

Patents in Europe 2008

Hungary
Szecskay Attorneys at Law

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Hungary

By **Gábor Faludi and Gusztáv Bacher**,
Szecskay Attorneys at Law, Budapest

1. What options are open to a European patent holder, whose rights cover your jurisdiction, when seeking to enforce its rights in your jurisdiction?

A European patent has the same effects as and is subject to the same conditions as a patent granted by the Hungarian Patent Office (HPO). A European patent is considered granted when notice is published in the *European Patent Journal*. The patent's effect is subject to filing of a Hungarian translation of the European patent with the HPO within three months of grant. Should the patent owner fail to file the Hungarian translation, the patent shall be regarded as ineffective in the territory of Hungary.

2. Does your jurisdiction have specialist patent courts? If not, what level of expertise can a patent owner expect from the courts?

In patent cases, the Metropolitan Court of Budapest has exclusive jurisdiction as the court of first instance. Cases are handled by a specialised council composed of a three-judge panel, where two of the three professional judges must have a technical degree. The Metropolitan Court is an assigned higher-level first instance court. The Metropolitan Court of Appeals hears appeals against its decisions. Legal revision (exceptional relief) falls within the power of the Supreme Court.

3. Is it possible to cross-examine witnesses at trial? How far are proceedings based on written evidence? Are there restrictions on the use of evidence from experts?

It is not possible to cross-examine witnesses at trial in this way. However, the court hears witnesses and the parties may ask them questions. The court usually appoints an

expert for those fact-finding issues that require special expertise.

4. Are infringement and invalidity dealt with simultaneously? What level of proof is necessary to demonstrate one or the other?

Patent cancellation claims are initiated before the HPO. If the defendant in infringement proceedings challenges the validity of a patent (this is a separate proceeding) and the patent cancellation proceedings are pending (either before the HPO or, on appeal, before the court), the infringement proceedings are suspended. At the request of either party, patent cancellation proceedings shall be conducted expeditiously if patent infringement litigation has been commenced on the basis of the same patent. However, the pending cancellation proceedings may not prevent the court from ordering an interim injunction against the alleged infringer. In the course of the court's review as to whether the interim injunction is necessary for the special protection of the claimant's rights (see question 11 below), the court shall consider whether:

- The patent has already been cancelled by a non-final decision of the Hungarian Patent Office (HPO) or the court of first instance;
- A European patent with effect in Hungary has been revoked by the Opposition Division of the European Patent Office (EPO); or
- A European patent with effect in Hungary has been cancelled in another member state of the EPO in a final or non-binding decision.

There are no specific rules on the level of proof in IP matters. With respect to process patents, the Patent Act grants a presumption for the patent holder – pursuant to the TRIPs Agreement – that, pending proof to the contrary, a product shall be deemed

to be produced through the patented process if the product is new, or if it is highly probable that the product has been manufactured through the patented process and the patent holder cannot define the applied process, even after having taken the steps generally expected in the given situation. In particular, it is highly probable that the product has been produced through the patented process if this is the only known process.

5. To what extent is pre-trial discovery permitted? If it is permitted, how is discovery conducted?

Even before the commencement of litigation, the court may – on request of the interested party – order preliminary fact-finding proceedings if it is likely that the carrying out of such fact finding during the proceedings or at a later time would be unsuccessful or more difficult; or if preliminary fact finding would enable the court to finish the proceedings within a reasonable period of time. Further, preliminary fact finding may be carried out if the patent holder has already substantiated the infringement or threat of infringement to a reasonable extent.

Preliminary fact finding may also be ordered in *ex parte* procedures, where any delay is likely to cause irreparable harm or where there is a demonstrable risk of evidence being destroyed. These circumstances will be treated as a case of urgency.

