

OVERVIEW REGARDING THE REGULATION OF TRADEMARKS, PATENTS, COPYRIGHT

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INTRODUCTION

As part of transforming the legal framework of the economic environment started in 1988, the Hungarian legislature faced a challenging task in connection with re-regulating certain laws concerning the protection of intellectual property.

The leading nations in terms of technical development and market economy, in particular the United States and the countries of the European Community would be and are ready to support the market integration and technical advancement of Hungary subject to the provisions of a competitive market environment in Hungary. These international requirements have been specified in multilateral and bilateral international instruments, out of which the following three treaties had the most influential effect on the development of IP law:

- (1) Agreement on Trade Related Aspects of Intellectual Property as promulgated by Act IX of 1998 (hereinafter: "TRIPS or TRIPS Agreement")
- (2) "Association" Agreement between the European Union and its Member States and the Government of Hungary signed on December 16, 1991, which entered into force on February 1, 1994 by Act I of 1994 (hereinafter "EC-Hungarian Agreement"), under which Hungary assumed the commitments to provide a level of IP protection comparable to that of the Community;
- (3) Agreement on Intellectual Property between the Government of the Republic of Hungary and the United States of America, signed on September 24, 1993 (hereinafter "US-Hungarian Agreement"), which may be regarded as an introductory instrument leading to the signing of TRIPS.

In order to comply with the international requirements, the Parliament first amended the old patent and copyright laws in 1994 (Act VII of 1994), thereby meeting the requirements of the US-Hungarian Agreement, and subsequently adopted Act XXXIII of 1995 on the Protection of Inventions by Patents, Act XI of 1997 on the Protection of Trademarks and Geographical Indications, and recently the new Copyright Act No LXXVI of 1999. Act XXXIX of 1991 on the Protection of Utility Models, and Act XXXIX of 1991 on the Protection of the Layout of Microelectronic Semi conductors were amended in accordance with TRIPS.

The preparation of a new law to replace the old Law - Decree 28 of 1978 on the protection of Designs in the wake of the relevant EU regulations is currently being undertaken.

This overview focuses on the most frequent subject-matters of IP protection: trademark, patent and copyright.

TRADEMARKS

Subject matter of trademark protection

Trademarks are the most relevant product indicators. Act XI of 1997 on the Protection of Trademarks and Geographical Indications, includes provisions that are compatible with both TRIPS and the relevant laws of the European Union. Pursuant to this Act, any mark which can be graphically represented and is suitable for distinguishing goods and services from other goods and services can be protected through a trademark. A sign enjoying trademark protection may be:

- word, combination of words, including personal names and slogans,
- letter, number,
- diagram, picture,
- two- or three-dimensional figure, including the shape of the goods or packaging,
- color, a combination of colors, a light signal, a hologram,
- sound, and
- combination of the individual signs listed above.

Registration, legal protection, content of the right

To provide efficient protection for the use of trademark is one of the basic goals of the Hungarian legislation. The protection of trademarks is subject to registration by the Hungarian Patent Office. If the sign to be registered carries a distinctive character and there are neither absolute nor relative grounds for refusal, trademark protection will be granted by registration for 10 years which can be renewed for 10-10 years. In this case the applicants are entitled to the protection from the date of registration which is effective retroactively from the date of filing. The trademark proprietor may not take action with regards to the use of a later trademark, if he has silently accepted the use of the later trademark in the country for a period of 5 successive years, while being aware of such use. Similarly, should the proprietor not start the actual use of the trademark in connection of the products or services for which it is registered within 5 years from the registration, or should he suspend the actual use of the trademark for an uninterrupted period of 5 successive years, the legal protection ceases to exist.

Distinctly from earlier practice the consent declaration, a new legal device was introduced by the legislator into the Act. Previously it was not possible to overcome a relative ground for refusal by obtaining a declaration of consent from the proprietor of the earlier right. The introduction of the consent declaration serves to acknowledge that relative refusal grounds do not constitute part of the public order; the proprietor of the earlier right may himself evaluate, whether the later sign violates his interests or not.

It falls under the jurisdiction of the Hungarian Patent Office to administer the following proceedings: registration and cancellation of trademarks, division, renewal and termination of trademark protection, recording of trademark applications, provision of official information. The Metropolitan Court of Budapest has exclusive jurisdiction to review the decisions of the Hungarian Patent Office and to hear trademark disputes concerning trademark infringements, assignments or licensing.

