in respect of both the objective criteria as well as the intentional element. This applies not only to actions taken by a public prosecutor, but also to actions by the intellectual property rights holder himself, which is possible in cases where the prosecutor for some reason does not find cause to prosecute.

As a matter of principle, the intentional element must be proven positively. However, depending on the facts of the specific case, it could be said that there sometimes exists a presumption of infringement by negligence.

Furthermore, a specific rule regarding the burden of proof seems to apply within the field of copyright. If it is shown that the plaintiff's work of art fulfils the requirements for protection and that the allegedly infringing product has a striking similarity, then it is for the defendant to show with a certain degree of probability that the allegedly infringing product was created independently from the plaintiff's work of art. It should however be noted that the case (NJA 1994 s 74) which established this rule concerned civil law liability, and it is not obvious that the same rule would apply under criminal law, where the burden of proof never falls on the defendant. However, the end result might be similar because of the negative inference drawn from a failure by the defendant to offer an adequate explanation.

2.3 Differences between Civil and Criminal Law Liability

Objective Requirements

As already set forth under 2.2 above, the objective requirements are the same for civil and criminal liability.

Subjective Requirements

As concerns the subjective requirements for criminal liability, the intellectual property acts require the infringement to be either intentional or made by gross negligence, please see further under 2.2 above.

Regarding civil law sanctions, the general rule is that if the act was intentional or negligent, the injured party is entitled to compensation for the use of the intellectual property and for other damage resulting from the infringement. Under the Copyright Act, the injured party is also entitled to compensation for suffering and other detriment. In case the infringement is neither intentional nor negligent, the infringer is, if it is considered to be reasonable, liable to pay reasonable compensation. It should however be noted that under the Copyright Act the injured party is always entitled to reasonable compensation for the use of the intellectual property.

Liability for Legal and Natural Persons

A further difference between civil and criminal liability is that whereas only natural persons can be held responsible under criminal law a legal person can be held responsible under civil law. Thus, criminal liability could be asserted against a person representing a company at the same time as civil liability is invoked against the company.

Terms of Limitation

The term of limitation regarding criminal liability is five years from the date when the criminal act was committed.

Concerning civil liability legal action must be initiated within five years from the date when the act causing the damage took place, according to the acts on trademarks, patents, design, trade names and plant breeders' protection. Furthermore, these acts also contain a supplementary rule according to which a claim always may be brought within one year from the registration date. No special terms of limitation are stipulated regarding copyright and semiconductors. Thus, the general term of limitation should be applicable, i.e. 10 years from the date when the act causing the damage took place.

Other Differences between Civil and Criminal Law Liability

Under criminal law there is a principle prohibiting double sanctions. Thus, criminal proceedings cannot be invoked against a person who has infringed a prohibition being subjected to a fine. Under civil law there is no corresponding rule prohibiting action for damages when other measures have been taken against the same person.

2.4 Liability for Legal and Natural Persons

Under Swedish law, a legal person cannot commit a crime and consequently a legal person cannot be subjected to criminal liability. Instead, one or more natural persons will be held responsible for a criminal offence. An intellectual property case which concerned a criminal infringement committed by a company is the *La Copie* case (RH 1990:68), in which two persons being shareholders and members of the board were found to be guilty of trademark

infringement. In a case concerning criminal liability for copyright infringement (NJA 1985 s. 893), the culture editor who took the initiative in publishing an article was held liable together with the chief editor and publisher. As indicated in a case regarding civil law copyright infringement (NJA 1986 s. 702), in the first place, the person actually carrying out the infringing act should be held liable.

Nevertheless, the Penal Code stipulates that a company may be subjected to a corporate fine in case a crime has been committed in the context of a commercial activity. Such a claim must be initiated by the public prosecutor.

2.5 Validity of Intellectual Property

The courts, which hear matters of criminal infringement, have also jurisdiction over civil matters. Problems may however arise because of the rules regarding proper legal fora. For instance, under civil law, a counterclaim regarding invalidity may be entered in the same court as the main claim but can also be made as an independent claim in the court of the rights holder's domicile.

In relation to criminal law, an action is normally brought in the court where the criminal action took place. In case the validity of the right is questioned and the court finds that the objection may not be dismissed, the court must stay the proceedings, and the defendant will have to bring action regarding the validity in the court of the rights holder's domicile. Such a claim is not regarded as a counterclaim. It should however be noted that this problem will not arise in relation to patents since the Patents Act vests the Stockholm District Court with exclusive jurisdiction over both infringement and validity actions.

2.6 Precise Criminal Sanctions

As already indicated under 2.1 above, the criminal sanctions for infringement of intellectual property rights include fines or imprisonment for a maximum of two years. However, it is to be noted that the defendant will normally not be sentenced to more than a few months' imprisonment. As concerns the industrial property rights, the maximum term was changed from six months to two years in 1994. This amendment was not intended to make the sanctions in general more severe, but rather to enable the courts to pronounce more severe sentences in cases of really serious infringement. Furthermore, the increased maximum time of imprisonment makes it possible to apply longer terms of limitation and certain means of compulsion, for example detention, which require penalties of a certain level.

