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English Version revised by
Timothy R. Holbrook
Assistant Professor of Law
Chicago-Kent College of Law
Chicago, IL
United States of America

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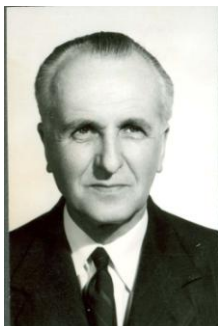
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In memoriam
Ottó SOMORJAY
(1908-2004)



Ottó Somorjay, Honorary Member of the Hungarian Group of AIPPI, passed away on August 30, 2004 in Káptalanfüred, Hungary, at the age of 96 years. He was the doyen of the Hungarian patent attorneys and widely recognised as the “grand old man” of the patent profession.

Born on September 23, 1908 in Szombathely, Hungary, Ottó Somorjay graduated as Dip. Mech. Eng. at the József Nádor Technical University, Budapest, in 1934. After working for some years as an engineer he entered the Patent Attorney Office of the late Aurél Kolos as a junior clerk in 1938. He passed his patent attorney examination in 1942 and following this he started with his private practice. After military service in World War II he continued working as a patent attorney until 1950 when his private practice had to be discontinued. Then he entered Patentbureau Danubia where he worked as a patent attorney until 1979. After his retirement he was a consultant to Patent and Law Office for International Affairs between 1979 and 1990. Since 1990 he was a consultant with Gödölle, Kékes, Mészáros & Szabó Patent and Trademark Attorneys.

In addition to his professional career, Ottó Somorjay made a significant impact on the teaching of industrial property law in Hungary. He was lecturer in courses for industrial property rights for many years and was a member of the Examination Board for patent attorney candidates for a long time. He is author of various publications concerning patent rights.

A great number of Hungarian patent attorneys could learn the art of claim drafting from him, not only in Hungarian but also in English and German. He was fluent in English, German and French and had a good knowledge of Latin.

Ottó Somorjay was a member of the AIPPI and a council member of the Hungarian Group for many years. He was member of the Hungarian Association for the Protection of Industrial Property and Copyright as well as the Hungarian Chamber of Patent Attorneys.

In 1996 the Gold Medal of the World Intellectual Property Organization was awarded to Ottó Somorjay by Dr. Árpád Bogsch, Director General of the WIPO.

His favourite topic in technology was the railway. His 95th birthday and at the same time the golden wedding with his wife were celebrated on a special train with a steam locomotive and old carriages from Budapest to Káptalanfüred at the lake Balaton where he spent his late years.

Apart from his professional activity he showed a keen interest in astronomy and cosmology. But his favourite subject was music. He loved Franz Liszt and Richard Wagner, and from among the modern composers Béla Bartók the most. After his retirement he restarted playing piano. About Liszt's Sonata in B minor he wrote a remarkable essay.

Ottó Somorjay's courtesy and readiness to help were legendary, regardless of the circumstances or the social standing of the people he dealt with. He was possessed of the rare virtue of not to speak badly of anybody.

He is survived by his wife Ilona, his sons Gabriel and Michael, and his daughters Sélysette and Dorottya. On the mourning-card his passing away was announced with the words of Élisabeth de la Trinité: "Je vais à la lumière, à la vie, à l'amour".

R.I.P.

Dr. István Gödölle*

* Patent Attorney, Gödölle, Kékes, Mészáros & Szabó Patent and Trademark Attorneys

In memoriam

Dr. Frigyes POZSONYI
(1913-2004)



Dr. Frigyes Pozsonyi, „Freddy” for his friends, qualified chemical engineer, patent attorney, an outstanding personality in the profession of intellectual property died after a long, tolerantly borne illness.

He obtained his diploma on the Budapest Technical University, then he took his doctor’s degree in philosophy. After his duty as engineer in the Ministry of Industry he was nominated as judge at the Patent Court in 1943. As examiner in the Office of Inventions he handled pharmaceutical inventions from 1949 to 1958. He had been practising as a prominently successful and acknowledged patent attorney at Patentbureau DANUBIA from 1961 to 1978, then, until 1983, at RICHTER Gedeon Chemical Works. After his retiring, from 1984 to 1999, he worked in the ADVOPATENT Office of Patent Attorneys and in the meantime he also carried out consultative work for leading companies.

Freddy was different not only in his age from contemporaries but also in that he had had his antecedents spent „behind the desk”: previously he worked at the Hungarian Patent Court. This was rated as a honoured position from the development of the profession on, especially since Albert EINSTEIN departed for the world-wide fame from the Swiss sister establishment.

My first and fadeless memory with him took place in the second half of the 1960s. Two well-known pharmaceutical firms encountered in a patent nullity action at the Metropolitan Court. The patentee was represented by Freddy. He was in a fix as the Office of Inventions had already admitted the petitioner’s request and cancelled the patent. During the big trial he managed to hold his grounds against the noble adverse party. In sport’s words, he „brought a point back from the grave”, as finally the protection – although with strong restrictions – could be maintained. For me, who was not able to follow the parties into the labyrinth of chemistry, his profound and accurate professional knowledge, his razor-sharp logic, the preciseness and the high plane of the wording of what he had to say, his reticent behaviour, the respect for the adverse party and the adverse party’s representative, and his politeness and kindness towards them, were captivating.

The same attentiveness and cordiality were in his elemental approach to his colleagues. He was very patient and helpful towards everybody having any question or asking for his assistance, no matter how busy he was at that moment. His great memory and command of languages, the love of learning have not left him even in his eighties. He was in the seventies when he attended Slovak language courses, stressing that in this country one should know at least one Slavic language. He always developed his English vocabulary by reading crime stories.

We experienced that he was able to keep up his working capacity in his last professional job at the ADVOPATENT Office of Patent Attorneys. The long walks were probably important factor in consciously maintaining his good physical condition. Beautiful Hungarian pointers were his true friends through decades, also during these walks.