The rights conferred by the trademark protection consist of an exclusive right to use the trademark so that the proprietor is entitled to prevent any person from using any sign identical with or similar to the protected sign in respect of relevant identical or similar products /services without his consent within their business activities. (With regards to similarity there is an additional requirement, namely the likelihood of confusion of the consumers). Trademarks with a good reputation within the country (wellknown trademarks) enjoy a broader protection granted beyond identical or similar products /services. Via a licensing agreement, the proprietor may grant permission for the use of his trademark and the party using the trademark assumes an obligation to pay a fee for such a use. A trademark licensing agreement shall be void, if its performance would result in the confusion of consumers. The rights stemming from the trademark are fully or partly (with regards to a part of products /services) assignable and pass to the legal successor of the proprietor.

The legal instrument of exhaustion of trademark rights was first introduced in the 1997 Act into Hungarian trademark law. According to this, the proprietor of the trademark is not entitled to prohibit the use of his trademark in relation to goods which were either put on the domestic market by him or with his express consent (national exhaustion). As a result, the exhaustion does not affect the right of the proprietor to prohibit the import of goods carrying the trademark, thus parallel imports can be prevented. However, even the national exhaustion of trademark rights shall not be applied, if the proprietor of the trademark has a legitimate reason for opposing further trade with goods, in particular if the state or condition of the goods have been altered or impaired. It is expected, that depending on the accession to the European Union this territorial restriction will be broaden up. Under a government resolution on the programme of legal harmonisation to Community laws the introduction of regional (European) exhaustion is envisaged in conjunction with the accession of Hungary to the EU (Official Gazette of Resolutions, Resolution No 27 of 2000).

Infringement of the trademark

In case a party uses the proprietor's trademark without his consent, the proprietor may enforce civil law claims against the infringer. The following claims can be enforced before the court: establishment of the occurrence of the trademark infringement, prohibitory injunction, obliging the infringing party to provide information in connection with the circulation of the infringing goods /services, giving amend by making a statement or by appropriate publicity, recovery of unjust enrichment gained by the infringement of the trademark, and in cases of negligent infringement damages. In order to effectively enforce the claims, provisional measures may be requested from the court which would be immediately enforceable. Under the Civil Procedure Code (§ 156), the courts may order preliminary measures if it would prevent imminent damage or maintain the status which is the subject of the legal dispute, or for the protection of the petitioner's rights which deserve special protection. Under the Trademark Act, the last condition is given, if the petitioner can prove that he is the proprietor (assignee, licensee) and the registration of the trademark certifies the protection, and substantiates the position of the petitioner. In any case the detriment caused by the preliminary injunction shall not exceed the advantages which can be obtained by the measure.

Termination of the trademark protection

The trademark protection terminates if,

- the term of trademark protection expires without renewal, upon the day following the expiration,
- the trademark protection has been waived by the proprietor, the trademark is cancelled with retroactive effect to the date of its registration,
- the trademark proprietor has failed to put the trademark to actual use, effective retroactively to the date upon which proceedings for non-use were initiated or retroactively to the priority date of the conflicting later trademark registration, if it precedes the other date,
- the trademark has lost its distinctive character or it became deceptive, effective retroactively to the date on which proceedings for the establishment for termination were initiated.

PATENTS

Conditions of patentability

The new definition of the patentability introduced in the New Patent Act of 1995 coincides with the terminology of the Munich Convention. An invention may be patented, if it is

- new,
- involves an inventive step, and is
- industrially exploitable.

An invention is considered to be new if it is not part of the state of the art. State of the art includes any information accessible to the public prior to the date of filing (in writing, orally, through practice or by any other means). An application with earlier priority shall be considered as part of the state of the art, even if it has been published or announced following the date of priority in the application procedure. International applications can be taken into account only if a Hungarian translation has been duly submitted to the Hungarian authorities. If the disclosure of the invention has happened within 6 months prior to the date of filing, it shall not be considered as part of the state of the art, provided that disclosure was due to an infringement by a third party against the applicant or his predecessor or due to an official exhibition which was published in the Official Journal.

