

CHECKLIST OF ISSUES ON ENFORCEMENT¹

Responses from Hungary

Civil and Administrative Procedures and Remedies

(a) *Civil judicial procedures and remedies*

1. Specify the courts which have jurisdiction over IPR infringement cases.

In industrial property matters the Metropolitan Court has jurisdiction and exclusive competence over industrial property infringement cases. Second instance: Supreme Court.

There are no specialised copyright courts. Judges, acting as single judges specialised in copyright at county courts (these are usually, in ordinary civil law litigation, the second instance courts) hear copyright cases in the first instance except for litigation falling within the scope of collective administration. The Supreme Court has second instance jurisdiction.

2. Which persons have standing to assert IPRs? How may they be represented? Are there requirements for mandatory personal appearances before the court by the right holder?

As regards trademark cases in proceedings for the review of the decisions of the Hungarian Patent Office, any person who took part as a party in the proceedings and has a legal interest in the review of the decision, and the public prosecutor, have standing before the court.

In patent cases any party to procedures before the Hungarian Patent Office may request a review of the decision. The review of the decision on the grant and revocation of a patent may be requested by the public prosecutor as well. In litigation concerning IPR infringements, the right holders have standing before the Court. In the court proceedings the persons having standing to assert IPRs may be represented by legal counsel - persons listed in Article 57(1) of the Code of Civil Procedure - in trademark and patent cases patent attorneys may also act as representatives. There are no requirements for mandatory personal appearances before the court by the right holders.

3. What authority do the judicial authorities have to order, at the request of an opposing party, a party to a proceeding to produce evidence which lies within its control?

Under Article 95(5) of the new Act XI of 1997 on the Protection of Trademarks and Geographical Indications if, in infringement proceedings, a party has presented reasonably available evidence sufficient to support its claims, the judge may order - at the request of the opposing party - the party to produce documents and other evidence which are within its control. Similar provisions have been included

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in the Copyright Act, Patent Act and in other industrial property legislation. These provisions are in accordance with Article 43 of the TRIPS Agreement.

In addition, according to Articles 163 and 164(2) of the Code of Civil Procedure the judge in charge of the proceeding may order the other litigant or a third party to disclose documents or other evidence which he considers necessary in the case.

4. What means exist to identify and protect confidential information brought forward as evidence?

Article 7 of the Code of Civil Procedure regulates the specific circumstances under which the public may be barred from the trial of the case. These are protection of state secrecy, business secrecy and bank secrecy.

Under Article 90 of Act No. XXXIII of 1995 on the Protection of Inventions by Patents, at the request of the party the public may be barred from the trial of the case also without the fulfilment of those conditions laid down in Article 7 of the Code of Civil Procedure as mentioned above. In the new Trademark Act, Article 80 contains similar provisions. The Act on the Prohibition of Unfair Market Practice and Restriction of Competition (No. LVII of 1996) provides for the protection of undisclosed information. It prohibits the use of a business secret in an unfair manner as well as its disclosure to others without authorization.

5. Describe the remedies that may be ordered by the judicial authorities and criteria, legislative or jurisprudential, for their use:

- **injunctions;**
- **damages, including recovery of profits, and expenses, including attorney's fees;**
- **destruction or other disposal of infringing goods and materials/implements for their production;**
- **any other remedies.**

Under Article 35 of the Patent Act, in the case of an infringement the patentee may request that the fact of infringement be declared by the court and an injunction in order to stop the infringement and enjoin the infringer from continuing the infringement. The patentee may also demand satisfaction from the infringer and restitution for the enrichment obtained by the infringement of the patent. The patentee may also request the seizure of the means used for infringement and of the infringing products. Depending on the circumstances of the case, the court may rule, at the request of the patentee, that the infringing features of the means and products seized be removed or, where this is not possible, that they be destroyed. In place of destruction, the court may order that the means and products seized be auctioned in accordance with the rules of enforcement by the court; in such cases, the court has to decide how the sum obtained is to be used. Where a patent is infringed, the patentee may also claim damages under the rules of civil liability.