Freddy maintained and cultivated the professional contacts and private relationships also during his last years spent in Germany.

His family – and in spirit his colleagues and admirers – bid final farewell to him on the 31st August 2004 in Recklinghausen, Germany.

Freddy, may you rest in peace!

Miklós Faber* *

* Patent Attorney, ADVOPATENT Office of Patent Attorneys

CHANGES IN THE TRADEMARK, DESIGN AND PATENT SYSTEM AFTER THE EU ACCESSION

The Hungarian regulations on trademark, geographical indications and patents have been reviewed and amended by the Act No. CII of 2003, along with the regulation on copyright.

The new Law entered into force on May 1, 2004, i.e. the accession of Hungary to the EU.

TRADEMARKS AND GEOGRAPHICAL INDICATIONS

Substantive examination narrowed to absolute grounds for refusal only

Probably the major shift in the regulations is that the Hungarian Patent Office examines applications filed after May 1, 2004 on absolute grounds only, and let interested parties to deal with conflicts related to relative grounds for refusal through the newly introduced opposition system.

The new regulations added geographical indications to constitute absolute ground for refusal, regardless whether they have been registered under the new Act or under the regulations of the EU. This is applicable to goods bearing the mark, which contains or consist of a geographical indication not having that origin, meaning that all applications will be undergoing such examination *ex officio*.

Observation by third parties in pending trademark applications remains in use, but applicable of course to absolute grounds for refusal only, since no *ex officio* examination will be carried out for potentially conflicting prior rights.

The official search will be carried out and in the search reports prior conflicting rights will be cited.

Not only applicants can benefit from search reports, but trademark owners can against payment of a fee also request the Hungarian Patent Office to notify them if any identical or similar later mark is filed.

Introduction of the opposition system into the Hungarian trademark law

Within a period of three months following the publication of a trademark application, owners of prior rights can file a notice of opposition to the Hungarian Patent Office on the ground that a mark may not be registered due to conflict with their earlier rights.

This system differs in no way from that of being in use in the CTM System, meaning that such a notice will have to be expressed in writing, contain grounds on which it will be made. Also, upon request of the applicant, the opponent will have to furnish proof on prior use. In the

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absence of proof of use, the opposition will be rejected. Before deciding on an opposition, the Hungarian Patent Office can fix a date for a hearing, or the other party can request it within a special period. Oppositions will be subject to payment of a fee within one month from filing the notice.

The exhaustion of rights became EU wide

With Hungary's accession to the EU, the earlier national exhaustion had to be modified, now allowing the free circulation of trademark-protected goods throughout the whole EU. This regime, however, does not allow import of such brands from a cheaper country outside the European Economical Area and resell the products in a EU member state, without express consent of the trademark owner.

Establishment of termination of the trademark protection due to cease of the owner without successor in title

The previous trademark regulations have not provided proper solution in case if a conflict has arisen regarding a trademark whose owner had in fact ceased to exist without a successor in title. Those parties whose rights collided with such trademarks had to file either a non-use action against an in fact non-existing entity, or even to re-file their application once such a mark has lapsed due to non-renewal.

This new feature allows applicants to file a request for establishing termination of a trademark protection due to non-existence of the owner. Applicants will have to bear the costs of the proceeding, since there will be no adverse party.

Regulation regarding the extension of CTM (Community Trademark)

A whole new chapter was added to the Trademark Law, dealing with issues like filing of a CTM application via the Hungarian Patent Office, rights conferred by CTM's, conversion, seniority of CTM's, infringement of CTM's, all now in full conformity with the EU Directives. The amendments specify the Metropolitan Court of Budapest as the first instance CTM Court, with the Metropolitan Court of Appeals being the appellate CTM Court.

Extension of the CTM System will result in a flow of a couple of hundred thousand new registrations into the Hungarian Registry. From the date of accession, automatically extended CTM's constitute earlier rights in Hungary (as one of the ten new Member States) against any trademark registration or application with a filing date (or priority date) on or after the effective date of accession, a national right with earlier priority will limit enforceability of an extended identical CTM.

Regulation on the protection of geographical indications and designations

Two new chapters deal exclusively with procedural issues on the protection of designations of origin and geographical indications in the course of the Hungarian Patent Office's applying substantive laws, namely the Council Regulation (EEC) No 2081/92 of July 14,

1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs as well as a number of treaties administered by the WIPO which provide for the protection of geographical indications, most notably the Paris Convention of 1883, and the Lisbon Agreement for the Protection of Appellations of Origin and Their International Registration of October 31, 1958, as revised at Stockholm on July 14, 1967 and as amended on September 28, 1979.

On May 1, 2004, the European Union was enlarged for the fifth time since the establishment of the European Community in 1957. This historical event of ten countries joining the EU represents not only an important change for the Community trade mark system and the national office, but also for the holders of rights, professional representatives and third parties.

Generally, it is viewed that recent amendments result in full harmonization of the Hungarian trademark regulations with the EU Directives, which implementation will provide additional possibilities for further improvement.

Zoltán TAKÁCS, Trademark Attorney

DESIGNS

1. Availability of Designs

A design shall be deemed to have been made available to the public if it has been published, exhibited, put on the market or otherwise disclosed, except these events could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned, operating within the European Community [Art. 4 (1)].

2. Limitations of Design Protection

- a) The holder of the design right cannot prohibit third persons from using a component of a complex product during its repair to permit a re-assembly of the product provided that the design of this replaced component sufficiently fits in the original appearance of the complex product (e.g. a car).
- b) The design protection is not effective against anyone who can prove a prior use. This prior right entitles a third party to use the design for purposes for which that party had used it prior to the filing date of the design, or for which he had made actual and serious arrangements (Art. 17).

3. Infringement

When a design protection is infringed, the proprietor may claim – in addition to civil remedies – measures by customs authorities to prevent infringing goods from getting on the market [Art. 23 (2)].