An invention involves an inventive step if it is not obvious to a person skilled in the art.

An invention is industrially exploitable if it can be used or manufactured in any branch of the industry or agriculture. This shall be interpreted widely, accordingly pharmaceutical and chemical products and games might gain protection as well. However, therapeutical or surgical procedures are not deemed to be industrially applicable.

In accordance with the UPOV Agreement (Paris Treaty of December 2, 1961) the New Patent Act includes a separate chapter on the patent protection of distinguishable, homogeneous, constant and new plant species, if they have been given a registerable taxonomic name. Further patent protection

may be granted to distinguishable, new animal species as well, also on the condition that they have been given a taxonomic name.

Registration, legal protection, content of the right

The Hungarian Patent Office grants and keeps the register of patents, annul and establishes the termination of patents, revalidates patents, and conducts proceedings for negative clearance. The Metropolitan Court has exclusive jurisdiction to revise the administrative decisions of the Hungarian patent Office. In addition, this court has jurisdiction in proceedings concerning compulsory patent licenses and patent infringement litigations. The Court might order provisional measures under provisions identical with those set out in the preceding section dealing with trademarks.

The person whose name is indicated on the application for registration is considered to be the inventor. The inventor enjoys certain moral rights such as indicating his inventorship title on the application. Before publication of the registration, the invention may be made public with the consent of the inventor or his successor in title only. The patent protection, i.e. (the economic rights of the patentee) pertains to the inventor or his successor in title. Provisional patent protection is constituted by the publication of the application retroactively to the date of filing of the application.

The holder of the patent has an exclusive right for utilization for 20 years effective from the date of filing. This utilization right of the patentee includes the right to act against and to prohibit those third parties from the following acts, conducted without his consent:

- manufacturing, using, importing, putting on the market the patented product;
- applying the patented process or offering the application to a third party;
- manufacturing, using, putting on the market, offering for putting into circulation, or importing a product directly manufactured by the patented process.

The exclusive right of the patentee does not extend to private or non-business activities, to experimental acts relating to pharmaceuticals, including those required for the administrative procedure to permit circulation thereof. Similarly to trademarks, national exhaustion of patent rights is regulated in the Act. The preutilization right constitutes a limitation to patent protection. A preutilization right exists, if a person in good faith has started to manufacture or use the subject of the invention before the priority date.

The rights arising from the patent protection may be assigned or licensed. Implied legal warranties apply to patent licensing agreements under the Civil Code.

COPYRIGHT

The new Copyright Act, hereinafter : CA) took effect on September 1, 1999. It was enacted as part of international commitments under the Berne and Rome Conventions, TRIPS, the 1996 WIPO Copyright Treaty (hereinafter referred to as: "WCT") and Performance and Phonogram Treaty (hereinafter: "WPPT"). The Copyright Directives and final drafts thereof of the EU also served as a basis of harmonization of the copyright provisions. The old Copyright Act (Act III of 1969) was

continuously amended to meet new international requirements, therefore merely WCT and WPPT, and some provisions of the five adopted EU Copyright Directives and one draft relating to the reproduction and communication to the public of copyrighted contents¹ in the digital era were to be interpreted and adapted into the new Act. As a result the CA reflects all international commitments except for the *sui generis* protection of databases, where Hungary asked for a two year's postponement in order to observe the developments in the judicial practice of the EU member states.

Subject-matter of copyright

All literal, scientific, and artistic works which are individual and original based on the author's intellectual activity enjoy copyright protection. Nevertheless, the protection does not depend on quantitative, qualitative or aesthetic judgement. To gain protection, no registration is needed, it is enough to fulfill the requirements of the Act. The Act lists a number of classes of works which enjoy copyright protection. Special provisions apply to computer software, databases, works made for advertisements / commercial, audiovisual creations, works of visual arts. Laws, acts, public resolutions, other official documents, as well as ideas, principles, procedures, mathematical operations as such are excluded from copyright protection.