Although an intellectual property infringement can lead to both civil and criminal liability it has been argued that criminal sanctions should be regarded as the only appropriate remedy in cases of professional criminality. Counterfeiting and piracy has resulted in criminal sanctions in several cases, for example in the *Bootleg* case (NJA 1984 s. 34) regarding copyright and in the *La Copie* case (RH 1990:68) regarding trademarks. In the case RH 1996:158 regarding copyright infringement (video films), the sentence of the Court of Appeal was two months' imprisonment for infringement of copyright. The Court made it clear that a fine would not be sufficient in that case, which concerned a commercial and organized activity. It should nevertheless be noted that this was considered an unusually severe sentence in respect of Swedish intellectual property law. Infringements of intellectual property which are neither

very severe nor “professional” will probably result only in a fine or possibly in a suspended sentence.

Damages in Connection with Criminal Liability

For practical reasons, the Swedish Code of Judicial Procedure allows a claim for civil damages to be made in connection with the criminal proceeding. In case such joint handling would be inconvenient, the claim for damages may however be separated from the criminal trial and thus be dealt with as a civil claim.

2.7 Additional Information on the Swedish Legal System

Initiation of Criminal Procedure

An action for penal sanctions can be brought by the public prosecutor as well as by the holder of intellectual property rights and his licensees. There are, however, some restrictions for the public prosecutor to initiate a legal action. Thus, the public prosecutor must be able to show that prosecution is in the public interest to a specific degree. A difference is furthermore to be noted between copyright on the one hand and industrial property rights on the other hand.

In copyright cases, the public prosecutor may only bring action if either the intellectual property rights holder reports the infringement for prosecution or if prosecution is called for in the public interest. In respect of infringements of industrial property rights the limitations are more extensive, inasmuch as the public prosecutor may only bring action if the intellectual property rights holder reports the infringement for prosecution and prosecution for special reasons is in the public interest. Both criteria must be fulfilled. Thus, as regards infringements of industrial property rights the instigation of the intellectual property rights holder is mandatory. Furthermore the public interest must be especially pronounced. Nevertheless, recent governmental reports (SOU 2001:26 and SOU 2001:68) suggest that the requirement of special reasons shall no longer apply in relation to trademark and design.

Another procedural requirement applies to actions for penal liability in case of infringement of industrial property rights brought by licensees. In such cases it is mandatory for the licensee to notify the industrial rights holder of his intention to bring an action. If such notice is not made the court is prevented from hearing the case. This requirement applies to all protected industrial property rights with the exception of trade names. The reason for the exception is that trade names must follow the business and consequently can be transferred only together with the business. The procedural requirement does not apply to copyright and semi-conductors.

Burden of Proof

Please refer to 2.2 above.

Settlement by Agreement

The possibilities for the parties to terminate the proceedings by agreement differ between actions brought by the public prosecutor on the one hand and by intellectual property rights

holders on the other hand. Once the public prosecutor has initiated an action he may only withdraw the charges if he finds that the cause for taking action in the first place no longer exists. He is not allowed to make a settlement with the defendant. By contrast, the intellectual property rights holder can always settle the matter by way of agreement if he has brought a private action.

Statistics

No detailed statistical information is available. By way of general information it should be noted that whereas precautionary measures can be obtained quickly, a trial on the merits is a rather drawn-out process and may take approximately one and a half year before judgment is pronounced. The costs will depend on whether prosecution is made by the public prosecutor or by the rights holder. In order to support the public prosecutor and conduct an action for damages in a criminal case, the costs may amount to approximately 5,000 USD. The number of cases regarding counterfeiting is around 4-5 cases per year.

Additional Information

Finally, it should be added that in accordance with EC Council Regulation 3295/84 Swedish Customs have the powers to suspend release of counterfeit or pirated goods or detain such goods. Furthermore, Regulation 3295/94 also entitles the rights holder to receive information regarding the name and address of the declarant.

2.8 Technical Experts

The role of technical experts would not be much different in penal proceedings as compared with civil proceedings. Their procedural status and the rules of evidence are the same. However, it would of course be more difficult to prove the infringement if the intellectual property right is weak or uncertain.

In the *La Copie* case (RH 1990:68), the Court of Appeal made it clear that advice from a lawyer and from the Swedish Consumer Agency to the effect that no infringement would take place provided that consumers were informed about the fact that the products were copies, could not free the defendant from liability. However, in respect of advice from technical experts on issues such as patent claim interpretation and validity, consultations in advance of actions, that objectively would be found to infringe, would probably sometimes be of importance in estimating whether gross negligence is at hand.