4. Invalidation

There is a new provision according to which the design protection will be declared invalid if an international design application was filed by a person not entitled to do so [Art. 28 (e)].

5. Unity

A design application may seek protection for more designs, provided that they belong to the same class. Furthermore, a group of designs can also be protected in a single design application, which have common external features in their ornaments for an informed user [Art. 38 (1)].

6. New Provisions

relating to the community design protection and the international registration of designs have been introduced, too, in harmony with the European Council Regulation No.6/2002 of December 12, 2001 on Community Designs.

Dr. J. MARKÓ, Senior Patent Attorney

PATENTS

1. The regulations of obtaining a supplementary protection certificate (SPC) in Hungary

1.a. As of May 1, 2004 an application for requesting an SPC (in the following: Application) can be filed in Hungary, based on the Council Regulations (EEC) Nos. 1768/92 of June 18, 1992 (in the following: the Regulation) and 1610/96 of July 23, 1996 in respect of medicinal products and plant protection products, respectively.

The Hungarian government published the implementation rules of the above Council Regulations in the decree No. 26/2004 on February 26, 2004. Unfortunately, this decree does not define the official fee, to be filed within two months counted from the date of filing the Application, or the applicable maintenance fees. This information will be issued shortly prior to the accession date.

1.b. In order to obtain an acknowledged application date, the Application filed with the Hungarian Patent Office (in the following: HPO) must comprise

- a) a formal request to obtain a SPC;
- b) data suitable to identify the applicant;
- c) the number of the basic patent and the title of the invention; and
- d) the number and date of the first marketing authorization, as referred to in Article 3(b) of the Regulation, and, if it is not the first authorization in the Community, the number and date of that first authorization.

If the above criteria are not met, a **30 days inextensible term** is given by the HPO for rectification. An acknowledged application date is the date when all of these criteria are met. If not, the Application will be regarded as withdrawn. If the rectification occurs after the 6 months' term, the Application cannot be restored.

1.c. The decree as such does not provide for specific transitional regulations. However, in accordance with the Accession Treaty between the European Union and Hungary, it is possible to file an Application within 6 months, counted from the accession date of May 1, 2004, for medical and plant protection products wherein the date of the first marketing authorization took

place after January 1, 2000. Consequently, Applications under this transitory scheme could be filed until November 1, 2004 the latest.

2. Exhaustion of patent rights

On the accession date the following Article will replace current Article 20: „The exclusive right of exploitation conferred by patent protection shall not extend to acts concerning a product put on the market of the EU by the patentee or with his express consent, unless it is in the rightful interest of the patentee to object to the further marketing of the product.”

Consequently the exhaustion of patent rights will be interpreted in line with the doctrine of EU-wide exhaustion.

2.a. Special exhaustion rule for pharmaceutical products

In the EU Accession Treaty there is a chapter of **Special Mechanism** reading:

„With regard to ... Hungary the holder, the beneficiary of a patent or supplementary protection certificate for a pharmaceutical product filed in a Member State at a time when such protection could not be obtained in one of the above-mentioned new Member States for that product, may rely on the rights granted by the patent or supplementary protection certificate in order to prevent the import and marketing of that product in the Member States where the product in question enjoys patent protection or supplementary protection, even if the product was put on the market in the new Member State for the first time by him or with his consent”.

This means that in connection with **pharmaceutical products** imported from the mentioned new Member States the exhaustion of rights will not be applicable for pharmaceutical products which are mentioned in the special mechanism chapter of the Accession Treaty, i.e. in Hungarian relations until 2019 the parallel import can be prevented by the patentee.

3. Expedited processing of appeals against decisions on preliminary injunctions

In all IP laws there is an expedited proceeding in case of preliminary infringement cases in the first instance. The same special treatment was not ruled in the second instance proceedings, but a first-in, first-out method was applied. By the latest amendment, if an appeal is filed against the decision of the first instance court concerning preliminary injunction, then the decision is to be brought by the second instance court in expedited proceeding, contributing to acceleration of court proceedings.

*J. Kerény, Senior Patent Attorney,
I. Molnár, Deputy Managing Partner,
Dr. F. Török, Patent Attorney*

PLANT VARIETY PROTECTION

Why is plant variety protection important?

1. Because the population of the world is growing: while in 2000 it amounted to 6 billion, in 2020 it will reach 8 billion.
2. Because food production must be increased. In most developing countries there is famine even now. In the name of “morals”, developing countries are faced with an alternative: either death from starvation or food, but at the cost of a debt trap.
3. Because there are less and less cultivable lands due to nature damaging effects.
4. Because we need plants that yield better, have a shorter ripening time and are more resistant to weather and to parasites.
5. Because breeding is an innovative activity, therefore it calls for protection. The creation of new varieties is expensive and time-consuming.

We could enumerate much more arguments, but let's come to the subject of plant variety protection.

The UPOV Convention (International Convention for the Protection of New Varieties of Plants) was concluded in 1961 for the international protection of plant varieties. It was revised in 1972, 1978 and 1991. Hungary acceded to the Convention in 1983 and signed the Act of 1978. Then in 2002 it also acceded to the Act of 1991.

The Amendment¹ to the Patent Act, having been in force from January 1, 2003, contains in its Part V the provisions concerning plant variety protection which are fully compatible with those of the 1991 Act of the UPOV Convention and of Council Regulation (EC) No. 2100/94. The Amendment introduces a *sui generis* protection of plant varieties. The provisions contained therein essentially differ in a lot of questions from the provisions relating to inventions destined for the industry and to the patent protection of plant varieties applied for until December 31, 2002.