The new Trademark Act lays down similar legal consequences of trademark infringement. Under the new Act even destruction of the infringing products and means is possible.

The effectiveness of the enforcement of rights has been increased by further measures as well. The infringer can be obliged to give information on the source of infringing goods and on the relevant business connections. (Similar provisions have been included in the Copyright Act, in the Patent Law

and in other industrial property legislation.) Seizure of the infringing products and of the means or materials used for the infringement shall be possible even if these are not the property of the infringer, provided that their owner is aware of the infringement or should under due care be aware of it. It is also possible to institute proceedings for trademark infringement based on a pending trademark application, the proceedings shall, however, be suspended until the final decision on the registration of the trademark. The holder of the trademark may also request measures of the customs authorities - under special rules - to prevent the putting on the market in the country of the infringing goods.

Under Article 52 of the Copyright Act, the author may assert civil law claims if his rights are infringed. The author may claim a declaration by the court establishing that an infringement has been committed, an injunction to cease and desist, a redress from the infringer and removal of the infringing situation.

The author may demand damages. He may further demand that the object produced through infringement be destroyed or be deprived of its injurious quality.

The Trademark Act has amended the Copyright Act to the effect that the right holder may claim profits of the infringer to be recovered.

6. In what circumstances, if any, do judicial authorities have the authority to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the goods or services found to be infringing and of their channels of distribution?

According to the new Trademark Act (Article 27(1)), in the case of infringement, the proprietor of the trademark has the right to demand information from the infringer about the identity of third persons involved in the production and distribution of infringing goods or services and of their channels of distribution. The new Trademark Act has amended the Copyright Act, Patent Act, and similar rules of procedure have been introduced into all pieces of intellectual property legislation in accordance with Article 47 of the TRIPS Agreement.

7. Describe provisions relating to the indemnification of defendants wrongfully enjoined. To what extent are public authorities and/or officials liable in such a situation and what "remedial measures" are applicable to them?

Under Article 349 of the Civil Code, liability for damage caused in the sphere of state administration shall be established only if the damage could not be prevented by ordinary legal remedies.

These rules shall also apply to liability for damages caused within the sphere of authority of courts and prosecutors' offices.

8. Describe provisions governing the length and cost of proceedings. Provide any available data on the actual duration of proceedings and their cost.

There are no particular provisions governing the length of the proceedings. Costs of a proceeding depend on the value of the action.

(b) *Administrative procedures and remedies*

9. Reply to the above questions in relation to any administrative procedures on the merits and remedies that may result from these procedures.

There is no legislation in force in Hungary relevant to the specific cases identified in this question.

Provisional Measures

(a) *Judicial measures*

10. Describe the types of provisional measures that judicial authorities may order, and the legal basis for such authority.

A recent amendment to the Code on Civil Procedure (by Act LX of 1995) has streamlined the rules on provisional measures. Accordingly, on the basis of Article 156 of the Code on Civil Procedure the court may order by a provisional measure, on request, compliance with the claim for action (counterclaim) or with the request for a provisional measure if it is necessary to avert imminent damage, or to maintain unchanged circumstances giving rise to litigation or to protect the petitioner's rights deserving special appreciation and if the drawbacks caused by the measure do not outweigh the benefits attainable by it. The court may subject the ordering of provisional measures to providing security. The facts on which the request is based must be made likely. The request for provisional measure cannot be submitted before filing the statement of claim, however, the court may decide on the provisional measure before the first hearing. The court decides on the provisional measure out of turn, but prior to that it hears the parties personally or allows them to reply to the request in writing. The hearing of the parties may only be omitted in case of urgent need or if the party does not comply with the time limit or period fixed for the hearing. Although it is possible to lodge an appeal against the decision on the provisional measure, this measure may be executed in advance.