There is no obligation under Hungarian law for one litigant to disclose documents to the other litigant. Discovery proceedings similar to those found in the United States are unknown in Hungary. However, while there is no general duty of disclosure, the tribunal could order a litigant, at the request of the counterparty, to disclose certain documents, including documents that could be harmful to the disclosing party (notwithstanding the protection of trade secrets). In IP litigation, the burden of proof can be reversed if the plaintiff has substantiated its statements to a reasonable extent. As a result, the opposing party can be ordered to present and allow for the review of documents and other physical evidence in its possession, including bank, financial or commercial information and documents.

6. To what extent does any doctrine of equivalents apply in an infringement action?

The scope of protection conferred by a patent shall be determined by the claims. The claims shall be interpreted on the basis

of the description and the drawings. Patent protection shall cover any product or process in which all characteristics of the claim are embodied. The terms of the claims shall not be confined to their strict literal wording; neither shall the claims be considered as mere guidelines for a person skilled in the art of determining the claimed invention. The official reasoning of the Patent Act explains that due to this provision governing the scope of protection, it is not necessary to define the doctrine of equivalents in the Patent Act.

7. Are there certain types of patent right that may be granted by the EPO – biotech or computer software-related, for example – that are more difficult to enforce than others?

In principle, there is no difference between the enforcement of different types of patent rights. The legal preconditions for the granting of patents are in conformity with the European Patent Convention.

8. To what extent are courts willing to consider, or bound by, the opinions and decisions of other courts that have dealt with similar cases?

While binding case law *per se* does not exist in Hungary, the Supreme Court sets guidelines based on principles and publishes single sentences on issues of principle in order to guide the adjudication activities of all courts. Such directives and decisions on issues of principle as set forth by the Supreme Court are binding on all courts in Hungary.

9. To what extent are courts willing to consider the reasoning given by foreign courts that have handed down decisions in similar cases?

As a rule, Hungarian jurisprudence does not take into account the decisions of foreign courts: the Hungarian courts may decide only on the basis of Hungarian legislation and on the facts of the case as revealed by the Hungarian courts. However, following Hungary's accession to the European Union, this no longer applies without reservation, since the decisions rendered by the courts of the EU member states are based on mandatory harmonised substantive law.

As indicated in question 4 above, in the course of evaluating the grounds for an interim injunction, the court may consider whether a European patent has been revoked by the Opposition Division of the EPO or whether it has been cancelled in another member state of the EPO.

10. What options are open to a defendant seeking to delay a case? How can a plaintiff counter delaying tactics?

If the patent holder starts an infringement case, the defendant may apply to the HPO for revocation of the patent on the basis that the patent is not eligible for protection. Although commencing cancellation proceedings *per se* does not prevent the Metropolitan Court from rendering a preliminary injunction, the court shall also consider whether the patent has already been cancelled by a non-final decision of the HPO.

11. How available are preliminary injunctions and how do you get them?

According to Section 156(1) of the Civil Procedure Code, a court may, upon application, issue a preliminary injunction in order to:

- Prevent imminent damage;
- Maintain the status quo during a legal dispute; or
- Protect the claimant's rights requiring special protection.

This is the case as long as the burdens imposed by such a measure do not exceed the benefits that may be gained from it. The facts underlying the request for a preliminary injunction must be of a probable nature.

A request for a preliminary injunction may be filed prior to filing the statement of claim. In court actions instituted on the grounds of alleged patent infringement, a preliminary injunction will be considered necessary for the special protection of the claimant's rights if the claimant can prove that the patent is protected and that it is the patent holder or a user which is authorised to institute court proceedings due to an infringement in its own name. Upon weighing the potential benefits and disadvantages of the preliminary injunction, the court shall take into account whether such injunction is manifestly and substantially contrary to public interest or the interests of third parties.

Instead of an injunction, the court may order the defendant to provide appropriate security in order to continue the allegedly infringing acts.