General course of prosecuting matters of plant variety protection

Moral rights of the breeder of a plant variety. The Patent Act defines the concept of breeder in conformity with the 1991 Act of the UPOV Convention and with the Community Regulation. Accordingly, breeder is a person who has created the variety in a traditional manner, by breeding, or has developed a new variety from a naturally occurring variety discovered by him

* Patent Attorney, ADVOPATENT Office of Patent Attorneys, Budapest

** Deputy Head of Section, Hungarian Patent Office

¹ Cf. T. Palágyi: Main Features of the Amended Hungarian Patent Act. AIPPI Proceedings (Hungary) 2003, p. 9.

or by another person. The Act thus clearly excludes that the mere discovery of a variety should give rise to a right to plant variety protection. Breeding encompasses the development of varieties both by essentially biological processes (that is typically by crossing or selection) and by genetic engineering, by means of molecular biology. **Only a natural person may be a breeder.**

The Patent Act lays down further conditions for obtaining plant variety protection: the applicant may obtain such protection if he is of Hungarian nationality or has his domicile or seat in the country, or he is a national of a State or of a Member State of an international organization party to the UPOV Convention or has his domicile or seat in such a State. Foreigners can obtain plant variety protection on the basis of other international treaties or reciprocity.

Persons not belonging to the range defined by the Act cannot acquire protection and, accordingly, the rights cannot subsequently be transferred to them.

The **general provisions on procedures concerning plant variety protection** lay down that the competence of the Hungarian Patent Office (hereinafter: HPO) extends to the grant of plant variety protection, to procedures relating to granted protection (decision on the lapse and the restoration of plant variety protection, revocation of plant variety protection, cancellation of plant variety protection and of variety denomination) and to other official tasks (registration, information to the public).

A special feature of the procedure for the grant of plant variety protection is that the examination of the biological requirements is carried out by an examination authority. In Hungary this authority is the National Institute for Agricultural Quality Control. Priority must be claimed simultaneously with the filing of the application, it can be enforced within a time limit of 12 months.

The provisions concerning the access to files also contain a substantive difference compared with the general provisions of patent procedures. One speciality is that all information and data that may be necessary for the biological examination must be made available to the examination authority participating in the procedure for the grant of plant variety protection. Another difference is that, in compliance with the provisions on the procedure for state registration, the provisional variety description is not made available to any person after publication but only to specified persons and authorities.

In the course of **registration and official information**, the HPO keeps a Register of Applications for Plant Variety Protection and a Register of Protected Plant Varieties and publishes the relevant information in the Gazette of Patents and Trademarks.

Rights and obligations based on plant varieties and plant variety protection

Establishment: Protection begins with the publication of the application and its effect is retroactive to the date of application. The protection resulting from publication is provisional and becomes definitive if a decision on the grant of protection is issued.

Its **term** is reckoned not from the date of application, but from the date of the grant of the protection. This term is 25 years or, in the case of vines and trees, 30 years.

The rightholder is obliged to **maintain** the variety. Should he not comply with this requirement, the plant variety protection can lapse.

Rights conferred by plant variety protection: it confers on the rightholder the exclusive right of exploitation. This right extends to the production and multiplication of the propagating material of the protected variety, conditioning for the purpose of propagation, offering for sale, selling or other marketing, exporting, importing and stocking for any of these purposes.

In addition to the propagating material of the protected variety, the following are also covered by the exclusive right of exploitation.

On the one hand, the rightholder may take action against any person who utilizes without his consent the harvested material obtained through the unauthorized use of the propagating material and/or products made directly from such harvested material through its unauthorized use.

On the other hand, the right of exploitation is due to the rightholder with respect to essentially derived varieties, too. The Act has established special rules on essentially derived varieties which are clearly different from the initial variety, but are predominantly derived from it and – except for the differences resulting from the act of derivation – they conform to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety.

Essentially derived varieties may independently be granted plant variety protection, but they may not be marketed without the consent of the breeder of the initial variety.

Thus, according to the Act, the exclusive right of exploitation also extends to essentially derived varieties, where the protected variety is not an essentially derived variety. Judgment of the essentially derived variety still calls for the clarification of a lot of professional questions.

Finally, plant variety protection can be granted to varieties the production of which requires the repeated use of the protected variety.

The **limitations of plant variety protection** concern acts done privately and not involved in an economic activity as well as acts done for experimental purposes relating to the plant variety. These acts are not covered by the exclusive right of exploitation.

In addition to the foregoing, two further special exceptions relate to plant varieties. First, a protected plant variety can be used for the purpose of breeding other varieties without the authorization of the breeder.

The second special exception is the so-called **farmers' privilege**. On the basis of the farmers' privilege, the farmer – notwithstanding the exhaustion of rights – is entitled to use for propagating purposes on his own holding the product of the harvest which he has obtained by planting, on his own holding, propagating material of a protected variety. The farmers' privilege safeguards first of all the interests of small farmers, but it is also advantageous to breeders, since it lays down precisely that farmers can only make use of this advantage under specified conditions, against an equitable remuneration and within the framework of an effective monitoring system. In compliance with international stipulations, the Act excludes the exercise of the privilege in the case of hybrids or synthetic varieties. The limitation of farmers' privilege has become effective simultaneously with Hungary's accession to the European Union.

It is worth of attention that from that time on a reference to the territory of the country will mean a reference to the territory of the European Community.

Remuneration of the breeder of the plant variety is governed by the provisions relating to remuneration for inventions. The breeder of service plant variety protection is entitled to remuneration if the variety is utilized. The remuneration for utilization has to be proportional to the licensing conditions in the given technical field.

Procedure for obtaining plant variety protection

Elements of an application for plant variety protection: request for the grant of plant variety protection; a declaration of novelty of the variety; description containing the result of the experimental testing relating to the distinctness, uniformity and stability of the variety; variety denomination; common name and Latin name of the species and other relevant documents. Other documents mean photos of the variety, the document appointing the representative, if any, a deed of assignment if the applicant is the successor in title of the breeder, the Hungarian translation if the description has been prepared in a foreign language; when the applicant files the result of an experimental testing carried out by a foreign authority, the consent of that authority; and where priority is claimed under the UPOV Convention, the document establishing priority.

