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VINGE

DOING BUSINESS
IN SWEDEN 2011



VINGE

Vinge's predominant core value is to provide the best legal advice and expertise in all areas of corporate and business law. This brochure contains a concise overview of the Swedish legal system and the most common questions which arise in relation to doing business in Sweden.

Vinge is one of the largest law firms in the Nordic region with approximately 500 employees. We specialise in complex transactions and assignments within all areas of corporate and business law. Our broad level of expertise means that we truly are a full service firm and are thus able to deal with all types of business law related issues. At the same time, experience has taught us what is required in terms of resource allocation and service in order to solve our clients' problems.

Vinge's assignments often have an international element and we have an extensive global network of law firms at our and our clients' disposal. Vinge is a member of Lex Mundi, an international association of independent law firms. We have domestic offices in Stockholm, Gothenburg, Malmö, Helsingborg and international offices in Brussels, Hong Kong and Shanghai. In addition, the firm has French, Chinese, German and East European desks comprising specialists in the law, language and culture of the region in question.

Vinge is totally committed to doing everything we can to help our clients achieve their aims. We see beyond the problems, we see solutions.

Welcome to Vinge

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Doing business in Sweden

Population	9.4 million (January, 2011)
Currency	<i>Swedish krona</i> (plural <i>kronor</i>): SEK 6.7 = USD 1 (January, 2011)
Central Government	Twelve years of Social Democratic government ended after the 2006 election. Four Alliance parties - the Moderates, Liberals, Center Party and Christian Democrats formed a government and were re-elected in the 2010 election
Main industries	Engineering and manufacturing (vehicles, aircraft, ball-bearings, electronic equipment, household appliances, packaging, drilling equipment) wood (paper, pulp, forest products), mining and steel (iron ore, steel and other metals), chemicals and pharmaceuticals, energy, IT, telecommunications and new media.

Legal system

The Swedish legal system is based on a combination of statute and case law.

Sweden has been a full member of the European Union ("EU") since 1 January 1995. Thus, European Union law is part of the Swedish legal system.

Sweden has acceded to a number of international treaties and conventions, including the UN Convention on the International Sale of Goods ("CISG") (Sweden has not however acceded to Part II of CISG Formation of Contracts).

Foreign investment

Foreign investment in Sweden is widely encouraged by local and central government.

The Invest Sweden and the Swedish Trade Council assist foreign companies seeking to invest or do business in Sweden.

Exchange control and currency regulations

There are no exchange control and currency regulations.

Grants and incentives

There is a wide range of financial incentives available to assist both Swedish and foreign-owned companies to establish or expand their business in Sweden. These incentives include grants, loans, credit guarantees, etc.

Business entities

Business activities conducted by foreign companies or individuals in Sweden are usually conducted through a Swedish subsidiary or branch. Generally, no operating licences are required to conduct business in Sweden. There are exceptions for specific areas such as insurance, banking and financial services, etc. although investors approved by other EU countries may benefit from mutual recognition of such licences.

Limited liability companies

The most common form of business association is a limited liability company (*Sw. aktiebolag or AB*), where, subject to certain limited exceptions, the shareholders are not personally liable for the obligations of the company. Limited liability companies are divided into public and private companies. Only public companies may issue shares or other securities to the public. A limited liability company is formed by one or more founders who must meet certain qualification requirements. A founder must be:

- a person resident in the European Economic Area (“EEA”); or
- a Swedish legal entity; or
- a legal entity established in the EEA having its seat and head office or its main activities in the EEA.

A partnership, established in the EEA, may act as founder only if each partner with unlimited liability is resident within the EEA.

The Swedish Companies Registration Office (*Sw. Bolagsverket*) (the “Registration Office”) may grant an exemption to other persons than those qualifying under these rules to act as founders.

The founders must prepare and sign a deed of formation. The deed must be submitted for registration at the Registration Office within six months following which the company acquires the status of a legal entity.