It should also be observed that in cases regarding patent infringement the court of first instance shall consist of two or three professional judges and two or three technical experts. If the case reaches the Court of Appeal, the court shall consist of three to five professional judges and two to three technical experts. The Court of Appeal may however dismiss the technical experts if their participation is not considered to be necessary.

2.9 General Opinion Regarding the Criminal Sanctions

As noted above, the public prosecutor may only bring an action for infringement of industrial property rights if the rights holder reports the infringement for prosecution and prosecution

for special reasons is in the public interest. This rule effectively constitutes a limitation on the possibility to make use of the criminal sanctions in the acts on industrial property rights. For example, it seems very unlikely that a prosecutor would prosecute in cases which do not concern identical or almost identical copies. Thus, issues such as the scope of the protected rights and the criteria regarding relevant differences are not likely to be considered in court. Due to this *de facto* limited possibility to prosecute, it could be questioned whether Swedish law sufficiently complies with the TRIPs Agreement.

As mentioned above, it is however possible that the requirement of *special reasons* for prosecution will be abolished in relation to trademark and design. Such an amendment would obviously increase the prosecutor's possibilities to prosecute. In this context it should also be observed that the rights holder has a possibility to bring a private action, but he will have limited access to enforcement and other measures that are available to the police and the prosecutor.

In addition, it also deserves to be mentioned that there are currently very few prosecutors in Sweden with experience of intellectual property law. It has been suggested that, in order to increase the effective use of criminal sanctions, the investigations should be entrusted to a specific prosecution office. However, the resources would then have to be taken from other functions. Again, it could be argued that such a redistribution of resources is not motivated because the rights holders have a possibility to enforce their rights through the civil law system.

3 Proposals for Solutions for the Future

3.1 Should Criminal Sanctions Apply to All Intellectual Property Rights?

Yes, and that is already the principle applicable in Sweden.

3.2 Remarks Regarding the Intentional Element

As a starting point, the intentional element should be a condition for penal liability. Since 1994 in the Swedish Intellectual Property Law penal liability has also included gross negligence.

As a general principle, in criminal cases the burden of proof should not lie with the accused. Hence, it is the person who alleges that a criminal infringement has taken place, who has the burden of proof for the intentional/gross negligence elements.

It should be kept in mind that the principle of "beyond reasonable doubt" should be applicable in all criminal cases. The nature of the infringement could be one circumstance taken into account in determining if this standard of proof has been reached.

3.3 Should Validity be Considered in a Criminal Court or in a Civil Court?

In criminal proceedings, the Penal Judge cannot rule on the validity of an intellectual property right.

If the case concerns the infringement of an intellectual property right, and the validity of this right is being questioned by the defendant, the prosecutor has to stay the proceedings. This is explicitly stated in chapter 32, section 5 in the Swedish Code of Judicial Procedure: *“If it is of extraordinary importance for the adjudication of a case that an issue sub justice in another court proceeding, or in a proceeding of another kind, be determined first or another impediment to trial of considerable durations is encountered, the court may order a stay of proceedings pending removal of the impediment”*.

Thus, the defendant has to institute civil proceedings against the holder of the intellectual property right.

3.4 The Victim’s Role and Access to Evidence

In criminal cases the prosecutor should be in control of the proceedings. However, for obvious reasons it will facilitate the proceedings if the person suffering from the infringement supports the prosecutor. As a general principle, the victim of the counterfeiting has access to evidence used in the penal procedure.

4. Various:

Various aspects which are connected with the specific questions have been elaborated on under Sections 2 and 3 above.

Summary

Swedish law comprises rules on penal liability in respect of all traditionally accepted intellectual property rights. There are no penal sanctions as regards unfair competition. Infringements may result in monetary fines or imprisonment for up to two years. There are also rules regarding seizure, forfeiture and destruction of infringing goods as well as materials and implements used to achieve the infringement. Hence, on the paper Swedish law complies with article 61 of the TRIPs Agreement. Nevertheless, it could, because of the harsh conditions for public prosecutors to bring actions within the field of industrial property, be argued that Swedish law partially does not comply with article 61 as regards trademark infringements.

Résumé

Le droit suédois comprend des lois sur sanctions pénales concernant tous les propriétés intellectuelles protégées de tradition. Il n’y a pas de sanctions pénales concernant la concurrence déloyale. Des contrefaçons peuvent resulter en des amendes ou emprisonnement jusqu'à deux ans. Il y a aussi des lois sur la saisie, la déchéance et la destruction des produits ainsi que des matériaux et des outils avec lesquels la contrefaçon a été exécuté. Donc, en regardant les textes le droit suédois est compatible avec l'article 61 du Traité TRIPS. Cependant, en raison des conditions durs concernant les possibilités d'introduire des actions par voie des procureurs généraux on pourrait discuter si le droit suédois est tout à fait compatible avec l'article 61 du Traité TRIPS en ce qui concerne les contrefaçons des marques.

Zusammenfassung