

# NATIONAL AND COMMUNITY TRADEMARK INFRINGEMENT PROCEEDINGS IN HUNGARY

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## Abstract

*The article refers to the disputes in connection with the counterfeiting and the validation of brands in Hungary. The author presents the rules and the practice of these disputes, also with an emphasis on the complex rules of the disputes related to community brands. It can be established that the applicable community rules ensure the protection and validation of the brand owners' rights on an immense and unitary market.*

**Key words:** *trademark, community trademark, trademark infringement, infringement proceedings, EC law*

## Introduction

A *trademark* is a distinctive sign used to identify products or services. It belongs exclusively to the proprietor of the registered trademark. The primary function of the trademark is to distinguish the products and services of the proprietor from those of other entities.<sup>1</sup> According to Hungarian regulations, any graphically represented sign that is able to distinguish a product or service from those of other entities can be registered. The following signs can particularly be registered

- words, phrases, including names and slogans;
- letters, numbers;
- figures, images;
- two or three dimensional objects, including the shape of the product or its packaging;
- colours, colour schemes, flashlight, hologram;
- sounds;
- in addition, the combination of any of the above<sup>2</sup>.

We can distinguish national, community and international trademarks. National trademarks are regulated by Act IX/1997 in Hungary, while (EC) No 40/94 regulates community trademarks. International trademarks fall under the scope of the Treaty of Madrid of 1891 and the related Madrid Protocol of 1989. In Hungary 4,246 national trademarks and 4,568 international trademarks were registered in 2007. Still in 2007 88,251 community trademarks with effect to Hungary were registered. The number of registered national trademarks has not changed compared to previous years; the number of international trademarks has decreased while the number of community trademark registrations has increased considerably. The number of national trademarks valid in Hungary was 52,093 in 2007, with 54 percent Hungarian, 21 percent American, 5 percent British and 3 percent German proprietors.

Proceedings related to trademarks fall under the scope of the Hungarian Patent Office and the court in Hungary. The competences of the Hungarian Patent Office include among other things entering trademarks into the Register, renewal, revocation and registration of trademarks. The

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<sup>1</sup> See Vanda Lamm, Vilmos Peschka (chief editor), *Jogi Lexikon*, Budapest, 1999, p. 624.

<sup>2</sup> Article 1, Act XI of 1997

proceedings of the Office are special administrative authority procedures. Trademark proceedings can be grouped into two big categories.

One of the groups includes supervision proceedings related to the decisions of the Hungarian Patent Office. These are non-litigious proceedings, carried out exclusively by the Metropolitan Court of Budapest. In 2007 236 amendment requests were filed at the Office, 49 of which were dealt with within the competence of the Office itself and 187 were forwarded to the Court.

The other group includes trademark proceedings. In these cases the person claiming property can turn directly to court in order to obtain a decision in a litigious proceeding. Within trademark proceedings, special regulations apply to infringement proceedings. In Hungary 160 infringement proceedings were initiated in 2007 and 132 in 2008.

## 2. Trademark infringement proceedings

On the basis of trademark rights the proprietor of the trademark has exclusive rights to use the trademark. Any other person shall refrain from disturbing the proprietor of the trademark. Trademark infringement occurs when an entity uses the trademark to mark the same or similar products or services during its business activities without permission to do so from the proprietor of the trademark.<sup>3</sup> In case of trademark infringement, the proprietor can initiate court proceedings against the violator.

Trademark infringement proceedings in Hungary are special proceedings in Hungary. This means that the regulations of the Code of Civil Procedure as well as special regulations shall be applied. These special regulations related to trademark infringement proceedings are included in Act No. XI of 1997 on the protection of trademarks and geographical indications.

Trademark infringement proceedings fall under the competence and scope of the Metropolitan Court of Budapest exclusively. A professional judge rules in the first instance in general. In trademark infringement proceedings however the court proceeds with a council of three professional judges. In such cases the parties can be represented by an authorised patent agent.

Upon the request of the parties the court can reject admission of the public to the hearings even if the general conditions of excluding the public do not apply. In trademark infringement proceedings the parties can request provisional measures more easily and on a wider scale compared to general regulations. For example it is a general rule in Hungarian law related to court proceedings that the parties can only request provisional measures after the statement of claim has been submitted to the court. In trademark infringement procedures however a request for provisional measure can be submitted before the statement of claim has been filed. Preliminary proving can be applied in a wider scale as well. The court can however require a guarantee as a condition to initiate preliminary proving and provisional measures.

In a trademark infringement proceeding if one of the parties has made its argument plausible to the appropriate extent, the court can upon the request of the proving party oblige the opponent to present its documents or other proof it holds, as well as make possible a review and provide information on bank, financial and trade data or present documents related to these.

## 3. Proceedings related to infringement of community trademarks

According to current community law, special regulations regard proceedings related to the infringement of community trademarks. In community trademark infringement procedures both

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<sup>3</sup> See Endre Lontai, *Szellemi alkotások joga*, Budapest, 1998, pp. 234-235.

the community law and the regulations of the member states shall be applied. It is interesting to discuss shortly the issue of how community law and national law create a legal system to be applied.