However, the most common method of starting a business through a Swedish limited liability company is by acquiring a so-called shelf company.

The managing director of a Swedish limited liability company must be resident in the EEA. However, the Registration Office may grant an exemption from this requirement. If none of the company’s representatives is resident in Sweden, the board of directors must appoint a duly authorised representative resident in this jurisdiction to accept service on behalf of the company.

Shareholders and capital

There are no restrictions on the number, or the nationality, of shareholders. Shareholders are entitled to regulate their relations by non-public shareholders’ agreements and/or, to a certain extent, in the company’s articles of association. Shareholders’ rights are exercised at general meetings. Most resolutions are passed by simple majority but certain resolutions, such as a resolution to amend the articles of association, require a qualified majority.

All shares carry equal rights unless otherwise prescribed in the articles of association. The articles of association may prescribe different classes of shares, i.e. different rights to participate in the assets or profits of the company or different voting rights.

Subject to certain statutory restrictions, public companies may repurchase or sell their own shares. The board of directors, or a central securities depository (if the company’s shares are registered with such depository), is required to maintain a share register of all of the company’s shares and shareholders.

Public companies must have a share capital of at least SEK 500,000 (approx. USD 75,000) and private companies must have a share capital of at least SEK 50,000 (approx. USD 7,500).

Financial reporting and auditing requirements

An audited annual report comprising a directors report, profit and loss account and balance sheet must be submitted to the Registration Office not later than one month after the annual accounts have been adopted by the annual general meeting. Any changes regarding the company’s directors, chairman, deputy directors, auditors, articles of association or name and any allotment or redemption of shares or reduction of the company’s share capital must be filed with the Registration Office in due course.

In 2010, the rules changed so that smaller companies (which meet at least two of the following three criteria i.e. no more than (i) three employees, (ii) SEK 3 million annual return, and (iii) SEK 1.5 million balance sheet total) do not need to have an auditor.

The board of directors – meetings and authority

The board of directors of public companies and certain financial institutions such as banks and insurance companies must consist of at least three directors. In private companies the board may consist of less than three directors, provided that at least one deputy director is appointed. A majority of the directors, and the managing director, must be resident in the EEA unless an exemption is granted by the Registration Office.

If the board consists of more than one director, one of them must be appointed chairman. The chairman’s duties include ensuring that board meetings are held when necessary or at the request of a director or the managing director.

A managing director must be appointed in public companies and may be appointed in private companies. In public companies or companies regulated by the Swedish Financial Supervisory Authority, the managing director cannot concurrently act as the chairman of the board. The managing director is responsible for the day-to-day management of the company pursuant to the directions and instructions issued by the board and is always authorised to represent and sign on behalf of the company in relation to the day-to-day management of the company’s affairs.

In the private sector, there are statutory requirements on board representation for employees, which entitle the employees through their trade unions, to appoint two directors and two deputy directors in companies consisting of more than 25 employees, and three directors and three deputy directors in certain companies with more than 1000 employees.

Directors' duties and liability

The board is responsible for the organisation of the company and the management of the company's affairs. In particular, it must ensure that the company's accounting records, management of funds and financial matters are properly organised.

Directors have a fiduciary duty to act in good faith and in the best interests of the company.

Any member of the board, or the managing director, may be liable in damages vis-à-vis the company where, in the performance of his duties, he wilfully or negligently causes the company to suffer damage. In order for such liability to arise, the act or omission of the person concerned must constitute a breach of the Swedish Companies Act, the Swedish Annual Reports Act, or the articles of association.

The board or any duly authorised representative thereof acts on behalf of the company and signs on behalf of the company in relation to external matters.

Voting

In order to constitute a quorum, a majority of the directors - or a higher number if stipulated in the articles of association - must be present. Unless the articles of association require a qualified majority, the board may adopt resolutions by simple majority. If all board members are unable to attend a board meeting then in order for a resolution to be adopted the directors present and voting in favour of such resolution must represent more than a one-third majority of all the directors unless otherwise prescribed by the articles of association.

