

I. Current law and practice

Please answer the below questions with regard to your Group's current law and practice.

1) Do:

- a. the objective or subjective knowledge of the infringer,
- b. the beliefs/opinions of the infringer, and/or
- c. the publication of the scope of the IP right in general or at a particular time (e.g. the publication of the claims of a patent amended in the course of litigation).

play a part in relation to the assessment of damages? If YES, please explain.

According to Swedish legal tradition, whether the infringement of IP rights was carried out:

- a) in good faith (that is objective infringement without deliberation or negligence);
- b) deliberately; or
- c) negligently,

is directly relevant to the assessment of damages under IP legislation (as well as general law on damages).

It is noted that these terms corresponds to the terms used in the TRIPS Article 45 draft of July 23, 1990 (compensation in relation to deliberate or negligent infringement) but corresponds less to the final wording of Article 45 (compensation in relation to infringers who “knowingly, or with reasonable grounds to know, engaged in infringing activity”).

A court's finding of good faith infringement, negligent infringement or deliberate infringement, has different impact on the assessment of damages under different Swedish IP legislation. (For the avoidance of doubt, the answer to this study question does not cover Swedish legislation on the protection of trade secrets or on unfair marketing practices.)

- Under Chapter 7 Section 54 of the Act on Copyright in Literary and Artistic Works (SFS 1960:729), *reasonable compensation* (Swe: *skälig ersättning*) shall always be awarded in cases of objective infringement (that is also good faith infringement). In cases of negligent or deliberate infringement, *additional damages* (Swe: *ytterligare skada*) shall also be awarded. When assessing such additional damages, particular consideration must be given to: a) lost profits; b) profits made by the party that committed the infringement or the violation; c) damage to the reputation of the work; d) non-pecuniary damage; and e) the interest of the rights holder in avoiding infringement.
- Under Chapter 9 Section 58 of the Patents Act (SFS 1967:837), Chapter 8 Section 4 of the Trademark Act (SFS 2010:1877), Section 36 of the Design Protection Act (SFS 1970:485), Chapter 9 Section 6 of the Act on the Protection of Plant Variety Rights (SFS 1997:306) and Section 11 of the Act on the Protection of Topographies for Semiconductor Products (SFS 1992:1685), any person who deliberately or negligently commits infringement shall pay reasonable compensation as well as compensation for the additional damage caused by the infringement. When assessing such additional damages, particular consideration must be given to: a) lost profits; b) profits made by the party that committed the infringement or the violation; c) damage to the reputation of the work; d) non-pecuniary damage; and e) the interest of the rights holder in avoiding infringement. In cases of good faith infringement, when the infringer is neither deliberate nor negligent, the infringer shall pay compensation to the extent reasonable.

When Swedish courts assess damages to be awarded for infringement, the objective or subjective knowledge of the infringer (para a in the question), the beliefs and opinions of the infringer

(understood as referring to legal advice concerning risk of future infringement, para b in the question), and the publication of the IP right (para c in the question), may all under certain circumstances be relevant for the court's overall assessment.

- If the infringer had subjective knowledge (i.e. if the infringer actually knew) that the act contemplated would constitute infringement, that would strongly suggest that the infringement was carried out deliberately.
- If the infringer had objective knowledge (i.e. if the infringer should have known) that the act contemplated would constitute infringement, that would strongly suggest that the infringement was carried out at least negligently.
- If the infringer had carried out a freedom to operate assessment or had sought and received other legal advice that suggested that the act contemplated did not constitute infringement, that would strongly suggest that the infringement was not carried out deliberately.

The more complicated question is whether a serious and thorough freedom to operate or other legal assessment, preferably by an independent third party, could motivate a finding that the infringement was carried out neither deliberately nor negligently. The traditional Swedish view is that the person carrying out the freedom to operate search stands the risk of an incorrect assessment, and that in such circumstances the infringement has at least been negligent. The Swedish group is not aware of any Swedish case law where the infringer has been found to infringe in good faith under such circumstances, but it seems theoretically possible under the right circumstances and is mentioned in the literature. In practice, a subsequent C&D letter from the rights holder to the infringer makes the subsequent infringement into a clearly negligent one and thus the issue is rarely relevant.

- If the infringed IP right was recorded in a publicly available register (in Swedish or English), that is recognized in Swedish case law to strongly suggest that the infringement was carried out at least negligently.

