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## **Anti-Counterfeiting team for Sweden and EU**

Vinge's Criminal Law and IP experts combat counterfeiting. Together we have extensive experience of leading complex criminal investigations and court proceedings as well as a thorough understanding of IP optimisation and protection. Our investigation procedures follow international best practice and include for example securing evidence, investigations and disputes.

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## **Legal framework**

### **Procedures and strategies for anti-counterfeiting**

Swedish IP legislation is based largely on European and international regulations and provisions, as well as international treaties on IP rights. Sweden is a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights administered by the World Trade Organisation. As a member of the European Union, Sweden is subject to EU regulations and directives including, among others, the EU Customs Regulation 608/2013 and the corresponding Implementing Regulation 1352/2013. The EU Customs Regulation has been implemented in Sweden through the Customs Act (2016:253).

Further, Sweden has implemented substantial parts of EU Directive 2004/48 on the enforcement of IP rights (29 April 2004) in its IP rights legislation. Under the directive, EU member states must implement effective and proportionate remedies and penalties ensuring the enforcement of IP rights.

At a national level, Swedish IP law includes the following acts:

- the Trademarks Act (SFS 2010:1877);
- the Act on Copyright in Literary and Artistic Works (SFS 1960:729);
- the Patents Act (SFS 1967:837);
- the Design Protection Act (SFS 1970:485);
- the Act on the Protection of Topographies for Semiconductor Products (SFS 1992:1685); and
- the Act on Plant Breeders' Rights (SFS 1997:306).

Sweden applies a vertical enforcement regime in relation to IP rights, which means that there are, in general, specific enforcement rules for different types of IP right in each IP right statute, but measures provided under the different acts are generally similar. However, the Code of Judicial Procedure (1942:740) provides certain common interim measures (eg, order (subpoena) for production of documents and restraint of assets).

### **Border measures**

Chapter 4, Section 16 of the Customs Act provides that Swedish Customs has the right to inspect the goods. However, Customs

cannot intervene regarding goods that are subject to parallel imports or for goods that are shipped in personal luggage unless there is a suspicion that such goods are imported for a commercial purpose.

Customs may detain goods on its own initiative. A suspicion of pirated or counterfeit goods can arise based on the packaging or quality of the products. Since Customs prevents criminal activity in relation to the import and export of goods, it conducts some level of investigation and liaises with the Prosecution Authority regarding offences against regulations concerning the import of goods.

In addition, the rights holder (ie, the owner of a trademark, copyright, right or patent) may apply for an intervention regarding imported goods at Customs. The application for action can be either a national or EU application, depending on the origin of the IP rights.

When applying for such action, the application must state whether the applicant is:

- a rights holder;
- a person or entity authorised to use the IP right;
- an IP collective rights management body;
- a professional defence body;
- an operator entitled to use a geographical indication;
- an inspection body or authority competent for a geographical indication;
- an exclusive licence holder covering two or more EU member states; or
- a group of producers of products with a geographical indication or representative of such group.

Moreover, information will be provided regarding the IP right in question (eg, regarding the type of right, registration number, date of registration and expiry, markings and other information which could be necessary for Customs to identify the goods). If Customs deems an application incomplete, the authority will request the applicant to supply the missing information within 10 working days from notification.

In addition, Customs must notify a rights holder regarding a decision to intervene or a rejection of such an application within 30 days from the date on which the request for an intervention or injunction was made. Customs

must also notify the declarant or owner of the goods of the suspension of a release or the detention of the goods within one working day of that suspension or detention.

Moreover, when Customs grants an application, the department in question should specify the period during which the authority is to act. Such period begins on the day on which the decision granting the application is effective and should not exceed one year from that day. This period may be extended. However, if any IP rights cease to have effect during such period or if the applicant is no longer authorised to submit an application, the decision granting the application will be amended accordingly or revoked by the department which granted the decision.

When goods have been seized and the declarant or owner of the goods has not confirmed in writing their agreement to destruction of the goods and where that declarant or owner has not been deemed to have confirmed their agreement to the destruction, the authority will immediately notify the owner of the decision. Thereafter, the owner has 10 working days (or three working days for perishable goods) from the notification of the suspension of the release or the detention of the goods, to initiate legal proceedings where it will be determined whether the IP right in question has been infringed.

The period of 10 working days may be extended up to a further 10 working days in certain cases, if duly requested by the rights holder. There is no possibility to extend the three-day period that relates to perishable goods.