Parent company liability

A parent company is generally not liable for the debts and liabilities of its subsidiary. However, in a few cases the Swedish Supreme Court has held the parent company liable. In these cases the subsidiaries were undercapitalised and dominated by the parent company to such an extent that they had substantially abrogated their independence from the parent company.

Letterhead requirements

Company letterheads, invoices and order forms must state the name of the company, the place in Sweden where the registered office is located and the company's registration number. A public company's name must be accompanied by the addition "(publ)" unless the company's name contains the word "*publikt*" (public).

Registered offices

The articles of association must specify the place in Sweden where the registered office is situated. Any change of address must be notified to the Registration Office.

In legal proceedings the company will be subject to the jurisdiction of the district court in which the registered office is located, unless otherwise prescribed by legislation or by agreement between the parties to the litigation.

Branches

A foreign company or private individual may conduct business activities in Sweden through a Swedish branch (*Sw. filial*). Branches must operate under a separate trading name which must include the word "filial" and the country of origin and the trading name must be registered with the Registration Office.

The branch must be placed under the direction of a managing director. The managing director must be resident in the EEA. However, the Registration Office may grant an exemption from this requirement. If the managing director is not resident in Sweden then, the foreign company must appoint a person resident in Sweden authorised to accept service on behalf of the foreign company.

The Swedish rules in respect of branches are currently under revision and new rules are expected to enter into force in late 2011, which will facilitate matters for foreign entities conducting business in Sweden.

Partnerships

Two or more parties may jointly conduct business through a partnership (*Sw. handelsbolag or HB*) whereupon all partners are jointly and severally liable for the partnership's obligations.

A limited partnership (*Sw. kommanditbolag or KB*) is a partnership where one or more of the partners are not personally liable for the debts and liabilities of the partnership. At least one partner must assume unlimited liability. The remaining partners' liability is limited to the amount of their unpaid registered contributions. Partnerships and limited partnerships become legal entities upon registration.

Accounting

Companies may elect any twelve month calendar period as their financial year. The accounts must be kept in Sweden and be retained for at least ten years.

Acquisitions

Acquisitions of unlisted companies are not governed by any specific rules save for the general rules contained in the Swedish Companies Act. Such acquisitions may, however, be subject to specific provisions in the articles of association or in shareholders' agreements.

Acquisitions of listed companies are primarily regulated by the so-called Takeover Rules issued by the Swedish Industry and Commerce Stock Exchange Committee.

Sources of information

There are several open sources of information on companies, including the public Trade and Industry Register, court records, shareholders' registers, etc. Information from these sources may often be obtained free of charge or for a minor administrative fee.

In addition, listed companies are subject to extensive continuing obligations relating to disclosure of certain information about the company and public announcements regarding important decisions and events.

Pre-contractual negotiations

The parties may prepare a memorandum of understanding, or a letter of intent, before an acquisition. These documents commonly contain provisions related to the negotiation of the transaction such as "lock-up" and confidentiality clauses.

Competition law

Notifications of mergers and acquisitions to the Swedish Competition Authority (Sw. *Konkurrensverket*) are mandatory if:

- 1) The transaction effects a lasting change in the control over one or several undertakings or businesses (including mergers, acquisitions of a controlling interest, full-function joint ventures and operations that bring about a change in the quality of control over an undertaking or business);
- 2) the aggregate turnover in Sweden of all undertakings concerned during the preceding financial year exceeds SEK 1 billion; and
- 3) at least two of the undertakings concerned each had a turnover in Sweden during the preceding financial year exceeding SEK 200 million.

Please note that the Swedish concentration control rules are not applicable if the concentration has an EU dimension, i.e. if it satisfies the thresholds set out in the EC Merger Regulation.