Most approaches regard community law a completely or relatively autonomous legal system, which differs from both national domestic law and international law.<sup>4</sup> However, many experts point out that community law “significantly pervades and partially overlaps the domestic legal systems of the member countries (...) the law of the EC also forms a special framework with the legal systems of the member states”.<sup>5</sup> These approaches look at this phenomenon from the point of view of the European Communities, the European Union and community law. As for me I would rather approach the question from the side of the legal system of the member state, and from this viewpoint I would rather point out that due to the direct effect of community law, community regulations are unambiguously built in into national legal systems. Therefore, the legal systems of the member states have become two-level systems: in the legal system of each country we can distinguish a European and a national level.<sup>6</sup> Thus, presently the legal system of each member country is divided vertically into two great structural parts. The national level aims at complete and flawless regulation. The European level contains partial, aim oriented regulations, where the community aspect generates the creation of a norm, and therefore, regulations are not created in every field, but basically in connection with community aims.<sup>7</sup>

Legal norms of the European Community naturally do not exist and function alone, but in functional interaction with other norms of the legal system. If we examine community regulations more closely we come to the conclusion that there is a strong connection to the national laws regulating the given area. Moreover, the community regulation often cannot be interpreted without the national law. This is partly because community regulation only partially covers its subject.

We have to take it into consideration that as we have already mentioned above, the Community regulations were added to the legal systems of the member countries, so these legal systems became two-level. When exploring the content of each norm during the application of the traditional methods of legal interpretation, we must regard the European and national level in each legal system as a unit. Therefore, in case of grammatical, logical and especially the systematic and historical legal interpretation we must interpret national and European norms in relation. However, if we do so, a certain norm might have different content in each legal system. Thus, using the different methods of legal interpretation we could have a different content for the same norm in various legal systems, as the theoretically unified community law must be compared with practically different national laws when interpreted.

In community trademark infringement proceedings multilevel regulations apply. The court applies primarily the Council Regulation (EC) No 40/94. On all matters not covered by this regulation a community trademark court shall apply its national law, including its private international law. Unless otherwise provided in this regulation, a community trademark court shall apply the rules of procedure governing the same type of action relating to a national trade mark in

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<sup>4</sup> See Vanda Lamm – Vilmos Peschka (chief editor), *Jogi Lexikon*, Budapest, 1999, p. 370.; András Jakab, *A jogszabálytan főbb kérdéseiről*, Budapest, 2003, p. 170.

<sup>5</sup> László Kecskés, *EK-jog és jogharmonizáció*, Budapest, 1999, p. 111.

<sup>6</sup> It is worth mentioning that the rules of the European level are not necessarily the same in each member state. There are, for example, countries, which do not participate in certain forms of cooperation (see, e.g.: Monetary Union, home affairs in civil cases)

<sup>7</sup> For the problem of the division of legislative spheres between the European Union and the member states, see Tamás Kende – Tamás Szűcs – Petra Jeney (editor): *Európai közjog és politika*, Budapest, 2007, pp. 744-795.

the member state where it has its seat.<sup>8</sup> The Hungarian trademark court applies Act No. XI of 1997 on the protection of trademarks and geographical indications as well as the Code of Civil Procedure as additional regulations. Community trademark infringement procedures are thus special court cases in Hungary as there is a special order between the regulations to be applied: primarily Council Regulation (EC) No 40/94 shall be applied, and if there is no regulation regarding an issue then the special proceeding regulations stipulated in the Hungarian Trademark Act follow and if this cannot settle the proceeding, the Code of Civil Procedure shall apply.<sup>9</sup>

In community trademark proceedings the so called community trademark court nominated by the member states shall proceed. In Hungary the Metropolitan Court of Budapest proceeds in the first instance and the Regional Court of Appeal of Budapest proceeds in the second instance.

Proceedings related to infringement of community trademarks shall be brought in the courts of the member state in which the defendant is domiciled or, if he is not domiciled in any of the member states, in which he has an establishment. If the defendant is neither domiciled nor has an establishment in any of the member states, such proceedings shall be brought in the courts of the member state in which the plaintiff is domiciled or, if he is not domiciled in any of the member states, in which he has an establishment.

If neither the defendant nor the plaintiff is so domiciled or has such an establishment, such proceedings shall be brought in the courts of the member state where the Office for Harmonization in the Internal Market has its seat.<sup>10</sup>

The above regulations can be avoided if

- a). the parties agree that another community trademark court shall proceed;
- b). the defendant appears at another community trademark court.

The community trademark infringement procedure can be brought in the courts of the member state in which the infringement has taken place or has been attempted.

In community trademark proceedings a plea relating to revocation or invalidity of the community trademark submitted otherwise than by way of a counterclaim shall be admissible in so far as the defendant claims that the rights of the proprietor of the community trademark could be revoked for lack of use or that community trademark could be declared invalid on account of an earlier right of the defendant.<sup>11</sup>

The community trademark courts shall treat the community trademark as valid unless its validity is put in issue by the defendant with a counterclaim for revocation or for a declaration of invalidity.<sup>12</sup> The counterclaim for revocation or for declaration of invalidity can only be based on revocation or invalidity reasons as specified in EC 40/94 and not according to national law.