The potential future issue outlined in the Study Question regarding the multi-language register in the proposed unitary patent system has for obvious reasons not yet been a problem in Sweden, but the issue may warrant future study if and when implemented.

Under Swedish law and case law, an amendment to a patent, after the opposition period, in a revocation action will only be allowed if the amendment has support in the application as filed and where the claims amended delimit the scope of protection. For the question outlined in the Study Question, the Swedish group are not aware of any such case tried in Sweden. Under the hypothetical situation, that an infringer would infringe the disputed patent after amendment but not as granted, the Swedish group do not exclude that this fact could be a circumstance to support that the infringement has been conducted in good faith.

2) Are punitive damages awarded and if YES, in what circumstances?

No, in fact punitive damages are contrary to basic principles of Swedish damages law.

3) Are damages reduced below the level required to compensate the loss suffered by the right holder, and if YES, in what circumstances?

In cases of deliberate or negligent infringement, the general principle is that the damages awarded shall fully compensate the loss suffered by the right holder. However, the right holder must be able to prove the loss it has suffered. Calculating and proving damages relating to future potential scenarios

such as lost profits, as well as non-monetary damages such as good-will damage, is often difficult. In practice, the damages awarded are therefore generally lower than the actual loss suffered by the right holder.

In cases of good faith infringement, damages are limited to reasonable compensation which is also generally lower than the actual loss suffered by the right holder.

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

4) Could your Group's current law or practice relating to the role of knowledge in relation to damages be improved? If YES, please explain.

The Swedish group is of the opinion that many issues outlined in answer 1 above, where there is some legal uncertainty, can always be improved by more and more detailed case law. One such area where further case law is particularly needed concerns damages in cases of infringement of both traditional IP rights and misappropriation of trade secrets.

5) Should the recovery of damages depend, or not depend, on the knowledge (subjective or objective) of the infringer? Please explain.

The Swedish group recognizes the point made in the Study Question, that relying in any way on the infringer's subjective or objective knowledge in the assessment of damages, introduces a measure of uncertainty to infringement proceedings, and in the end that is an uncertainty that is likely to negatively affect rights holders.

In our assessment, that is however a small price to pay compared to the effects of a system of punitive or statutory damages that is applied wholly without taking the infringer's knowledge into account. Such a system would be vastly different from the current Swedish one and would likely create a litigious society that would be great for rights holders and litigators but would have vast and unknowable effects for industry, business and creativity.

6) Should damages be elevated so as to discourage future infringement by:

a. an infringer, when a court has established infringement and awarded an injunction against that infringer,

No, the Swedish group does not consider this warranted. In Swedish legal tradition the injunction is formulated and applied in a way that seeks to discourage future infringement. The Swedish groups is of the opinion that awarding higher damages in order to achieve the same result, while also issuing an injunction, would appear to only serve as a sort of punitive damage and would be illogical in this context.

b. an infringer, when a court has established infringement but not awarded an injunction against that infringer,

No, the Swedish group does not consider this warranted. Such an application of damages is not recognized in Sweden and would mean a fundamental change of Swedish damages jurisprudence. If an injunction is not issued, there must be a reason for the court's finding and it would seem illogical to award additional damages instead of an injunction under such circumstances. Such an application could perhaps even be seen as a tacit understanding that the infringer is paying for future/additional infringements, i.e. something like a compulsory license.

- c. third parties, when a court has not yet established infringement by such third parties or the existence of any potentially relevant third parties.

No.

- 7) 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.

III. Proposals for harmonisation

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

- 8) Do you believe that there should be harmonisation in relation to the role of knowledge in relation to damages? Please answer YES or NO.

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

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

- 9) a) Should the knowledge (subjective or objective) of the infringer affect the recovery of damages? Please answer YES or NO.

Yes.

- b) If the answer to 9)a) is YES, should the knowledge be (you may tick one or, if you think either suffices, both boxes):

subjective

YES

objective

YES

- c) How should such knowledge (for example) be established? Please tick all that apply:

by the right holder?

YES

by the infringer?

YES

by evidence of the circumstances of the infringement?

YES

by evidence of the state of mind of the infringer?

YES

referring only to facts available to any person?

NO

referring to information available only to the infringer?

YES

d) How should such knowledge affect the recovery of damages?

The Swedish group is of the opinion that a system where the knowledge of the infringer is central to the assessment of damages, as outlined in answer 1 above, is to be preferred before a system that does not.