There is a prohibition on implementation before notification. However, there are no direct sanctions for failure to notify. It is normal practice to submit the notification when

the concentration occurs and prior to completion, since a prohibition will render the concentration invalid. There is a standstill obligation during the Competition Authority's investigation.

The Competition Authority may order the parties to notify a particular transaction that satisfies the SEK 1 billion threshold but not the SEK 200 million threshold.

Formalities (private company acquisitions)

There are no requirements governing an agreement to acquire shares or a company's assets. However, it is customary to set out the terms and conditions of the transaction in a written agreement. A share transfer must be registered in the share register of the target company.

In order for the purchaser to gain protection from the seller's creditors it is necessary to transfer the share certificates, duly endorsed, to the purchaser.

An acquisition of a "qualified holding" (normally exceeding 10% of the shares or the votes) of a regulated company (banks, insurance companies, fund companies, etc.) is subject to the prior consent of the Swedish Financial Supervisory Authority.

Formalities (public company acquisitions)

If a natural person or legal entity, irrespective of nationality, acquires or sells shares in a company listed on the NASDAQ OMX Stockholm, another stock exchange or on a regulated market, the listed company and the Swedish Financial Supervisory Authority must be notified when the aggregate holdings exceed or fall below certain limits. Notice is required by statute if the shareholding (including holdings of certain financial instruments) in a listed company reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66 2/3% and 90% of the total number of shares or votes in the company. Notice must be given not later than the trading day after completion of the relevant transaction.

The Swedish Stock Market (Takeover Bids) Act imposes an obligation on a purchaser of shares in a listed company to make a public offer to purchase all remaining outstanding shares if the purchaser's shareholding reaches or exceeds 30% of the total number of votes in a listed company.

Tax implications

A capital gain arising from a sale or exchange of shares and assets is generally subject to tax.

Capital gains on shares held by companies are in many cases exempt from tax.

Major pitfalls-acquisition of an entire or part of a business

Employees and their rights are automatically transferred to the purchasing company on the acquisition of the whole or part of a business.

Taxation of Swedish limited liability companies

General structure

Companies in Sweden are subject to corporate tax on their worldwide income at a uniform rate of 26.3%. However, allocations to a “tax allocation reserve” may result in a lower effective tax rate. The tax computation is based on the audited annual accounts adjusted pursuant to provisions in tax legislation. Tax calculated on a preliminary basis is charged regularly throughout the year.

An annual tax return must generally be filed by 2 May of the calendar year following the financial year. The Swedish Tax Agency may grant an extension of time provided certain conditions are satisfied. If the preliminary payments have resulted in an overpayment, this will result in a refund.

Interest

Interest on loans is generally deductible. Sweden does not have any debt to equity ratio requirements nor will withholding tax be charged on interest paid to overseas lenders.

Certain restrictions apply in respect of interest on loans granted by affiliated parties following intra-group share acquisitions provided the lender is subject to a tax rate of less than 10%.

Capital gains and inter-company dividends

Capital gains and dividends on qualifying participations are exempt from corporate tax. The exemption applies to shares held by a Swedish limited liability company provided that the shares are not listed. In addition, it applies to listed shares where the shareholding represents at least 10% of the distributing company’s voting rights or the shareholding is connected with the business conducted by the shareholding company or by another company which, taking into account ownership or organisational circumstances, may be deemed to be closely associated with the former company. However, in order for a capital gain on listed shares to be exempt from tax, the shares must have been held for at least one year at the time of disposal. Dividends on qualified listed shares are tax exempt provided that the shares are held and continuously satisfy the qualification criteria for at least one year during which the dividend is distributed. Shares held as inventory assets do not qualify for the exemption. Special requirements apply to foreign source dividends.

Withholding tax

Dividends distributed to non-resident shareholders are subject to withholding tax at the rate of 30%. However, due to the EU Parent Subsidiary Directive and existing tax treaties, the tax liability is often relieved or eliminated, either by way of a direct reduction of the tax deducted on remittance or by way of a refund following application. Dividends from qualifying participations, i.e. dividends on non-listed shares distributed to foreign companies will normally be exempt from withholding tax

Tax losses

Operating losses may be set-off against business income (including capital gains). Losses may be carried forward indefinitely.