Application may be made to the courts of a member state, including community trademark courts, for such provisional, including protective, measures in respect of a community trademark or community trademark application as may be available under the law of that state in respect of a national trademark, even if, under this regulation, a community trademark court of another member state has jurisdiction as to the substance of the matter.<sup>13</sup>

Where a community trademark court finds that the defendant has infringed or threatened to infringe a community trademark, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe

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<sup>8</sup> Article 97, (EC) No. 40/94

<sup>9</sup> See Daisy Kiss, Zoltán Rónay, Ágnes Sántha, Péter Szabó: *A különleges perek*, Budapest, 2006, p. 209.

<sup>10</sup> Paragraphs (1)-(3), Article 93, (EC) No. 40/94

<sup>11</sup> Paragraph 3, Article 95, (EC) No. 40/94

<sup>12</sup> Paragraph 1, Article 95, (EC) No. 40/94

<sup>13</sup> Paragraph 1, Article 99, (EC) No. 40/94

the community trademark. It shall also take such measures in accordance with its national law as are aimed at ensuring that this prohibition is complied with.<sup>14</sup>

In proceedings related to community trademark infringement an appeal to the community trademark courts of second instance shall lay from judgments of the community trademark courts of first instance.<sup>15</sup> The regulation stipulates that the related regulations of national law on further appeal shall be applied for the verdicts of the community trademark court of second instance. In my opinion we can draw the conclusion that according to the regulations of the Code of Civil Procedure the final verdict of second instance can requested to be supervised – based on violation of law.

In Hungarian legal practice it has become debated if the Metropolitan Court of Budapest as a community trademark court can proceed and rule in a proceeding related to infringement of community, national or international trademarks. In a specific case the plaintiff submitted its claim to the Metropolitan Court of Budapest requesting the court to assess that the defendant infringed its Hungarian national trademarks as well as international and community trademarks used by the plaintiff, by importing perfumes to Hungary from the date of 22 April, 2005. The court of first instance stated that the defendant infringed national, international and community trademarks of the plaintiff. The court ruled that the defendant should stop violating the law, and requested the defendant to provide data on the distributors of the perfumes, its business contacts and its warehouses in Hungary. The court also authorised the plaintiff to publish a declaration that would serve as recompense. It ruled confiscation of the products and destroying them at the costs of the defendant within 15 days. The court of second instance has partially revised the verdict of the court of first instance, and stated that the court of first instance as community trademark court could have made a verdict only in relation to infringement of the community trademark and it should not have proceeded in relation to national and international trademarks. After this the Supreme Court revised the verdict of second instance in a revision proceeding. It ruled that the applicable law, (the Civil Code of Procedure, the Trademark Act and Council Regulation (EC) No. 40/94) does not contain any specifications that would restrict the plaintiff from connecting its claims on infringement of its community trademark to its claim on infringement of its national and international trademarks. As a consequence, it is possible that the Metropolitan Court of Budapest can decide in a proceeding on the infringement of the community trademark as well as other claims related to infringement of national and international trademarks.<sup>16</sup>

Finally, the question arises, which is the appropriate procedure to follow if there is a court proceeding related to trademark infringement or its attempt going on between the same parties in the same matter at the courts of different member states, and one of the courts proceeds in relation to the community trademark while the other proceeds in relation to the national trademark. As the subject of the proceeding is not the same here, we cannot talk about *lis pendens*, but the connection between the two proceedings is obvious.<sup>17</sup> In such cases the court other than the court first seized shall of its own motion decline jurisdiction in favour of that court where the trade marks concerned are identical and valid for identical goods or services. The court which would be required to decline jurisdiction may stay its proceedings if the jurisdiction of the other court is contested.<sup>18</sup>

<sup>14</sup> Paragraph 1, Article 98, (EC) No. 40/94

<sup>15</sup> Paragraph 1, Article 101, (EC) No. 40/94

<sup>16</sup> BH 2008/65.; Legf. Bír. Pfv. IV. 20.423/2007. sz.

<sup>17</sup> See Daisy Kiss, Zoltán Rónay, Ágnes Sántha, Péter Szabó, *A különleges perek*, Budapest, 2006, p. 214.

<sup>18</sup> Paragraph (1) a), Article 105, (EC) No. 40/94

The court other than the court first seized may stay its proceedings where the trade marks concerned are identical and valid for similar goods or services and where the trade marks concerned are similar and valid for identical or similar goods or services.<sup>19</sup>

#### **4. Conclusion**

The above paper has overviewed Hungarian regulations related to trademark infringement proceedings, with special regard to the multilevel and complex regulations related to community trademark proceedings. It can be stated that the effective community regulation provides the validation and the protection of rights of trademark proprietors on a huge unified market.

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<sup>19</sup> Paragraph (1) b), Article 105, (EC) No. 40/94