The Swedish group is of the opinion that a system that wholly disregards the infringer's knowledge, presumably in favor of a strict system with statutory and punitive damages, would be very black and white and would have unknowable effects for industry, business and creativity. Such a system would also per definition over-compensate the rights holder.

10) Can or should damages to compensate the right holder:

- a. only be awarded where the infringer has the level of knowledge specified in Article 45(1) TRIPs**

No.

- b. nevertheless be awarded if the infringer did not have the level of knowledge specified in Article 45(1) TRIPs.**

Yes, but level of damages awarded should be lower in cases of good faith infringement, than if the infringer has the level of knowledge specified in Article 45 (1). In instances of good faith infringement, reasonable compensation based on a hypothetical licensing fee construct, that awards damages that (in theory) correspond exactly to a reasonable licensing fee for the infringing use, is sufficient and proportional.

11) What, if any, change in the level of damages or the assessment of damages is appropriate, if the infringer:

- a. had no subjective knowledge, prior to the litigation, of the existence of the IP rights that were found infringed,**

Depends on whether the infringer should have had objective knowledge of the existence of the IP rights at issue.

- b. had no subjective knowledge, prior to the litigation, of the scope of the IP rights that were found infringed because the IP right was not published in a language which is (or should be) understood by the infringer,**

The question whether such an act as described in the question constituted good faith infringement, or negligent infringement, seems to be highly dependent on the circumstances of the case.

In a copyright context, where the infringer is genuinely not aware of the earlier work, the circumstances described suggest good faith infringement (resulting in a limited award of damages, corresponding to the Swedish model of reasonable compensation).

In a patent context, a more thorough freedom to operate search may be considered proportional, depending on the scope of the infringing act. If for example an infringing act was part of a global product launch, a more thorough freedom to operate search can be demanded than if the infringing act was a local launch. In such a situation it would seem more difficult for the infringer to get the court to consider the infringing act to have been carried out in good faith, without negligence. But if the infringer would have had to undertake commercially unreasonable measures to gain knowledge of the IP right, and to understand the scope of protection and its relevance for the product launch, the infringement could perhaps be considered to have been committed in good faith, and the level of damages should be lower than otherwise, but there is scant Swedish case law on this.

- c. had no subjective knowledge, prior to the litigation, of the scope of the IP rights that were found infringed because the IP right was amended in the course of litigation resulting in its scope changing,**

Under such circumstances it is not unlikely the infringement would be considered conducted in good faith – as the infringer would have had no reasonable way of foreseeing that its product would infringe the patent in question. This would, as mentioned above, affect the level of damages.

- d. had a subjective belief prior to the litigation (whether gained through legal advice or otherwise) that the IP rights in question would or would not be infringed,

It seems reasonable that an infringer should bear the risks of an incorrect infringement assessment prior to launch, under most circumstances. That would mean that an infringement under these circumstances has at least been negligent and would thus not affect the right holder's right to damages. As outlined in answer 1 above, it does however appear to be at least theoretically possible under the right circumstances for a very thorough freedom to operate search to argue strongly for good faith infringement, which would then affect the rights holder's right to damages in Sweden.

- e. had not undertaken searches prior to launching a new product, to determine if the new product would or might infringe,

This would be prima facie evidence of negligence.

- f. had undertaken searches prior to launching a new product, to determine if the new product would or might infringe, and those searches erroneously indicated no infringement.

See answer d) above.

- 12) If the grant of punitive or exemplary damages (being damages greater than those required to compensate the right holder) is permitted, please indicate whether such damages should depend on the knowledge of the infringer, and if so, what objective or subjective knowledge should be required?

N/A

- 13) Should the conduct of the infringer, e.g. setting out to make profit from infringement which exceeds the compensatory damages payable to the right holder, justify punitive/exemplary damages greater than those required to compensate the right holder:

- a. when the infringer had some intention/knowledge of the objective of making the profit?

N/A.

- b. when the infringer had no intention/knowledge of making the profit, and the profit was made "accidentally"?

N/A.

- c. regardless of the knowledge of the infringer?

N/A.

(This question does not concern compensation based on the unlawful profits of the infringer)

- 14) Please comment on any additional issues concerning any aspect of the role of knowledge in relation to damages you consider relevant to this Study Question.

N/A

- 15) Please indicate which industry sector views provided by in-house counsel are included in your Group's answers to Part III.

N/A