The rules on provisional measures have been modified partly in the light of experience gained from industrial property and copyright cases and of practical needs in this field. The modification of the Code on Civil Procedure fulfilled a long-standing practical demand by making it possible to attach the ordering of provisional measures to providing security and by permitting the ordering of such measures also in *ex parte* proceedings if only in the case of "extreme need".

With the modification of the Code on Civil Procedure, Hungarian law has met the requirements stemming from Article 50 of the TRIPS Agreement. Special provisions on provisional measures applicable in the case of infringement have been included into our industrial property and copyright legislation by the new Trademark Act. These provisions reflect the specialities of such cases and would enhance the effective enforcement of rights.

According to them in intellectual property litigation, it will be sufficient for courts to assume that a provisional measure is necessary to protect the petitioner's rights deserving special appreciation if evidence is provided that the applicant is the right holder or otherwise entitled to act in the procedure and that the legal protection exists. The decision on the provisional measure shall be passed within 15 days counted from the day of the request for such measure.

11. In what circumstances may such measures be ordered *inaudita altera parte*?

Such measures may be ordered *inaudita altera parte* only in case of urgent need or if the party does not comply with the time limit or period fixed for the hearing.

- 12. Describe the main procedures for the initiation, ordering and maintenance in force of provisional measures, in particular relevant time-limits and safeguards to protect the legitimate interests of the defendant.**

The Court shall decide on provisional measures out of turn. According to the new Trademark Act, the Court has to order a provisional measure within 15 days computed from the submission of the request for such measure.

- 13. Describe provisions governing the length and cost of proceedings. Provide any available data on the actual duration of proceedings and their cost.**

There are no particular provisions on the length and costs of these proceedings.

(b) *Administrative measures*

- 14. Reply to the above questions in relation to any administrative provisional measures.**

There is no legislation in force in Hungary relevant to the specific cases identified in this question.

Special Requirements Related to Border Measures

- 15. Indicate for which goods it is possible to apply for the suspension by the customs authorities of the release into free circulation, in particular whether these procedures are available also in respect of goods which involve infringements of intellectual property rights other than counterfeit trademark or pirated copyright goods as defined in the TRIPS Agreement (footnote to Article 51). Specify, together with relevant criteria, any imports excluded from the application of such procedures (such as goods from another member of a customs union, goods in transit or *de minimis* imports). Do the procedures apply to imports of goods put on the market in another country by or with the consent of the right holder and to goods destined for exportation?**

The Government Decree No. 128/1997 (VII.24) Korm. on the measures in the field of customs administration procedures against infringements of intellectual property rights entered into force on 1 August 1997.

It is possible to apply for the suspension in respect of goods which involve infringements of trademark, geographical indication, copyright or neighbouring rights.

The following imports are excluded from the application of such procedures: transit goods and non-commercial imports (*de minimis* imports).

The procedures are applicable to goods destined for exportation and re-exportation. The case of the imports of goods put on the market in another country by or with the consent of the right holder is not mentioned in the Decree, but the procedures are not applicable because this is a civil contractual relation between the parties.

- 16. Provide a description of the main elements of the procedures relating to the suspension of the release of goods by customs authorities, in particular the competent authorities (Article 51), the requirements for an application (Article 52) and various requirements related to the duration of suspension (Article 55). How have Articles 53 (security or**

equivalent assurance), 56 (indemnification of the importer and of the owner of the goods) and 57 (right of inspection and information) been implemented?