Capital losses on qualifying participations are not deductible. Capital losses on other shares and securities can only be set off against capital gains on such investments. Capital losses on the disposal of real estate can normally only be set-off against capital gains on real estate. Restrictions are imposed on the use of losses carried forward in case of a change of ownership or control of a company.

Tax allocation reserve

Allocations to “tax allocation reserves” are deductible from business income for most companies. Each annual allocation will create a separate reserve. The maximum annual allocation is 25% of the company’s net profits. Each reserve must be reversed as taxable income within six years of the year of allocation.

Tax allocation reserves are taxed on a standardised basis under which 2.04 % of the reserves are taxable as income on an annual basis.

Transfer pricing

Swedish law in respect of transfer pricing is based on the so-called arm’s length principle. Under this principle, the Swedish Tax Agency may adjust the income of a Swedish company if its taxable income in Sweden is reduced as a result of contractual provisions that differ from those that would be agreed by unrelated parties.

Swedish companies are obliged to maintain transfer pricing documentation for cross-border transactions with affiliated parties

Other forms of taxation

VAT

Value added tax (VAT) is charged on the supply of goods and services effectuated in Sweden in the course of business. Goods imported into Sweden are also subject to VAT. The rate of VAT is normally 25%. Some goods and services are exempted from VAT or are taxed at a lower rate (e.g. books and food). The sale of real estate, insurance and financial services, health services, and some educational services are tax exempt.

Stamp duty and capital taxes

Stamp duty is levied on the transfer of real property and the registration of mortgages. As regards real property, the standard rates are 1.5% for individuals and 4.25% for legal entities. The rate on mortgages is 2% while the rate on a corporate mortgage (which bears certain similarities to a floating charge) is 1%. No capital tax is payable on the issue of shares, on an increase of share capital, or on the transfer of shares.

Real estate tax

Real estate tax ranging from 0.4% up to 1% of the tax assessment value is levied on industrial premises, non-residential apartment buildings, certain undeveloped plots, leasehold sites, and for apartment buildings under construction.

As regards residential apartment buildings, a local authority charge (Sw. *kommunal fastighetsavgift*) is levied at approximately SEK 1,200 per apartment or 0.4% of the building's tax assessment value, whichever is the lower. Newly-built apartment buildings are subject to a reduced fee or are exempted.

Taxation of branches

In principle, branches are taxed in the same way as Swedish limited liability companies. Branch profits remitted to the head office are not subject to withholding tax.

The accounts of a branch must be kept separate from the accounts of the foreign company.

Employment

General

The Swedish labour market is regulated by both legislation and through collective bargaining agreements. Trade unions traditionally enjoy a powerful position in Sweden. Although mandatory law and/or collective bargaining agreements provide the basic terms of employment, the employer must provide the employee with the key terms of employment in writing.

Employees in managerial positions are not covered by the mandatory rules in the Swedish Employment Protection Act and are excluded from the terms of collective bargaining

agreements. For these employees, the employment is governed by the terms of the individually negotiated employment agreement.

Working hours

The statutory maximum ordinary working hours are 40 hours per week, excluding lunch. Under special circumstances, ordinary working hours may exceed 40 hours per week as long as the average is 40 hours per week during a four week period. However, the total working hours (including, *inter alia*, overtime hours) may not average more than 48 hours per week for a period of four months. The Swedish Work Environment Authority (Sw. *Arbetsmiljöverket*) may grant an exemption from the rules mentioned above.

Holiday entitlement

Employees are entitled to paid annual vacation of a minimum of 25 days in addition to bank holidays (roughly ten working days per year). Employees who occupy a managerial or comparable position or who are entrusted to organise their own working hours and are therefore not entitled to overtime pay, are normally compensated with three to five additional vacation days per year depending on position.