The application for plant variety protection must be prepared in accordance with detailed formal requirements laid down by special legislation² and a filing fee prescribed by special legislation³ must be paid.

In the course of the **examination following the filing of the application** it is established

- a) whether the application complies with the requirements prescribed for the accordance of a filing date, i.e. whether it contains an indication that plant variety protection is sought and gives information identifying the applicant; whether the provisional description of the variety has been filed even if it does not comply with the other requirements; whether the provisional variety denomination, the common and the Latin names of the species have been given. For example:

Variety denomination: Ostor

Common name and Latin name of the species: maize, *Zea Mays* (L.)

In place of filing the provisional description of the variety, reference to a priority document is sufficient to accord a date of filing for the application;

- b) whether the filing fee has been paid within two months following the date of filing;
- c) whether the provisional description in Hungarian and the Hungarian name of the species have been filed within four months following the date of filing if the application had been accompanied by a provisional description in a foreign language or reference had been made to a priority document.

² Decree 20/2002 (XII.12.) IM of the Minister of Justice

³ Decree 42/2002 (XII. 28.) GKM of the Minister of Economy and Transport

In the course of the examination following the filing of the application, the HPO notifies the applicant of the accorded date of filing.

Examination as to formal requirements. Should the application for plant variety protection meet the requirements necessary for according a filing date, the HPO also examines the application from the point of view whether it satisfies the requirements laid down in the decree on formalities. It is worth mentioning that if the breeder asks in writing to omit the indication of his name in the documents, a reference to this effect must be made in the request and the name of the breeder must be given on a separate sheet. It is checked whether the declaration of novelty of the variety has been filed. It is also examined whether the application has been accompanied by one or more photos of the variety showing preferably the distinctive features and whether the request has been signed by the applicant or his representative.

The request for the grant of plant variety protection may also be prepared by completing a form that can be obtained from the HPO free of charge.

Publication, observations. Applications for plant variety protection are also published after the expiry of 18 months from the date of priority. Publication gives rise to provisional protection, the effect of which is retroactive to the date of application. This protection becomes definitive when the decision of grant is issued. If a date of filing can be accorded, the filing fee has been paid, the provisional description in Hungarian and the Hungarian name of the species have been filed, the application may be published at an earlier date if the applicant so requests. The earlier publication is free of charge. Payment of the prescribed maintenance fee becomes due with the publication.

The HPO notifies the applicant of the publication. In the Gazette of Patents and Trademarks it publishes the name and address of the applicant, the representative and the breeder, the reference number of the application, the filing date and the date of priority if the latter is different, the variety denomination, the name and Latin name of the species and the characteristic photo or photos. After publication, the documents of the application, with the exception of the description, may be inspected by anybody. These documents are the power of attorney, the deed of assignment, the examination report of the variety denomination and the declaration of novelty of the variety. The following cannot be inspected even after publication: the description of the variety, draft decisions, documents not communicated to the parties and the document containing the name of the breeder if he has asked that his name should not be mentioned. Prior to publication the applicant, his representative and the examining authority can inspect both the provisional and the final descriptions. From publication to the grant of protection the applicant, his representative, the expert, the body called upon to give an expert opinion and the examining authority can inspect the provisional or the final description. After publication, anybody can have access to the final description.

After publication, during the procedure for the grant of plant variety protection, any person may file an observation with the HPO that the plant variety or the relevant application does not satisfy any requirement of protectability prescribed by the Act.

An observation must be prepared in writing and the person making the observation must support his assertion, to the necessary extent, by facts. The HPO will take the observation into

account when the contested requirement is examined. The person making the observation is not a party to the procedure for the grant of plant variety protection, but the HPO notifies him of the outcome of his observation.

Conditions of protection of plant varieties; substantive examination

A plant variety may be granted protection if it is distinguishable, uniform, stable and new. Before going into the details, it is necessary to define the concept of the plant variety and the propagating material.

- a) Plant variety: a plant grouping within a single botanical taxon of the lowest rank, which grouping, irrespective of whether the conditions of protection are fully met, can be
 - 1. defined by the expression of the characteristics resulting from a given genotype or combination of genotypes,
 - 2. distinguished from any other plant grouping by the expression of at least one of the said characteristics, and
 - 3. considered as a unit with regard to its suitability for being propagated unchanged.
- b) Propagating material: entire plants, seeds or other parts of plants suitable for growing the whole plant or for producing it in any other way.

Varieties of all botanical genera and species, including hybrids between genera or species, may form the object of plant variety protection.

The distinctness, uniformity and stability of the plant variety must be assessed either during state registration or on the basis of an experimental, that is technical, testing carried out for the purposes of the procedure to grant plant variety protection. In the territory of the country, the National Institute for Agricultural Quality Control designated by special legislation carries out this testing.

In the examination of distinctness, uniformity and stability, in the so-called DUS testing, the requirements laid down in the UPOV guidelines are taken into account. The duration of the examination is at least two breeding seasons that can be evaluated, one growing cycle in the case of perennial plants and three years after the fruit bearing period in the case of ligneous plants. The duration of the examination is rarely four years.

It is advisable to request the DUS testing intended for the granting procedure at around the same time as the filing of the application, if it was not requested earlier. During the test the prescriptions of the examining authority concerning the quantity of the propagating material and the date of submitting it should be kept in mind.

The variety is **distinguishable** if it clearly differs, in the expression of the characteristics resulting from a given genotype or combination of genotypes, from any other variety whose existence is a matter of common knowledge at the date of priority. A variety is commonly known, in particular, if

- a) it was already object of plant variety protection or entered in an official register of plant varieties;

- b) an application for the granting of plant variety protection or for state registration was filed, provided that the application leads to the granting of plant variety protection or to the entering of the variety in the official register of plant varieties.