To start the procedure a specific or a general application may be submitted to the competent customs authority. The person entitled to submit an application is: the person entitled to the protection of the trademark, the protection of the geographical indication, and the holder of the copyright and/or neighbouring rights; the user of the trade mark entered into the Register of Trademarks, in the case of copyrights and neighbouring rights, the user entitled to use them; and the organisation dealing with the common administration of copyrights and neighbouring rights. The action of the customs authority may be required regarding the specific illegal goods or shipment in the case of a specific application. In the case of the general application the action may be required in relation to a specified producer or country of origin for a period of up to six months. The specific application shall be submitted at the customs office where the import or export of the illegal goods is to be expected or where the customs clearance of such goods has been initiated. Specific applications where the place of the customs clearance is unknown and general application shall be submitted to the National Headquarters of the Customs and Excise Guard. The customs authority shall take a decision on the merits concerning the application within five working days of the date when it was submitted. The customs authority shall reject the application if: it has not been submitted by the entitled person; the application does not contain all the necessary requirements; the entitled person does not deposit the security. On the basis of the accepted application the customs authority shall place the customs goods submitted by the person requesting customs clearance under direct supervision (suspension procedure), and the entitled person is forthwith notified thereof. The customs authority shall proceed in relation to the illegal goods in accordance with the decision of the court which rules an interim measure to be taken. The customs authority shall implement the customs clearance of the customs goods in accordance with the provisions of the binding decision of the court which ends the procedure.

The application of the entitled person shall contain: the proof that the trademark protection, protection of the geographical indication, and/or the legal protection of copyright or neighbouring rights exists in relation to the customs goods; a statement that the person is entitled to act against the infringement; his request that the customs authority should take the appropriate measures to take the illegal goods under direct customs supervision; the description and relevant characteristics of the customs goods to facilitate identification, and the circumstances, data, documents, which suggest that the infringement is probable; the acknowledgement of the obligation to deposit the security; in the case of a general application the period for which the supervision is required. The entitled person shall relate to the customs authorities provided he is aware of it: the place at which the customs goods can be found or their place of destination; such detailed data as enable the shipment, consignment or the package to be identified (with special regard to the data concerning the packaging and value of the customs goods and the transport vehicle); the denomination of the importer, exporter or the owner of the customs goods; the expected time and place of arrival or departure of the customs goods; all information concerning the customs goods or those involved which may help the customs authority.

The entitled person must prove within ten working days of receiving the notification that he has taken an action for infringement of trademark, geographical indication, or of copyright or neighbouring rights, and has submitted an application for an interim measure to be taken. This deadline may be prolonged by ten working days in a justified case. If the entitled person makes a statement that he does not wish to exercise his rights, or has not proven his application for an interim measure, or if the application for such a measure has been rejected by the court, the customs authority shall forthwith notify the person submitting the goods to customs clearance and following this the customs goods shall be treated in accordance with the application of this latter person.

The entitled person must deposit a security to the customs authority in order to cover the costs of warehousing the customs goods which are placed under customs supervision on the basis of the

customs administration's procedure regulated in this decree, to cover the costs of destruction if the customs goods are to be destroyed, and to cover the possible damages payable to the person submitting the goods for customs clearance. The amount of the security shall be 5% of the value of the customs goods if their value can be established. If their value cannot be established, the security shall be a monthly Ft 60,000 for each application. If the amount of the security does not cover the costs, the entitled person must pay the difference.

It is possible according to the Hungarian civil procedure rules that the importer, exporter or the owner of the customs goods is able to ask for indemnification of his losses or damages he suffered under this procedure.

The customs authority, observing the provisions of regulations on the protection of data, shall provide information on request of the entitled person, on the person applying for the customs clearance, on the name of the addressee of the customs goods, and further shall ensure that the entitled person may observe and examine the customs goods in order that the entitled person can exercise his rights laid down in legal regulations.

17. Describe provisions governing the length and cost of proceedings. Provide any available data on the actual duration of proceedings and their cost. How long is the validity of decisions by the competent authorities for the suspension of the release of goods into free circulation?

The customs authority shall take a decision on the merits concerning the application within five working days of the date when it was submitted. The cost of the custom procedure is included in the amount of the security. The amount of the security shall be 5% of the value of the customs goods if their value can be established, if their value cannot be established, the security shall be a monthly Ft 60,000 for each application. If the amount of the security does not cover the costs, the entitled person must pay the difference.

The Government Decree entered into force on 1 August 1997, so it will be possible to provide secure data after a longer period.