Sick pay

Employers must pay sick pay during the first two weeks of each period of sick leave, except for the first day, which is not remunerable. The sick pay during these two weeks shall amount to at least 80% of the salary. The Swedish National Social Insurance Office (Sw. *Försäkringskassan*) is responsible for sick pay after the first two weeks of sick leave.

All state funded sick compensation is capped. For 2011 the maximum annual amount on which sick pay is based is approximately 80% of SEK 321,000 (approx. USD 47,910). For salaried employees, the cap is often lower than 80% of the actual salary, and thus it is not uncommon that the employer provides certain additional compensation, normally up to the 90th day of sick leave. It is also common for collective bargaining agreements within this sector to provide for such additional compensation.

Parental leave

Parents are entitled to a total of 480 days paid leave, which can be shared between them freely and used at any time before the child reaches the age of eight. However, 60 days of the leave are earmarked for each parent. If a parent does not use his/her 60 days, they will be forfeited.

Payment during any period of parental leave is funded by the state and generally amounts to 80% of the salary for the parent who is on leave. However, it is capped at a maximum of approximately 80% of an annual salary of SEK 428,000, i.e. SEK 28,500 (approx. USD 4,250) per month. It is not

uncommon that the employer pays certain additional compensation to cover the gap between the ordinary salary and the compensation from the social insurance office.

On returning to work, parents are generally entitled to resume their employment on the same terms and conditions. Parents are also entitled to reduce their working time by up to 25% (without pay) until the child reaches the age of eight or until the completion of the child's first year of school, whichever occurs first.

Dismissal

According to mandatory law, a dismissal by the employer must be based on objective grounds. These grounds must be based on either economic, technical or organisational reasons, i.e. redundancy, or personal reasons, for instance serious misconduct or disloyalty. Summary dismissal is only possible when the employee has grossly neglected his or her duties towards the employer. In a redundancy situation, the principle of "last in-first out" generally applies, although the principle is subject to certain exceptions.

If the employee is a member of a trade union (or if the employer is bound by a collective bargaining agreement) the employer must initiate and complete consultations with the union of which the employee is a member before any action to dismiss the employee is taken. This rule applies irrespective of the cause of the planned dismissal.

A notice of dismissal must include certain prescribed information. The period of notice normally varies between one and six months, depending on the duration of the employment. Under certain collective bargaining agreements, this period is prolonged when the employee has reached a certain age and has been employed for a certain number of years.

In case of wrongful dismissal, the employer might be liable to pay damages. Normally such damages range from 16 to 32 months' salary.

Loyalty and restrictive covenants

The collective bargaining agreements include obligations for the employee to observe confidentiality and to refrain from competition during employment. These principles are also well established practice. In addition, employment contracts for employees in key positions may include an undertaking by the employee restricting him/her from entering into any business competing with the business of the employer for a certain period after the termination of employment. There is no specific legislation in Sweden to prohibit such clauses however there is a provision in the Swedish Contracts Act to the effect that a covenant prohibiting competition can be modified or set aside to the extent a court of law finds it unreasonable. For a restrictive covenant to be legally enforceable, Swedish case law indicates, *inter alia*, that the covenant must

be limited to a maximum of one to two years after the termination of the employment and that certain compensation must be paid for the inconvenience caused to the employee during the term of the restrictive covenant.

Cost of employment

The employer must pay a national social security contribution, which for 2011 amounts to approximately 31% of the employee's gross salary. It is also common for employers to pay contributions to employee pension schemes. The social security contribution on such payments is approximately 24% of the amount contributed.

Overseas employees

Foreigners other than citizens of EEA countries must have a work permit in order to work in Sweden. Work permits must normally be obtained before travelling to Sweden. There are tax incentives for overseas key position managerial employees and experts exempting one quarter of the overseas employee's wages and the full amount of certain employment benefits from taxation. The exemption is available upon application from the employer and for a maximum period of three years.

