

Sweden
Suède
Schweden

Report Q187

in the name of the Swedish Group
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Limitations on exclusive IP Rights by competition law

A general comment

The Swedish Group appreciates the ambitious approach to tackle one of the most central and important issues to be discussed in IP today, limitations and the balance between IP and competition law. This is probably the reason why we may have had some difficulties to rightly understand the scope of the specific questions in the questionnaire. This is also the reason why we have refrained from giving any answers to ideas on future developments. The answers on substantive law tend either to be very narrowly construed, which we have chosen in this case, or they require expansion to general IP policy and philosophy. Whether the latter is suitable for one-year-AIPPI-questions could be doubted, and the Swedish Group would, indeed, welcome a discussion how to deal with such very generalised IP questions within AIPPI. For example, should the working period for this type of crucial modern IP problems be extended?

Questions

I) STATE OF THE SUBSTANTIVE LAW

1) The Groups are requested to indicate if the law of their country knows rules governing in general the relationship between the rules of competition and the intellectual property rights.

There are no general rules governing the relationship between the rules of competition and the intellectual property rights. However, it has been mentioned in the *travaux préparatoires* to the industrial property acts that competition rules might break through the exclusive IP rights. This has also been confirmed by the Market Court in relation to patents (MD 1972:7, Dubbman) It also follows from the case law from the ECJ that such break throughs should be applied restrictively.

Since the competition rules are laid down in the EC Treaty and Sweden is an EC Member State, Swedish courts are obliged to take them into consideration during the enforcement of secondary EC legislation and national law.

2) The Groups are invited to indicate if previous to the adoption of the TRIPS, the legislation of their country knew the exceptions in particular founded on article 5.A.4 of the Paris Union Convention, to the exclusive rights of patents, designs and models or copyright.

The Groups must also describe the conditions and the effects of these exceptions.

Finally, do the Groups have to indicate the justification of these exceptions and in particular if these exceptions were justified by requirements of the freedom of competition?

Also before the adherence to the TRIPS Agreement, the Swedish Patent Act (1967) entailed rules on compulsory licenses for patents (§§ 43-50). These corresponded to the exceptions in Article 5.A of the Paris Convention. There is no such explicit rule regarding designs and models, after the implementation of Directive 98/71/EC on the protection of industrial designs. (Even though Sweden before July 2002 had a provision on compulsory licensing of designs, it was never used, and it was in principle in conflict with the Paris Convention.)

There is no Crown copyright in Sweden and the compulsory licensing provisions in the Copyright Act (1960) are on the one hand such that enable copying of copyrighted materials published in connection with legal decisions and other official materials (§ 9 Para 2 and § 26 a), as well as to after five years reproduce encyclopaedic works for educational purposes (§ 18), and on the other hand those having a more competitive character concerning copying and amendments in computer programs and data bases, compilations of computer programs (§§ 26 g and 26 h), corresponding to what is prescribed in the EC directives 91/250/EEC and 96/9/EEC respectively. (Additional provisions on extended collective copyright licensing are not mentioned in this context, nor are limitations in copyright law for e.g. Braille production of works, certain archives right to copying, or additional similar free uses.)

The provisions on compulsory licensing in the Patent Act were available and could be granted by the competent court (§ 65) in the following four situations:

1. If the patentee did not exercise the protected invention before the expiration of a period of four years from the date of filing of the patent application or three years from the date of the grant of the patent and his inaction could not be justified by legitimate reasons (§ 45).
2. If it was necessary in order to exercise a dependent patent (§ 46).

3. If a general interest of particular importance so demanded (§ 47).
4. To any person who in the country was commercially exploiting an invention, or had made substantial preparations for commercial exploitation of an invention in Sweden, which is the subject of a patent application, if the application matures into a patent, if very special reasons speak in his favour and if he had no knowledge of the application and had not reasonably been able to obtain such knowledge (§ 48).

The compulsory license was valid for the whole time of the patent and covered commercialisation of the patented invention in Sweden but not imports. Compulsory licenses did not hinder the patentee from using the invention himself and could only be transferred in connection with the transfer of the whole business wherein it was used or exercised.

The exception in § 47 (general interest of particular importance) was justified with reference to the monopoly granted to the patentee, and the risk that the exclusive rights granted to a patentee were used in a way which is contrary to fundamental public interests. A requisite for compulsory licenses with references to a general interest was that the patented invention was provided to the market on conditions which obviously were contrary to what is generally accepted, and that this unsatisfactory state of things could not be remedied through actions of a more general character, such as the competition rules, rules on pricing etc.

It should also be noted that the fact that actions in accordance with the competition rules had not managed to remove the harmful restriction on competition, did not in itself mean that such a general interest as required for compulsory license was deemed to be at hand. Finally, the patented invention was also required to be relevant for an important public interest.

It should, however, be added that no compulsory license has ever been issued under the 1967 Patent Act, which however does not necessarily mean that the rules have been without importance. On the contrary, they may have forced parties to find private agreements.