From the point of view of distinctness, the following should also be regarded as commonly known: plant varieties protected by a patent or for which a patent application has been filed in Hungary before the priority date, plant varieties contained in the reference collection of the examining authority in the case of international cooperation relating to examination and plant varieties contained in the catalogue promoting marketing.

The important characteristics taken into account during the examination of distinctness are ideally independent of the effects of the environment and enable an easy and clear description of the varieties of the given species. The word “important” does not refer to the economic value of the characteristics, but to importance from the point of view of distinctness.

Distinctness must always be assessed with respect to the variety that most closely resembles the examined variety.

If the applicant wants to obtain protection for a genetically modified plant variety, he must have, prior to the DUS testing of the variety, a permit, granted under special legislation, for the release of products made from the modified variety.

With respect to the stock examined, the distinctive characteristics must be uniform and, even later, stable.

The variety is **uniform** if, subject to the variation that may be expected from the particular features of its propagation, its individuals are sufficiently uniform in the expression of those characteristics that are included in the examination of distinctness, as well as any others used for the variety description.

In place of the word “uniformity”, the specialists also use the terms “homogeneity” or “unity”.

The criterion of uniformity is not an absolute requirement. In the case of varieties regarded as uniform, the observed characteristics vary subject to the different types deriving from the peculiarities of propagation and to the conditions of fertilization.

In the case of hybrids, the examination of uniformity extends to the parent lines.

The plant variety is **stable** if the expression of the characteristics, which are included in the examination for distinctness as well as any others used for the variety description, remain unchanged after repeated propagation or in the case of a particular cycle of propagation at the end of each such cycle.

In the course of the examination of stability, some of the propagating materials or seed supplied with the application are put in long-term storage, then are sown together with fresh seeds of the last propagation. Comparing the individuals of the plant variety it can be stated whether after repeated propagation, at the end of the propagating cycle, they exhibit the same distinctive characteristics as those shown by the plants deriving from the propagating material initially supplied for the purposes of examination, that is, whether the characteristics of the variety have become stable.

In the case of hybrids, the examination of stability extends to the parent lines.

The variety is **new** if the propagating or harvested material of the variety has not been sold or otherwise disposed of to others by or with the consent of the breeder or his successor in title, for purposes of exploitation of the variety

- a) in the country earlier than one year before the date of priority,
- b) abroad earlier than four years or, in the case of trees or of vines, earlier than six years before the date of priority.

The assessment of novelty is essentially a legal task, it considerably differs from the requirement of novelty contained in the patent law. The HPO recognizes novelty on the basis of the applicant's declaration covering the requirements laid down by law.

The essence of the requirement of novelty is whether the breeder or his successor in title – after having made the variety available to the public in the country or abroad in a manner prescribed by law, e.g. by sale – has filed an application for plant variety protection within a specified time limit.

As regards acts prejudicial to novelty, the sale of the variety can be taken into account and the offering for sale has no significance. It follows that the display of the variety at a fair or exhibition is not prejudicial to its novelty. It is not prejudicial to novelty either if the variety is advertised in a catalogue promoting marketing.

Any disposition for the purposes of the exploitation of the variety is an act prejudicial to novelty if it precedes the date specified by the Act. It is to be stressed that only a disposition for the purposes of exploitation can be regarded as prejudicial to novelty. It is prejudicial to novelty if the variety is transmitted for the purposes of official examination or if, in accordance with the disposition relating to the plant variety, the propagating material or the harvested material is reproduced, but the reproduced propagating material is returned to the breeder or his successor in title, of course, provided that the reproduced propagating material is not used for the production of another variety.

The plant variety must be given a **variety denomination suitable for identification**. A variety denomination is, in particular, not be suitable for identification

- a) if it designates an existing variety of the same plant species or of a closely related species or can be confused with it;
- b) if its use would infringe the earlier rights of others;
- c) if it is liable to mislead or to cause confusion concerning the characteristics, value identity of the variety or the identity of the breeder;
- d) if it consists solely of figures except where this is an established practice for designating varieties;
- e) if its use would be contrary to public policy or morality.

On filing the application for plant variety protection, the variety denomination need not comply with the requirements laid down by the Act. For the accordance of a filing date it is sufficient to indicate a provisional variety denomination.

The variety denomination can consist of any word, combination of words, words and numbers, or combination of words and numbers, with or without a meaning, provided that such a denomination makes the identification of the plant variety possible.

A designation that would infringe the earlier rights of another person cannot constitute a variety denomination. Thus, a denomination cannot conflict with a designation for which a trademark application has been filed, with a registered trademark or trade name or with a personal name.

It is possible to change the provisional variety denomination designated by the applicant even after the filing of the application and a variety denomination can be cancelled and a new one can be registered after the grant of protection.

The **right to plant variety protection** can be asserted if the plant variety is distinguishable, uniform, stable and new, is given a variety denomination suitable for identification, and the application complies with the requirements laid down by the Act.

Fulfillment of the biological conditions is supported by the result of the DUS examination.

Novelty is certified by the declaration of the applicant.

The existence of a variety denomination suitable for identification is proved by the search report drawn up during the granting procedure.

The procedure for the grant of plant variety protection is not divided into formal and substantive phases like the patent granting procedure, therefore it is not necessary to file a separate request for substantive examination and to pay an examination fee.

It is worth mentioning among the rules concerning substantive examination that the results of experimental testing carried out by a competent foreign authority may be taken into consideration with the consent of this authority. The applicant may file the results of experimental testing with the Hungarian Patent Office within four years from the date of priority or within three months from the notification of the results of experimental testing, whichever expires later.

Grant of plant variety protection. If the plant variety and the relevant application meet all the requirements of the examination, the Hungarian Patent Office shall grant plant variety protection for the subject matter of the application. The protection is retroactive to the date of filing.

The grant of plant variety protection together with the variety denomination must be recorded in the Register of Protected Plant Varieties, and official information is published thereon in the official journal of the Hungarian Patent Office.

