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Sweden
Modernisation of Swedish IP law continues

The past year has seen a number of important developments in Swedish IP law, including the introduction of a new Trademarks Act and developments in the process of amending the Copyright Act, as well as a number of noteworthy judgments.

Amended laws and regulations

New Trademarks Act and modifications to Trade Names Act

On July 1 2011 a new Trademarks Act came into effect, replacing the previous act and the Collective Marks Act. The new act is the result of several years' work to modernise the regulation of trademarks, particularly the application procedure, and should make it possible for Sweden to accede to the Singapore Treaty on the Law of Trademarks 2006. The act has been made easier to understand and includes numerous important amendments. In addition, the trademark and trade name legislation have been brought into line with each other.

One of the main amendments is the introduction of an administrative procedure for the cancellation of registered but unused trademarks. Until July 1 2011 a revocation procedure by a holder or a third party after expiry of the opposition period required court proceedings. The new procedure enables a holder or a third party to file a revocation application directly with the Swedish Patent and Registration Office (PRV). However, if the holder opposes the application, the applicant must pass the application to a district court for further processing. The purpose of the administrative procedure is to facilitate and speed up the cancellation process when a trademark is no longer necessary or of any use or interest to the holder.

As mentioned above, the new act introduces amendments to facilitate and clarify the application procedure handled by the PRV, including the following:

- The opposition period has been extended from two to three months.
- Partial rejection of an application for registration of a trademark is now allowed (previously, an application could be rejected only in its entirety).
- It is possible to request minor alterations to the trademark applied for, provided that these are not substantial and do not affect the overall impression of the mark.
- The new act allows the option to request that the PRV transfer a trademark application to a party with a stronger right to the trademark than the applicant (this proceeding was previously a court matter). In case of doubt, the PRV may order the party claiming the better right to bring a court action in court within a certain time.
- The option of using disclaimers has been limited in such a way that the PRV shall register a disclaimer for parts of a trademark that it is not possible to register only if there exists "a clear risk" that the trademark registration will become uncertain.

The new act also includes some amendments to the provisions on barriers to trademark registration. Following Article 15.2 of the EU Trademark Directive (89/104/EEC), the act now allows for the registration of marks designating a geographical origin of goods or services constituting collective, guarantee or certification marks. Another interesting amendment is the adaption to the Names Act, which means that the barrier to the registration of surnames has been limited. Under the new act, a trademark cannot be registered if it contains something which is meant to be perceived as someone else's distinctive surname if the use of the mark would disadvantage the bearer of the name and the name is clearly not referring to someone long since deceased.

New Copyright Act postponed

In April 2011 the Copyright Commission published its final report (SOU 2011:32) on a new Copyright Act to replace the Copyright Act (1960/729). Work on the new

Copyright Act has been ongoing since 2008, when the Copyright Commission, chaired by Professor Jan Rosén, was appointed to conduct a review and propose revisions to the existing act. The purpose of the proposal is to make the new act more transparent and more easily accessible for both those who must apply the act directly and the general public.

The new act was supposed to come into effect on July 1 2011 but, due to disagreements between the interested parties, this has been postponed and the minister of justice has decided to move forward only with the proposed amendments concerning contractual licences. However, on April 1 2011 a new provision relating to licence agreements (SFS 2011:94) was implemented into the existing Copyright Act, which makes it easier for radio and television companies to enter into comprehensive agreements with organisations representing several Swedish rights holders in the field regarding the reuse of copyright-protected materials. The provision allows a radio and television company to transfer published works to the public if the works are included in their own works or works commissioned by the company and have been broadcast before July 1 2005, provided that a licence agreement applies. The company may also make such copies of works as necessary for the transfer.

The new Copyright Act and other legislative changes are expected to come into force on January 1 2013.

Clarification of Patents Act – new medical uses

On July 1 2011 an amendment to the Patents Act (1967:837) came into effect. The amendment explicitly provides for the possibility of granting patents for new medical uses of already known materials. The amendment does not extend patentability or create new opportunities for patent protection. The possibility of patenting so-called 'subsequent medical indications' already exists under Swedish law, and the sole purpose of the amendment is to clarify the regulations on pharmaceutical inventions. The amendment also means that the term 'news' in the Patents Act will be harmonised with the European Patent Convention.

Key cases

Implied consent for use of photograph on album cover

The Supreme Court recently dismissed a photographer's claim for copyright infringement and ruled that, unless otherwise agreed, an agreement concerning the right to use a work on the packaging of a product intended for sale to consumers shall, in principle, implicitly include the right for the manufacturer and its retailers to use the packaging in the marketing of the product, provided that such marketing is customary.

The photographer commenced proceedings against a retailer, claiming that the retailer had infringed his copyright in a photograph taken by him by unlawfully reproducing the photograph by using an album cover in its sales catalogue. The photographer had previously entered into an agreement with a record company regarding the right for the record company to use the photograph in question on the album cover, and in turn the record company had entered into a distribution agreement with the retailer regarding the sale of the album, including the specific photograph.

The court began its assessment by stating that the retailer's use of the photograph in the sales catalogue constituted reproduction of the photograph (which was indisputably copyright protected). The court then referred to the Copyright Act, under which the right to use a copyright-protected work may not be further assigned unless otherwise agreed. However, the court held that such rights may be further assigned, despite explicit consent from the copyright holder, provided that the circumstances are such that the copyright holder can be deemed to have implicitly agreed to further assignment (reference was made to the preparatory works).

The court then said that it must be clear to a copyright holder which gives a manufacturer the right to use a work on the packaging of a product intended for sale to consumers that such sale may occur through several operators in the distribution chain, and that each operator may need to market the product. The court found no circumstances in this case which indicated that the photographer had specifically objected to the use of the album cover for the marketing of the album, and thus deemed that the retailer's use of the photograph in its sales catalogue fell within the scope of the agreement between the photographer and the record company.