3) The Groups are invited to indicate if articles 13, 30 and 31 of the treaty TRIPS gave place to the establishment of legal rules defining the exceptions being able to be brought to exclusive rights of copyright, patent, designs.

The Groups should in this case indicate the conditions for application of these exceptions and their consequences.

And the Groups should indicate the justification of these exceptions and in particular if these exceptions were justified by requirements of the freedom of competition.

In 2004 the Patent Act (1967) was amended to better correspond to Article 31 of the TRIPS Agreement.

Compulsory licenses may now be granted in five situations:

1. If (i) three years have passed since the patent was granted and four years since the application was made, (ii) the invention is not used to a reasonable extent in Sweden, and (iii) there is no acceptable reason as to why the invention is not used (§ 45). The term “use” includes importation from a Member State of the EU and from a Member of the WTO.

Contract clauses on licensing or imports at unacceptable or unreasonable terms which limit a reasonable access to the invention may make § 45 applicable.

2. To a holder of a patent of an invention, where use of said patent is dependent on a patent which belongs to someone else, if the first mentioned patent brings an important technical advance of considerable economic significance in relation to the invention claimed in the second patent. The owner of the patent in which the compulsory license is granted shall be entitled to a compulsory cross-license on reasonable terms to use the first mentioned patent (§ 46).
3. To a plant breeder, which cannot obtain or use a breeder's right without infringing a prior granted patent, if such a license is necessary for that plant variety to be used. The plant variety must in such case bring an important technical advance of considerable economic significance in relation to the invention.

If a patent holder obtains a compulsory license in a plant breeder's right, the holder of such plant breeder's right has a right to obtain a compulsory license (cross-license) on reasonable terms, to use the patent holder's invention (§ 46 a).

4. If a general interest of particular importance so demands (§ 47).
5. To any person who in this country was commercially exploiting an invention, or had made substantial preparations for commercial exploitation of an invention in Sweden, which is the subject of a patent application, if the application matures into a patent, if very special reasons speak in his favour and if he had no knowledge of the application and had not reasonably been able to obtain such knowledge (§ 48).

A compulsory license may only be granted to a person who can be assumed to have the means to use the invention in an acceptable way and in accordance with the license. The applicant must also show that he or she without success has tried to obtain authorization on reasonable terms from the patent holder. A compulsory license does not hinder the patent holder from using the invention himself or to grant licenses. A compulsory license may only be assigned together with the enterprise in which it is used or intended to be used. Compulsory licenses granted for dependent patents in

accordance with § 46 Para 1, may furthermore only be assigned together with that patent.

The amendments of §§ 45-46 a, were justified by the need to implement EC law and to meet obligations under the TRIPS Agreement. §§ 47 and 48 have not been changed. Cf. 2 above for a description of the rules and justifications.

4) The Groups are invited to indicate if such limitations apply as regards to trademarks and which are the conditions, the consequences and the possible justification.

There are no such limitations as to trademarks. A rule with a similar effect is, however, the obligation to use the trademark within five (5) years from registration, or the registration may otherwise be revoked upon request from anyone to which the registration is a detriment, unless the trademark holder shows (objective) valid reasons for not having used the mark.

But it is also clear, according to Article 6 of the Directive 89/104/EEC on the approximation of trade mark law, that a trade mark right does not entitle trade marks holders to prohibit a third party from honest practice use in the course of trade: of own name or address, indications concerning the kind, quality, quantity, intended purpose, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of good and services. Under similar circumstances a third party may also use the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts. All these provisions are since 1993 included in the Swedish Trade Marks Act (1960).

Furthermore, the holder of an earlier established trade mark right, who has not opposed within reasonable time, will have to accept the later parallel right, where the application was made in good faith.

Finally, a locally earlier established trade mark, where the proprietor has not opposed against a later confusingly similar registration within reasonable time, will remain in parallel with said later registered trade mark.

5) The Groups are invited to inform if the existence of intellectual property rights constitutes a justification to some practise regarded in general as anti-competing, such as the refusal to sell or others?

Under this question the Swedish group does not address the limitations or general conditions for protection of IP subject matters laid down by the Swedish legislator, nor the general justifications of IP protection. But one example from case law can serve as an example of balancing of interests:

In the BONUS-case, the Market Court accepted that a collective copyright administration society with a dominant market position refused membership to two other organisations. The decision was justified by reference to the efficiency that copyright organisations contribute to, particularly as regards limiting transaction costs on the market. Such collective organisations are to be considered as “natural monopolies”, where the advantages by far outweigh the disadvantages.

6) The Groups are invited to indicate if some of the attributes of the intellectual property rights, such as the duration of these rights, are considered in their country as raising problems from the point of view of the exercise of the freedom of competition.

Apart from regarding copyright, there has been no such discussion on the duration of rights from the perspective of the exercise of the freedom of competition.

7) The Groups are finally invited to formulate any other observation concerning the relationship which may exist in the substantive law of their country between the exclusive rights of the intellectual property and the rules relating to the respect of the freedom of competition.

IP rights are in general regarded positively in view of their anticipated incentives to competition and development. An exclusive right is furthermore not in itself regarded as giving the holder a dominant position on a certain market. Normally there exists a number of alternative articles on the market.