The court shall rule on a preliminary injunction in special proceedings no later than 15 calendar days following the submission of a petition for such measures. The same rules apply to the court of second instance regarding appeals against decisions of the court of first instance. The preliminary

injunction is enforceable even if the defendant files an appeal against such decision. The parties must be heard personally, unless the urgency of the situation makes a hearing impossible. Where any measures are taken *ex parte*, the opposing party shall be given notice when the decision is executed. Upon being notified of the decision, the affected party may request that it be heard, and that the decision ordering the provisional measures or the preliminary evidence be modified or revoked.

Similar to the so-called Mareva injunction, and under the conditions set forth above relating to the preliminary injunction, the patent holder may request the court to order:

- Protective measures under the provisions of the Act on Judicial Enforcement if it can be substantiated that any subsequent attempts for the recovery of profits made by the infringement or the payment of damages are in jeopardy; and/or
- The infringer to provide or disclose bank, financial or commercial information and documents for the purposes of ordering such protective measures.

The party requesting the court to take preliminary injunction or protective measures may be obliged by the court to provide appropriate security as a prerequisite for taking such measures. This security serves as a deposit to satisfy claims to recover financial disadvantages suffered by the opposing party. If the opposing party fails to enforce its claim for recovery within three months of the operative date of the judgment for repealing the measure, the depositor of the security may request the court to release the security. This provision provides compensation for those who suffer from an unfounded request to apply the preliminary measures.

12. How long does it take to get a decision at first instance? Is it possible to expedite this process?

Section 2 of the Civil Procedure Code provides that court proceedings must be completed within a reasonable time. However, it often takes years to obtain a judgment, depending on the workload of the court and the complexity of the matter. The reform of the judicial system – that is, the setting up of the Court of Appeals between the second level (county and metropolitan courts) and the Supreme Court – has

considerably accelerated proceedings before the appellate courts.

13. What avenues for appeal are open to the defeated party in a first instance case? What criteria are there for granting an appeal? How long does the appeal process take?

In infringement proceedings, an appeal can be filed against a judgment of the Metropolitan Court to the Metropolitan Court of Appeal. Further, the party may request from the Supreme Court, on the basis of violation of law, a judicial review of the second instance judgment rendered by the Court of Appeal.

14. To take a case through to a first instance decision, what level of cost should a party to litigation expect to incur?

Depending on the complexity of the case, from Euros 1,500 upwards.

15. Who can represent parties in court? Is specialist representation required?

In patent cases, attorneys at law or patent attorneys may represent the parties.

16. What remedies are available for infringement and how are these typically applied? Are punitive damages available and in what circumstances?

Hungarian law has been adapted to the IP Enforcement Directive (2004/48/EC). Claims can be initiated against an infringer of a patent right and certain claims (injunction and data provision, as set forth below) may also be initiated against third parties. In the event of infringement, the patent holder may – in accordance with the circumstances of the case – have the following civil law claims.

Claims against the infringer: The following remedies are available:

- Establishment of the fact that patent infringement has occurred;
- Cessation of the infringement or threat of infringement and injunction on further infringement or the provision of a security (guarantee) by the infringer in order to continue the allegedly infringing behaviour;
- Provision of information on parties taking part in the manufacture of and trade in goods or performance of services which infringe the patent, as well as on business relationships established for the use of the infringer;
- Making amends for the infringement – by declaration or in some other appropriate

manner – and, if necessary, publication of such statement by and at the expense of the infringer;

- Recovery of economic profits achieved through infringement;
- In relation to those assets and materials used exclusively or primarily in the infringement, seizure, delivery to a particular person, recall and withdrawal thereof from commercial circulation, or destruction;
- Appropriate measures for the dissemination of information concerning the decision at the expense of the infringer in a way that is decided at the discretion of the court; and
- Compensation of damages other than financial profit achieved by the infringer in case of culpable infringement under the Civil Code.