Two dissenting judges found that the retailer had no right to use the photograph under the agreement.

Protection in relation to third parties when acquiring IP rights

In 1999 a company entered into an agreement with an inventor to acquire all rights pertaining to an invention, including patents, patent applications and know-how. The agreement contained a clause pursuant to which either party could terminate it if the other party were declared bankrupt. All rights would revert to the inventor if the agreement were terminated. In September 2002, when the company still had not paid the purchase price in whole, the inventor terminated the agreement with immediate effect. The company was declared bankrupt in late November 2002 and in May 2003 the receiver sold the company's bankruptcy estate's assets, including the patent rights, to a third party. The inventor brought an action against the bankruptcy estate asking the court to declare that he was the rightful owner of the patent rights at the time when the receiver sold the rights to the third party.

In a December 22 2010 judgment, and with reference to a previous precedent (Case NJA 2009, page 695), the Supreme Court established that when acquiring IP rights, protection in relation to the seller's creditors is obtained through the agreement. No additional steps are required to obtain this protection because:

- as intangible property, IP rights cannot be handed over to the purchaser;
- there is no third party which is obliged to perform something that must be notified; and
- the law has not established that registration is necessary in order to obtain protection in relation to the seller's creditors.

The Supreme Court continued its assessment by highlighting the following questions subject to discussion in the judicial literature:

- whether a seller must make a reservation of right to terminate a contract in order to revoke an assignment of IP rights;
- whether, if a purchaser has been granted a right to use the IP rights, a seller must make a reservation of right to terminate a contract in order to revoke an assignment of IP rights; and
- whether a purchaser's right to use the IP rights or to dispose of them freely would mean that a seller no longer had a right to revoke the assignment, or at least that a revocation in the purchaser's bankruptcy through which the rights return to the seller would not mean that he or she was protected in relation to the purchaser's creditors.

Unfortunately, the Supreme Court provided no answer to whether a reservation of right to terminate the contract is always required in order for the seller to be able to revoke the assignment, as the agreement between the inventor and the company contained such a clause. As regards the second question, the court said that the fact that a purchaser has been granted a right to use the IP rights does not mean that the seller has lost the right to revoke an assignment of these rights.

On the third question, the court stated that if the purchaser is granted a right to dispose freely of the IP rights, this could mean that rights that revert to the seller after termination of the agreement in case of the purchaser's bankruptcy are not protected in relation to the purchaser's creditors. The seller will not be in a better position compared to the bankruptcy estate in these cases. However, if the termination is made prior to the purchaser entering into bankruptcy, it will also be binding in relation to the bankruptcy estate. In the latter case it may be that the seller must respect a prior acquisition of the rights by a third party (special rules, not discussed here, apply in bankruptcies).

The court then held that the fact that the inventor had granted the company a right to pledge the patents and patent applications did not affect whether the termination made before the company's bankruptcy meant that the reversion of rights was protected in relation to the company's creditors. The court found that the inventor was the rightful owner of the patent rights, and not the bankruptcy estate.

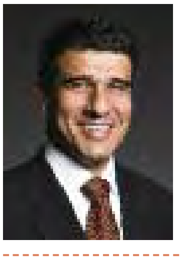
Further developments regarding IP Rights Enforcement Directive

As reported in the Swedish chapter of *IP Value 2011*, the Swedish implementation of the EU IP Rights Enforcement Directive has resulted in three cases dealing with one of the main features of the directive: the potential right for rights holders to obtain information regarding the origin and distribution networks of infringing goods and services. The common dominator of the three cases is the potential conflict between the rule allowing disclosure of information and the EU Privacy and Electronic Communications Directive (2202/58/EC). Since the publication of *IP Value 2011*, the courts have stayed the proceedings in all three cases in order to await the outcome of the preliminary ruling from the European Court of Justice (ECJ) in the *EPhone* case. The following is a short summary of the status of and the actions taken in the three cases.

- In the *EPhone* case (Ö 4817-09) five audiobook publishers claimed that internet access services provided by Perfect Communication Sweden under the name 'EPhone' had enabled the infringement of copyright-protected audiobooks to be committed through a file transfer protocol server. They requested the court to order the provision of information about the identity of the infringer. The Supreme Court has now decided to stay the proceedings and has referred the matter to the ECJ for a preliminary ruling, the outcome of which is likely to affect the other two cases as well. The oral hearing at the ECJ was held in Summer 2011.
- The second case (Case Ö 2472-10) concerns a similar order against Swedish internet service provider

TeliaSonera. A number of film companies brought an action against TeliaSonera, arguing that a large amount of copyright-protected material was made available through the website Swetorrents via its servers, and requesting the court to order the provision of information about the identity of the infringer. Both the district court and the appeal court granted the claim, but the Supreme Court decided in December 2010 to stay the proceedings until the ECJ ruling in *EPhone*.

- The third case (Case ÖÄ 7705-10) is currently before the appeal court and concerns the illegal uploading and downloading of music files. Several music companies represented by the International Federation of the Phonographic Industry requested an order to obtain information about the identity of the infringer from Com Hem AB, (a company offering television, broadband and telephone distribution service). The Stockholm District Court granted the claim and Com Hem appealed to the Svea Court of Appeal, which stayed the proceedings until the ECJ has issued its preliminary ruling in relation to *EPhone*.



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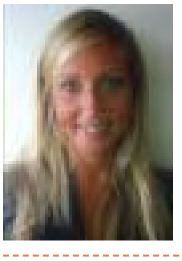

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