Income tax

Swedish income tax is payable by all Swedish residents on their worldwide income. This may be subject to modification as a result of existing tax treaties for the avoidance of double taxation.

Income tax is payable as national income tax (20-25%) and municipal income tax (27-34%). Assuming an average municipal tax rate of 32%, the effective rate of income tax in 2011 is 32% on the first SEK 380,200 of the annual income. Additional income up to SEK 538,800 is taxed at 52 % (municipal tax 32% plus national tax 20%) and income above SEK 562,200 is taxed at 57% (municipal tax 32% plus national tax 25%). The income brackets are adjusted annually.

Investment income (dividend income and net interest income) and capital gains are taxed as income from capital at a flat rate of 30%. Special rules apply to capital gains resulting from the disposal of shares in closely held companies and on dividend income from such companies.

Marketing arrangements

Agency

Agents are protected in Sweden by the Swedish Commercial Agency Act, which came into force in 1992, implementing the EC Commercial Agency Directive. Unless an agency agreement is entered into for a fixed term, the notice period is one month during the first contract year and thereafter an additional month is added for each contract year up to a maximum of a six month notice period.

When an agency agreement has either expired or been terminated, the agent may under certain circumstances be entitled to commission in respect of contracts concluded after the termination of the agreement. In addition, the agent may be entitled to a one year indemnification of an amount up to the equivalent of the average of the agent's remuneration during the preceding five years.

Distribution

There is no specific legislation governing distributorships in Sweden. Case law indicates that a distributor is entitled to a reasonable period of notice of termination of the distribution agreement.

The provisions of the Swedish Commercial Agency Act may be applied by way of analogy in cases where the distributor forms part of the supplier's sales organisation and the distributor has extensive obligations towards the supplier. However, there is no clear authority on this. The parties' freedom to negotiate terms is to some extent restricted by competition law rules.

There is a block exemption for vertical agreements broadly corresponding to that which exists in EU law.

Franchising

According to the Swedish Franchisors (Information Requirements) Act, a franchisor must give certain minimum information to an intended franchisee within a reasonable time before entering into a franchise agreement. Failure to furnish such information may result in an order to fulfil such information requirements subject to a conditional fine. The Swedish Franchise Association (www.franchiseforeningen.se) plays an active part in a self-regulating process by requiring its members to comply with stipulated ethical rules. In terms of competition law, there is a block exemption for vertical agreements broadly corresponding to that which exists in EU law, which is also applicable to franchising arrangements.

Intellectual property

Intellectual property rights are protected by a set of specific statutes. Both criminal and civil liability may apply in respect of infringements of such rights.

Patents

Patents are governed by the Swedish Patents Act. Patent applications are submitted to the Patent and Registration Office (Sw. *Patent- och registreringsverket*) ("PRV").

The registration process generally takes around two to three years. The maximum duration of a patent is 20 years from the date of application although certain products in the pharmaceutical and plant industry may be granted an additional maximum five years of protection based on Council

Regulations (EC) Nos 1768/92 and 1610/96. Applications and patent portfolio management are generally handled by patent agencies and only rarely by law firms.

Sweden is a party to the Paris Convention, the Patent Cooperation Treaty and the European Patent Convention.

Trademarks

Trademarks are governed by the Swedish Trademarks Act. Exclusive protection may be obtained either by registration with PRV or by consistent usage by the proprietor or its licensee. It takes approximately six months to register a trademark. The term of registration is indefinite, subject to renewal every ten years.

Sweden is a party to the Madrid Agreement and has implemented the Trade Mark Directive. Furthermore, the EC Community Trade Mark Regulation applies in Sweden. As a member of the European Union, Sweden also applies Council Regulation (EC) 40/94 on the Community Trade Mark.

Copyright

Copyright is governed by the Swedish Copyright Act. No registration or other formalities are required to obtain protection under the Act. Works are protected by copyright upon creation. The author, or creator, may assign economic rights to a work, but certain moral rights remain vested with the author or creator.