After the grant of plant variety protection, the Hungarian Patent Office issues a certificate to which the definitive description of the variety is annexed.

Lapse of plant variety protection. Provisional plant variety protection lapses, with retroactive effect to its establishment, if the application is definitely rejected or the applicant has relinquished provisional protection. Definitive protection lapses if the holder of plant variety protection relinquishes protection, on the day following receipt of the relinquishment or at an earlier date specified by the person relinquishing protection.

Definitive plant variety protection is cancelled with retroactive effect to its establishment or to the date of instituting proceedings for cancellation or to the date at which the conditions for cancellation have already existed.

Other procedures concerning plant variety protection include procedures for the revocation or cancellation of plant variety protection or for the cancellation of variety denomination.

Any person may request the revocation or cancellation of plant variety protection or the cancellation of variety denomination against the holder of plant variety protection. If plant variety protection has been granted to a person who is not entitled to it under the Act, only that person may request the revocation of plant variety protection who is entitled to it.

The request for the revocation or cancellation of plant variety protection or for the cancellation of the variety denomination must indicate the grounds on which it is based and documentary evidence must be attached, as well as the fee for the procedure must be paid. After written preparatory work, the HPO – proceeding in the form of a three-member board – will decide at a hearing on the revocation or cancellation of the protection or on the cancellation of the variety denomination. The decision has to be recorded in the Register of Protected Plant Varieties and relevant information has to be published in the Gazette of Patents and Trademarks.

In the **procedure for the revocation of plant variety protection**, protection is revoked with retroactive effect to its establishment if its subject matter does not satisfy the requirements of distinctness and novelty or the grant of plant variety protection has been essentially based upon information and documents furnished by the breeder or his successor in title and the conditions of uniformity and stability were not complied with at the time of the grant of plant variety protection.

Plant variety protection is also revoked if it has been granted to a person who is not entitled to it under the Act, unless it is transferred to the person who is so entitled.

Should the request for revocation be rejected by a final decision, a new procedure for the revocation of the same plant variety protection on the same grounds may not be instituted by any person.

In the **procedure for the cancellation of plant variety protection**, protection is cancelled – with retroactive effect to the date of instituting the procedure for cancellation or to the date at which the conditions for cancellation have already existed, whichever is earlier – if after the grant of protection the conditions of uniformity and stability are no longer fulfilled. Protection has to be cancelled - with retroactive effect to the date of instituting the procedure for cancellation - if the holder, after being requested to do so, does not verify the maintenance of the variety.

In the **procedure for the cancellation of the variety denomination**, the registered variety denomination has to be cancelled if the holder, after being requested to do so and within a prescribed period, does not verify that it fulfils the conditions of a variety denomination suitable for identification.

If after the cancellation of the variety denomination the holder files a request which contains a variety denomination suitable for identification, the new variety denomination will be registered.

**TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION RELATING TO THE
REGISTRATION OF THE NAME
OF A PERIODICAL (ELLE)**

- I. The conduct of the Defendant that meets the requirements of the [Hungarian] Press Act may run [at the same time] against the exclusive right of the Plaintiff to use his trademark.
- II. There is a similarity by definition between the maintenance of a registered title of printed matter on the one hand and the „stocking” [of goods] according to trademark laws on the other.

I.

The Plaintiff is owner of two word marks ELLE (International Trademark Registration No. R292,492 with priority of December 28, 1984 as well as International Trademark Registration No. 657,541, priority: May 5, 1995) designating Hungary relating to – among other things – „printed matter, newspapers and periodicals, books” in Class 16 and „all kinds of services including – among others – publishing of printed matter, newspapers and periodicals, books etc.” in Class 41.

The Plaintiff has been using his mark (since its first use in France in 1945) for a magazine for women, published in several countries throughout the world. German, French and English editions have been disseminated in Hungary since 1991.

Following the application filed by the Defendant, a periodical – a colour entertainment magazine under the title ELLE – was registered by the Department for Registration of Titles of Periodicals of the Ministry of National Cultural Heritage (hereinafter referred to as Ministry) in 1994.

The applicant has not started to use this title; therefore, there is a „Dead [defunct] periodical” entry in the registry. The Defendant, furthermore, is the founder, editor and publisher of the registered colour magazine entitled „ELITE”. The Plaintiff granted exclusive rights to a certain limited company relating to publisher’s and trademark user’s rights.

The Licensee filed an application for registration of a periodical named „ELLE” relating to „female fashion and beauty care” with the Ministry on March 12, 2001. Following an appeal filed by the Defendant, the second-instance authorities refused the registration of this application due to the existing registration of a periodical of the same name registered for the Defendant.

On April 3, 2001, the Defendant filed an application for registration of the word mark „ELLE” with the Hungarian Patent Office relating to the goods of Class 16 as well as services

* Lawyer

belonging to Classes 35 and 41. Successively, he filed a request for revocation of Plaintiff's trademarks at the Hungarian Patent Office for lapse due to non-use of the trademark.

II.

In his claim, the Plaintiff demanded the Court to declare that the Defendant committed trademark infringement by applying for and maintaining the registration of the title of a periodical „ELLE” based on Sec. 27(1) and (2) of the Trademark Act, referring to Sec. 12(2)(a) of this Act. The petition of the Plaintiff further sought an estoppel of infringement by the Defendant and to prohibit infringing conduct in the future. In the field of the last-mentioned sanction, the Plaintiff demanded that the Defendant be ordered by the Court to cancel the registration of the title of periodical „ELLE”.

According to the argument set in the claim – due to the fact, that the creation of a newspaper is a complex economic activity – the infringement commenced, as a first step, by applying for the application for registration of this periodical. The application for and the maintenance of a registration of a title of a periodical which is identical to the trademark, without the consent of the trademark owner, followed by preventing the trademark owner of the foundation of a periodical under this title, falls *per se* under the definition of illicit use.