The entitled person must prove within ten working days of receiving the notification that he has taken an action for infringement of trademark, geographical label, or of copyright or neighbouring rights, and has submitted an application for an interim measure to be taken. This deadline may be prolonged by ten working days in a justified case. If the entitled person makes a statement that he does not wish to exercise his rights, or has not proven his application for an interim measure, or if the application for such a measure has been rejected by the court, the customs authority shall forthwith notify the person submitting the goods to customs clearance and following this the customs goods shall be treated in accordance with the application of this latter person.

18. Are competent authorities required to act upon their own initiative and, if so, in what circumstances? Are there any special provisions applicable to *ex officio* action?

The customs authority shall take measures *ex officio*, to place the customs goods under direct customs supervision, or shall decide to place the customs goods to a bonded warehouse if it obtains such data through its other procedures, on the basis of which it is probable that the goods submitted for customs clearance are illegal goods.

If, in a procedure initiated by the office, the identity of the entitled person cannot be established, the customs authority shall contact the Hungarian Patent Office in the case of an infringement of trademark or geographical indication, or the organization dealing with the common administration of

copyright in the case of an infringement of copyright or neighbouring rights. The Hungarian Patent Office shall inform the customs authority of the identity of the entitled person within five days. If the organization dealing with the common administration of rights does not provide information on the identity of the entitled person within five days, or does not wish to act against the infringement, the customs authority shall put an end to the direct customs supervision, and proceeds with the customs clearance in accordance with the application of the person submitting the goods.

19. Describe the remedies that the competent authorities have the authority to order and any criteria regulating their use.

The customs authorities under this Decree, according to this decision can place the customs goods under direct customs supervision, or shall decide to place the customs goods to a bonded warehouse. Any other remedies are available only by the court's binding decision.

Criminal Procedures

20. Specify the courts which have jurisdiction over criminal acts of infringement of IPRs.

All courts have jurisdiction over criminal acts of infringement of IPRs.

21. In respect of which infringements of which intellectual property rights are criminal procedures and penalties available?

Under Article 329/A of the Penal Code, infringement of copyright and neighbouring rights is ranked as a crime if the act causes pecuniary loss, the penalty of which is imprisonment of up to two years, labour in the public interest or fine.

The punishment shall be imprisonment of up to three years, if the infringement is committed causing considerable pecuniary disadvantage or in a business-like manner. The most serious penalty is imprisonment up to five years if the act causes especially great pecuniary disadvantage. The provision prescribes the confiscation of the object possessed by the offender for which the crime is committed. Confiscation is also admissible if the object is not the property of the offender, but the proprietor has been aware of the commitment of the crime. Article 296 of the Penal Code also qualifies as a crime and punishes false indication of goods with an imprisonment up to three years.

According to Article 329 of the Penal Code, a person who indicates as his own the intellectual creation, invention, innovation or industrial design of another person and causes thereby pecuniary disadvantage to the entitled party, commits a crime which shall be punishable with imprisonment of up to three years.

22. Which public authorities are responsible for initiating criminal proceedings? Are they required to do this on their own initiative and/or in response to complaints?

The police are responsible for initiating criminal proceedings. They may do it on their own initiative and in response to complaints as well.

23. Do private persons have standing to initiate criminal proceedings and, if so, who?

In IPR infringement cases private persons do not have standing to initiate criminal proceedings.

24. Specify, by category of IPR and type of infringement where necessary, the penalties and other remedies that may be imposed:

- **imprisonment;**
- **monetary fines;**
- **seizure, forfeiture and destruction of infringing goods and materials and implements for their production;**
- **other.**

Infringement of copyright and neighbouring rights:

Penalties: monetary fines;
 imprisonment;
 labour in public interest; and
 confiscation.

Usurpation: imprisonment.

(See answer to question 21.)

- 25. Describe provisions governing the length and any cost of proceedings. Provide any available data on the actual duration of proceedings and their cost, if any.**

There are no provisions particularly governing the length or cost of these proceedings.