If the applicant initiates proceedings against the importer regarding a possible IP infringement, Customs must notify the court regarding its intervention. If the court decides that the goods must be destroyed, Customs will be notified by the court when the decision has obtained legal effect. As a general rule, a court decision regarding an intervention from Customs may be appealed.

An applicant is not obliged to pay any administrative fees for handling the application. However, if Customs so requests, the applicant must reimburse the authority or other parties acting on behalf of customs authorities for costs which have been incurred



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(eg, in relation to the detention or suspension of the release of the goods, including storage and handling of the goods pursuant to the Customs Act). This does not preclude the rights holder from seeking compensation from the infringer or other persons in accordance with applicable legislation. Nevertheless, the losing party is obliged to pay such costs, and should the claim for reimbursement cover several parties, the liability to pay such costs is joint and several.

### **Criminal prosecution**

In Sweden, all IP rights acts contain provisions on criminal liability. Any person who infringes an exclusive right and has done so intentionally or by gross negligence may be subject to criminal penalties. The criminal penalties for IP infringement include fines or imprisonment for up to two years. According to the Penal Code, the range of punishment may be extended to up to three years' imprisonment if someone is sentenced

to imprisonment as a collective penalty for several offences. According to legislative history, the normal penalty should be limited to a day fine (ie, where the number of fines is determined on the seriousness of the offence and where the amount of each day fine is determined based on the offender's economic situation). Imprisonment is reserved for acts committed under aggravating circumstances (eg, where the injured party has suffered exceptional damage or if the offender, despite several warnings, has continued with the infringement).

In 2008, the Prosecution Authority appointed a working group with prosecutors specialised in intellectual property. The rationale behind this new organisation was, among other things, the difficulties encountered by the police and prosecutors investigating infringements. The aim of this new organisation was to obtain the necessary experience to handle these matters promptly and efficiently. The police authority includes



## If there are reasons to believe that a criminal offence has been committed which is subject to public prosecution, a preliminary investigation must be initiated

a separate department which investigates all offences relating to intellectual property.

The duty of a prosecutor to initiate a prosecution is connected to a duty to initiate a preliminary investigation. If there are reasons to believe that a criminal offence has been committed which is subject to public prosecution, a preliminary investigation must be initiated. This involves an investigation in order to determine whether a crime has been committed and, if so, to identify any potential suspects and to assess whether the evidence is sufficient to bring a prosecution. The preliminary investigation is led by either the police or the prosecutor.

Under a preliminary investigation, there are several (coercive) measures available for the police and prosecutor to obtain evidence. Examples of such measures include searching the premises and seizing the infringing goods. It is also possible to take a person into custody under certain circumstances. Either the police, prosecutor or court, depending on the type of measure, may decide on such measures. There is no obstacle to owners assisting the authorities in their investigations.

### Civil enforcement

#### Key points

Trademark infringement proceedings are brought before specialised courts, namely the Patent and Market Court and the Patent and Market Court of Appeal.

The acts governing IP rights contain provisions granting a rights holder the possibility to file a claim regarding an interlocutory injunction to the court in order to prevent an actual, attempted or prepared infringement.

In provisional injunction proceedings, the applicant must show:

- probable cause that an infringement is being committed, aided, prepared or attempted; and
- that it can be reasonably expected that the defendant will diminish the value of the IP rights by continuing its course of conduct.

The main rule is that no injunction may be issued before the defendant has been given an opportunity to respond, unless a delay would entail a risk. However, a decision can be obtained *ex parte* if a delay would lead to a risk of loss, or if a delay places the applicant's claim at risk. An *ex parte* decision requires imperative reasons for not hearing the counterparty. For instance, this might be the case if communicating the application would cause the counterparty to immediately sabotage the measure sought.

#### Preliminary measures

Regarding any provisional measures for documenting and preserving evidence, it is possible to request information injunctions pursuant to the Swedish IP acts. If it can be reasonably assumed that someone has committed an act of IP rights infringement, or certain other provisions have been violated, the rights holder or anyone permitted to use the IP right in question by licence, may request an injunction from the court. The injunction entails that an infringer should deliver to the rights holder information regarding the origin and any distribution network for the goods and services to which the infringement relates (eg, names of suppliers, distributors, number of sold goods and at what price such goods have been sold). Such an injunction may also be

issued in relation to attempts and preparations for infringements.

Further, Swedish IP legislation also provides measures for preserving evidence through an infringement investigation. Where it can be reasonably assumed that someone has committed, or contributed to, an IP rights infringement (or violated certain other provisions in the IP rights acts), the court may, for the purposes of preserving evidence relating to the infringement or the violation, order that an investigation is undertaken in respect of that party in order to search for objects or documents that can be assumed to be of importance for the enquiry into the infringement or violation. Such an order may also be issued in relation to attempts and preparations for infringements.