Copyright protection lasts for the lifetime of the author or creator and for a period of 70 years thereafter.

Sweden is a party to the Berne Convention and the Universal Copyright Convention, and has implemented European Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society.

Designs

Designs are governed by the Swedish Design Protection Act as well as the Council Regulation on Registered and Unregistered Designs. A design may be registered with PRV if it qualifies as a novelty and differs substantially from other previously known designs. Protection under the Act lasts for automatically renewable terms of five years at a time. Protection which is registered for a term of less than 25 years can be extended for terms of five years in order to provide a total protection time of 25 years.

Sweden is a party to the Paris Convention and the Locarno Agreement.

Confidential information and trade secrets

Protection for trade secrets is governed by the Swedish Trade Secrets Act. The Act prescribes both criminal and civil liability for unauthorised use or disclosure of trade secrets.

Infringement investigation

Upon petition of a proprietor or a licensee showing reasonable cause for suspicion of an infringement, a court may grant leave for a so-called infringement investigation. An infringement investigation is executed through the local Enforcement Authority, which is empowered to seize and retain documents or objects relevant to the investigation.

Unfair marketing

Advertising and other marketing measures are governed by the Swedish Marketing Act, as well as certain other specific regulations regarding products such as tobacco, pharmaceutical products and alcohol.

The Swedish Marketing Act contains prohibitions against unfair marketing in general and against certain specific marketing practices in particular such as various terms employed for the purposes of misleading marketing, misleading comparisons and certain other unfair or inappropriate marketing practices. Use of the unfair marketing practices may result in a prohibitory injunction to cease such use subject to a conditional fine. In certain cases, liability in damages towards third parties may also arise.

Product liability

The Swedish Product Liability Act is based on the European Community Directive on Liability for Defective Products. The Act imposes strict liability on sellers, importers or manufacturers for personal injury and for damage to property suffered by individuals and caused by an unsafe product.

In certain circumstances, manufacturers may also be liable for damages under general tort or contract law. Sweden has also adopted a new Product Safety Act, based on the European Community Directive on Product Safety, under which marketing and sales of products or services may be restricted or prohibited by a public authority for safety reasons.

Dispute resolution

Court system

The Swedish courts are divided into:

- Courts of general jurisdiction (the district courts, the Courts of Appeal and the Supreme Court) which are seized with jurisdiction in respect of civil and criminal cases;

- Administrative courts (county administrative courts, Administrative Courts of Appeal and the Supreme Administrative Court) with jurisdiction in respect of issues of public law, including taxation.
- Specialist courts for disputes within certain legal areas such as labour law, environmental law and market regulation.

In civil litigation, costs follow the event which means that the unsuccessful party is required to pay the successful party's litigation costs, etc.

Sweden is a party to the Lugano and the Brussels Conventions. By virtue of its membership of the EU, Sweden is also bound by the Brussels Regulation on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters.

Arbitration

The institution of arbitration has an exceptionally longstanding in Sweden and Stockholm is often chosen as a venue for international arbitration. The state courts have conscientiously upheld a pro-arbitration stance in their supervisory functions. The Arbitration Institute of the Stockholm Chamber of Commerce (SCC) has for decades distinguished itself in the service it provides to the arbitration community.

The main source of arbitration law in Sweden is the Swedish Arbitration Act. An arbitral award is final and is not subject to substantive review. However, arbitral awards may be challenged on the basis of serious procedural defects or on public policy grounds.

Sweden is a signatory to the 1958 New York Convention, and foreign awards may be enforced in Sweden regardless of in which foreign country the arbitral proceedings took place.

The information herein is of a general, informational nature. The content does not purport to be exhaustive and should not be relied upon as a substitute or replacement for individual legal advice on any specific matter. If you have a specific legal question you are welcome to address it to one of our lawyers.

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