Swedish jurisprudence foresees that the Swedish courts also in the future will be careful not to let the competition rules interfere within the scope of the intellectual property rights' specific subject matter. The use of an intellectual property right may only be considered to fall within the scope of the competition rules if it exceeds what is necessary to maintain the legitimate protection of the right.

II) PROPOSALS FOR THE FUTURE

1) The Groups are invited to indicate if any modifications of the exclusive rights of patent rights are desirable in aim to reinforce the freedom of competition.

On which attributes of the exclusive rights of intellectual property these modifications should carry (duration, exclusiveness, specific evidence etc...)?

How then it would be advisable to preserve the monopoly resulting from the exclusive rights of intellectual property?

2) The Groups are also invited to wonder about the possible application of the concept of compulsory licence, licence ex-officio or improvement licence as regards patents, copyright, designs and models or the trademarks.

3) The Groups are requested to also formulate any other suggestion concerning the Question.

Summary

Swedish law has no general rules governing the relationship between competition law and the intellectual property rights. However, it follows from the competition rules included in the EC-Treaty and from the *travaux préparatoires* to the Swedish industrial property acts, as well as from national case law, that competition rules may break through the exclusive IP rights, even if such break throughs shall be applied restrictively.

The provisions on compulsory licensing in both the Paris Union Convention and the TRIPS Agreement have been incorporated in the Swedish Patent Act (1967). However, no such license has ever been issued under the current Act.

A few provisions on compulsory licensing also exist regarding copyrights, but none regarding trade marks. However, Swedish law recognises rules with a related effect, such as the obligation to use a trademark within five years from registration or the registration may otherwise be revoked. Also the rules in Article 6 of the Directive 89/104/EEC on the approximation of trade mark laws, including rules on honest practice, indications concerning the kind, quality, quantity, intended purpose, geographical origin etc. have been implemented in the Swedish Trade Marks Act (1960).

Résumé

Le droit suédois ne connaît pas des règles régissant en général les rapports entre le droit de la concurrence et le droit de la propriété intellectuelle. Cependant, conformément aux règles de la concurrence inclus dans le traité de la CE et aux travaux préparatoires des lois suédoises des propriétés industrielles, comme à la jurisprudence nationale, les règles de la concurrence peuvent percer les droits exclusifs de propriété intellectuelle, pourtant que de telles percées devront être appliquées restrictivement.

Les provisions sur des licences d'office dans la convention de Paris aussi que le traité ADPIC ont été incorporés dans la loi suédoise des brevets (1967). Cependant, aucune telle licence a été délivré sous la loi actuelle.

Quelques provisions sur des licences d'office existent aussi concernant le droit d'auteur, mais aucunes concernant les marques. Cependant, le droit suédois reconnaît des règles d'un effet semblable, comme l'obligation de faire usage du marque pendant les cinq ans suivant l'enregistrement ou l'enregistrement peut être révoqué. En plus, les règles dans l'article 6 de la directive 89/104/CEE rapprochant les législations sur les marques, comprenant des règles sur les usages honnêtes, d'indications relatives à l'espèce, à la

qualité, à la quantité, à la destination, à la provenance géographique etc. ont été introduis dans la loi suédoise sur les marques (1960).

Zusammenfassung

Das schwedische Recht kennt keine generelle Vorschriften betreffend das Verhältniss zwischen Wettbewerbsrecht (Kartellrecht) und Immaterialgüterrecht. Es ergibt sich allerdings aus den kartellrechtlichen Vorschriften des EG-Vertrages, aus den Vorarbeiten zu den schwedischen Gesetzen im Bereich des Immaterialgüterrechts, sowie aus der nationalen Rechtsprechung, dass kartellrechtliche Regelungen die ausschließlichen Immaterialgüterrechte durchbrechen können, wenn auch solche „Durchbrüche“ restriktiv auszulegen sind.

Die Bestimmungen über Zwangslizenzen in der Pariser Verbandsübereinkunft, sowohl als auch im TRIPS-Übereinkommen, wurden im schwedischen Patentgesetz (1967) aufgenommen. Keine solchen Lizenzen sind aber bisher aufgrund des geltenden Gesetzes erteilt worden.

Einige Bestimmungen betreffend Zwangslizenzen sind auch im Bereich des Urheberrechts zu finden, es gibt doch keine solchen bezüglich Markenrechte. Das schwedische Markenrecht enthält doch Vorschriften mit vergleichbarem Effekt, beispielsweise die Pflicht eine Marke innerhalb von fünf Jahren nach der Eintragung zu nutzen, wobei die Nichtbenutzung zu Verfall der Marke führen kann. Auch die Vorschriften des Artikels 6 Richtlinie 89/104/EEG zur Angleichung des Markenrechts sind ins schwedische Markengesetz (1960) umgesetzt worden, einschließlich Bestimmungen über Benutzung von Marken gemäß den anständigen Gepflogenheiten in Gewerbe oder Handel, für Angaben über Art, Beschaffenheit, Menge, Bestimmung, geographische Herkunft usw.