Further, the court may order the defendant to pay general (estimated) compensation for damages if the extent of the damage (usually, the lost profits element of the damage) cannot be precisely calculated – even if only in part. The estimated damages should suffice to provide the injured party with full financial compensation. A sentence on estimated damages constitutes *res judicata*, even if it turns out that the actual damage was less than the estimated damages. However, if the defendant pays an annuity (a recurring amount) as estimated damages, the reduction thereof or the reduction of the payment period can be claimed in accordance with any substantial changes in the conditions. The concept of punitive damages is not recognised in Hungary. The damages award is meant to provide full repair (ie, to compensate a party for the loss actually suffered).

Claims against third parties: Some of the claims as listed above can also be enforced against persons other than the infringer.

Claims for cessation of the infringement can be enforced against any contributor whose service is used in relation to the infringement.

Claims to provide information can be enforced against contributors to the infringement who are:

- Found in possession of the infringing goods on a commercial scale;
- Found to be using the infringing services on a commercial scale;
- Found to be providing, on a commercial scale, services used in infringing activities; or
- Named by the persons referred to above

as being involved in the production, manufacture or distribution of the goods or the provision of services.

The information to be provided either by the infringer or the contributor covers:

- The names and addresses of the producers, manufacturers, distributors, suppliers and other previous holders of the goods or services involved in the infringement, as well as the intended wholesalers and retailers or those actually involved; and
- The quantities produced, manufactured, delivered, received or ordered, as well as the price paid or received for the goods or services in question.

Assets, materials and goods used exclusively or primarily in the infringement can be seized even if they are possessed by an owner other than the infringer if the

owner acts in bad faith (ie, was aware of the infringement or could have been aware of the same with proper care).

17. Are there any realistic alternatives to litigation in cases relating to patent disputes?

Settlement by the parties.

Mediation proceedings under a separate action preceding a lawsuit are also available in patent cases (except where decisions of the HPO are challenged). If the mediation fails, the parties are free to commence a lawsuit.

18. Has your jurisdiction signed up to the London Agreement on Translations? If not, how likely is it that it will do so?

Hungary has not signed up to the London Agreement. The HPO's strategy for the years 2007 to 2010 includes the initiation of a professional discussion and a government decision on accession.



Dr Gábor Faludi is a Hungarian attorney admitted to the Budapest Bar. Dr Faludi received his JD, summa cum laude, from Eötvös Loránd Faculty of State and Legal Science in 1976. He obtained his PhD through a thesis on copyright licensing agreements. He also attended Columbia University (graduate of the summer programme in American law, 1981).

Dr Faludi is an associate professor of law at Eötvös Loránd University. He is also a board member of the Hungarian Association for the Protection of Industrial Property, and a member of the Copyright Experts Committee, the Council for the Protection of Intellectual Property at the National Patent Office and the Electronic Telecommunication Arbitration Board. Dr Faludi is the author of numerous articles on intellectual property law. He currently specialises in civil, commercial and IP law and litigation. Dr Faludi is fluent in English and German.

Gábor Faludi

Attorney
Gabor.Faludi@Szecskay.com
Tel: +36 1 472 3000

Szecskay Attorneys at Law
Hungary
www.szecskay.com



Dr Gusztáv Bacher is a Hungarian attorney admitted to the Budapest Bar. He received his JD, summa cum laude, from Eötvös Loránd Faculty of State and Legal Science in 1998. Dr Bacher lectures at the university in seminars on contract law. He received his master of laws (LLM) degree in international business law from the Central European University in 2001. He worked for three months in the Max Planck Institute for Intellectual Property (Munich) in 2005.

Dr Bacher is a member of the executive committee of the Hungarian group of AIPPI, secretary general of the Ligue Internationale du Droit de la Concurrence (LIDC) and in 2004 was international rapporteur of the LIDC on comparative advertising. He is the author of a number of articles on civil law, IP and e-commerce. Dr Bacher joined Szecskay Attorneys at Law in 1999. He currently specialises in civil, competition, advertising and IP law and litigation. Dr Bacher is fluent in English and German.

Gusztáv Bacher

Attorney
Gusztav.Bacher@Szecskay.com
Tel: +36 1 472 3000

Szecskay Attorneys at Law
Hungary
www.szecskay.com