An infringement investigation order may be issued at the request of the rights holder or anyone who has been granted a right to use such IP right (eg, through a licence). Such an order may also be requested before an action in court on the subject matter (eg, copyright infringement). No intention or negligence is required. Moreover, an infringement investigation is executed by the enforcement authority which, depending on the order, has the right to make copies of, and take extracts from, documents that it is authorised to search for. The enforcement authority is also permitted to take photographs and make video and sound recordings of such objects that it is authorised to search for including, *inter alia*, infringing products and materials or tools that have been used for production and distribution of the products.

### Remedies

Under the general principles of Swedish tort law, and according to the Swedish IP rights acts, the IP rights holder (claimant) will be compensated for the actual prejudice suffered. Regarding the evidentiary requirement for determining the actual prejudice in Sweden, the IP rights holder must show proximate cause between the infringement and the damage. The damage must have been a foreseeable consequence, as well as an adequate result, of the infringement.

The IP rights acts also state that any person who commits an infringement must

pay damages consisting of “reasonable compensation” to the claimant, provided that such compensation is claimed in the proceedings. This general rule of compensation constitutes an important principle when calculating damages according to Swedish law, which can be considered an expression of the minimum level of compensation to be paid.

The appropriate aspects that judicial authorities should consider when calculating damages are found in the IP rights acts, which state that damages will be decided with particular consideration being a

- ordered to:
- lost profits;
- profits realised by the party committing the infringement or the violation;
- damage caused to the reputation of the protected object (eg, work, trademark or design);
- non-pecuniary damage; and
- the rights holder’s interest that infringements are not committed.

In practice, when viewed cumulatively, these rules aim to enable the award of full compensation for all damage actually suffered by the claimant.

Moreover, compensation equivalent to punitive damages, as applied in some countries, is not recognised in Sweden. Compensation for any future damage, according to provisions in the IP rights acts, typically consists of compensation for lost profits. When assessing lost profits, the numbers of unsold units and the IP rights holder’s contribution margin per unit are taken into account.

### Anti-counterfeiting online

Online marketing of counterfeit products directed to consumers in Sweden is widespread. Although online marketing reaches many consumers, it remains challenging to identify the offender’s business, which is often established abroad. Also, since the EU General Data Protection Regulation (2016/679) came into force in 2018, it is harder than before to find information on the websites in order to enforce IP rights online.

However, within the European Union many initiatives are addressing the challenges of IP rights enforcement online and offline. With the establishment of the Intellectual Property

Crime Coordinated Coalition located at Europol, operational and technical support are provided to law enforcement agencies in the European Union and overseas by facilitating cross-border investigations and monitoring online crime trends.

**ISP liability**

Regarding internet service providers (ISPs), there has been ongoing discussion in Sweden as to whether a blocking injunction can be obtained in relation to ISPs whose services are used by a third party to infringe IP rights. Recent case law from the patent and market courts shows that an ISP can be subject to a blocking injunction, that is, prohibited from continuing to commit, or aid and abet, an act constituting an infringement or a violation of the IP rights of others, for allowing its customers access to an infringing website (eg, Patent and Market Court of Appeal, Case 11706-16, 2017). This case law also shows, among other things, that no contractual relationship (between the intermediary and the third-party infringer) or criminal liability (for aiding and abetting the users’ infringements) is needed for the grant of an injunction against an intermediary. The patent and market courts have noted that it was possible for rights holders to obtain an injunction against an intermediary whose services are used to commit copyright infringement, even if the intermediary only provides its customers with internet access. That said, liability for damages will normally require a more active contributory copyright infringement.

**Preventive measures/strategies**

It is possible to apply for customs surveillance with Swedish Customs. In addition, there

are databases that European authorities use to identify counterfeit products. When the application for an intervention regarding imported goods has been submitted to Swedish Customs, the European Commission’s COPIS database will be updated with the applicant’s information. Moreover, the database is used by all customs authorities within the European Union, Europol and most police authorities. It is possible to register an online account for free and provide information regarding the applicant’s products.

Since securing evidence at an early stage is vital for the successful enforcement of IP rights, continuous investigations should be part of the IP rights holder’s anti-counterfeiting strategy. Collecting evidence and keeping Customs updated on infringers and how to identify counterfeit products, are just some of the ways of ensuring the best assistance from the authorities. In addition, it is recommended that IP rights holders explore and make use of available technology in order to mark tangible products and track counterfeiters. **WTR**



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