Content of copyright protection

The author of the literal, scientific and artistic work is the proprietor of the copyright. The person who lawfully, i.e. with the express consent of the author adapts, translates or makes arrangements of other authors' works enjoys copyright protection as well, if the requirements regarding the individual and original nature of the translated or adapted work are fulfilled. The copyright protection includes moral and economic rights. The author is entitled to these rights from the creation of the work during his life, the period from the date of his death through the end of the calendar year of his death and for 70 years from the first day of the year following the death of the author. The author neither can waive his moral rights, nor can he dispose of them. Moral rights include the right of publication, including the right to withdraw on justified grounds the consent given thereto, the right to indicate the authors' name in connection with his work, and the right to the integrity of the work. The economic rights may be inherited, but as a rule, they are inalienable inter vivos. In some exceptional cases the economic rights are transferable or may pass to the successor in title (software, database, audiovisual works, collective works, employee's works, works made for advertisement /commercial purposes). The core of the economic rights is the exclusive right of the author to use the work and to grant licenses for each and every act of exploitation of the work. The license can only be granted by concluding a licensing agreement with the user. Under a copyright licensing agreement, the author grants a license to use the work, and the user (licensee) is obliged to pay a fee which, unless otherwise agreed by the parties shall be in due proportion to the revenues generated in connection with the use of the work. The author may waive his right to the fee by an express

¹ Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs, Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, Council Directive 93/98/EEC of 29 October 1993 harmonizing the term of protection of copyright and certain related rights, Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases 597PC0628
Proposal for a European Parliament and Council Directive on the harmonization of certain aspects of copyright and related rights in the Information Society

declaration only. Major elements of the economic rights are the fair, equitable, untransferable and unwaivable remuneration rights existing without exclusive licensing right. The Act lists the major modes of use: reproduction, distribution, public performance, communication to the public (including terrestrial, satellite broadcast, program supply by cable, making works on line available), simultaneous cable retransmission, adaptation, exhibition.

Limitations of copyright protection

Free use of a literal, artistic or scientific work is admissible for educational purposes, citation, court or administrative proceedings, some restricted private purposes, and the perception of those handicapped in sight or hearing. Free use includes temporary reproduction in the digital environment in accordance with the language of the EU draft Directive on Copyright and Related Rights in the Information Society, available at the time of the drafting of the Act. The general rule is that free use may happen without license and without payment of a fee. The work shall be published for the availability of free use. Under no circumstances may free use of the work be detrimental to the ordinary use of the work or violate the author's interests. The right to free use may not be exercised in an abusive manner.

Neighbouring rights

The owners of neighboring rights are usually those who are performing or transmitting the work to the public and thereby interpreting it in their own way. The Act acknowledges four groups of neighboring right owners: performers, producers of phonograms, radio and television organizations, and producers of audiovisual creations. In contrast to authors who are entitled to enjoy all the economic and moral rights, the holders of neighboring rights can exercise only those rights which are provided for them expressly in the Act. Neighboring rights owners enjoy rights in full conformity with the Rome Convention of 1961 and performing artists and phonogram producers do have additional exclusive rights under WPPT. The term of protection of neighboring rights lasts for 50 years.

Collective management of rights, infringement and remedies

The Act includes a detailed chapter on the collective administration, and provides for a number of cases, where collective administration is mandatory. The major rights to be administered collectively are as follows: all remuneration rights (e.g. blank tape levy, reprographic remuneration right, droit de suite, domain public payant), licensing of public performance and communication to the public of authors' non-dramatic literary and musical works, performers' performances and sound recordings of phonogram producers, licensing of mechanical reproduction of non-dramatic musical works etc. Societies responsible for collective administration enjoy a semi-legal, semi factual monopoly with regards to their repertoire and the rights enforced by them. They are special legal entities, set up as ordinary associations, but they have to be registered with the Ministry of Cultural Heritage, and the registration order shall be published in the Official Gazette as a prerequisite to acting as a collective administration society. They publish in the Official Gazette - following the approval of the Ministry of Cultural Heritage - their tariff charts, including the fees to be paid and other general terms and conditions of their blanket licensing agreements.

Copyright infringement involves civil and penal legal consequences: the holder of the copyright may enforce civil law claims identical with those of all other holders of IP rights (claims ranging from the establishment of infringement to the recovery of unjust enrichment, and damages). In addition to the traditional claims, special new claims can be enforced with regards to protection of technological measures, and violation of rights management information. Criminal sanctions supplement the system of enforcement. The sufficiently deterrent punishments may range from a fine up to 8 years of imprisonment in the most grievous cases.

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