The reasoning of Plaintiff's claim was based, further, on Sec. 86 of the Act No. LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices [hereinafter referred to as Act on Unfair Unfairness), stating that the use by the Defendant falls under the definition of Sec. 6 of the Act of Unfairness, according to which „use of a name, mark or designation, by which a competitor or its goods are usually recognised ” is prohibited.

In addition, the Defendant wanted to maintain and take advantage of the use of the illicitly obtained registration to prevent the concurrent Plaintiff from publishing the Hungarian edition of its magazine. The Plaintiff stated, further, that the Defendant's conduct contravenes Sec. 4(1), as well as Sec. 5(1) and (2) of the Civil Code.

The Plaintiff requested that the sanctions defined in Sec. 86(2), points (a), (b) and (d) of the Act on Unfairness, being identical to the sanctions for trademark infringement, be ordered by the Court.

The Plaintiff based his claim on the fact that the name or mark ELLE chosen by the Defendant for its own magazine was totally identical to the world-wide known title of its ELLE magazine; therefore, the Defendant acted against the prohibition provided in. Sec. 6 of the Act of Unfairness. He argued, further, that the publication of a periodical for commercial purposes is a business activity, including even the foundation and the registration as first steps. Furthermore, he claimed that the capacity of being a competitor, which is the precondition of the application of this provision, can not be denied by the Defendant because he is the founder and the editor of the ELITE colour magazine.

The Defendant asked for dismissal of this claim. He denied that the recording of the periodical under the title ELLE constituted trademark use. The unlawfulness of his conduct is excluded, since he owns all editor's rights relating to this periodical. Even if trademark use would be constituted through registration, he argued that he already possessed the registration of the

title of this periodical at the time when the protection of International Trademark Registration No. 657,541 was extended to Hungary. Consequently, there would be good reason for cancelling the Trademark based on Sec. 5(2)(a) of the Trademark Act.

According to the Defendant's statement, the proprietor was aware of the application on behalf of the Defendant for registration of this title, for a period of more than five years; consequently, he is no longer entitled to oppose the use of the trademark as provided by Sec. 17(1) of the Trademark Act. According to the provision of Paragraph (5) of the same Section, these provisions shall apply to unregistered marks as well.

The Defendant argued that amongst the sanctions claimed, there were no legal grounds for the Plaintiff to seek cancellation of the registration of the title of periodical, since this could have been claimed under Sec. 15(2) of Act No. II of 1986 on the Press in a court proceeding for invalidation of an administrative decision. He noted that he filed an application for registration of the mark „ELLE” at the Hungarian Patent Office. He asked, further, to disregard the trademarks until the decision in a cancellation action filed by him becomes final.

III.

The Metropolitan Court judged that the Defendant is infringing the rights of the proprietor relating to its International Trademark Registrations Nos. R292.472 and 657.541 ELLE through its application for and maintaining of the registration of the title of its magazine named ELLE.

At the same time, this conduct also constitutes unfair competition. The Court ordered that the Defendant should ask for cancellation of the recording of the title of the periodical in its name at the Ministry within 3 days.

The opinion of the judgment refers to Sec. 27(1) of the Trademark Act, which provides that any person who unlawfully uses a trademark in contravention of the provisions of Sec. 12, commits trademark infringement. Sec. 12(1) provides that trademark protection shall afford the proprietor of the trademark the exclusive right to use the trademark.

On the basis of the exclusive right of use, the proprietor shall be entitled to prevent any person not having his consent, from using in the course of trade any sign identical with the trademark in relation to goods or services which are identical to those for which the trademark is registered [Sec. 12(2)(a) of the Trademark Act]. Under these circumstances, it prohibited, in particular, stocking the goods under that sign for the purpose of putting them on the market or supplying services under that sign [Sec. 12(3)(b) and (c) of the Trademark Act]. The proprietor may request – beyond others – that the fact of infringement be declared by the court, as well as an injunction that the infringer cease his infringement [Sec. 27(a) and (b) of the Trademark Act].

The Plaintiff proved that he is the proprietor of the trademarks by filing extracts from the registry, and, by enclosing the register of the Ministry, he proved that the title of the periodical registered on behalf of the Defendant is identical to the trademarks of the Plaintiff. There is no doubt that the publishing of periodicals is identical to the goods and services covered by the lists of goods and services of the Plaintiff's trademarks in Classes 16 and 41. These facts, by the way, were not discussed by the Defendant.

The Defendant was wrong in stating that the registration of the periodical *per se* does not constitute use of the Plaintiff's trademarks. Sec. 12(3) of the Trademark Act does not enumerate the forms of using a mark taxatively. The precondition of lawful publishing of a periodical is the preliminary registration [Sec. 12(2) of the Act on the Press]. Consequently, the first step of publishing a periodical as a business activity is the registration itself; therefore, registration constitutes trademark use regardless of the fact that it is not enumerated by the Trademark Act.

By applying for registration of the periodical ELLE at the Ministry under the title which was identical with the trademarks of the Plaintiff, the Defendant reserved this title for himself, and this activity constitutes "stocking" according to the Court practice. The Defendant was also considered ready to supply services under the mark; such conduct is enumerated *expressis verbis* among the forms of trademark use under Sec. 12(3)(b) and (c) of the Trademark Act.

The Defendant was wrong, further, in denying unlawfulness of his trademark use, because it has no relevance whether he acted lawfully under the press licensing rules with respect to the issue of infringement. The relevant fact is that he had not obtained the consent of the trademark proprietor to use the mark. By acting this way, the Defendant – even without the founding of a periodical in reality – at the same time prevents the Plaintiff from editing his magazine in Hungary and contravenes the requirements of *bona fide* and honest conduct provided by Sec. 4(1) of the Civil Code.

The Defendant was wrong, further, in interpreting the preconditions of acquiescence. Sec. 17(1) of the Trademark Act provides that, where the proprietor has acquiesced, for a period of five successive years, in the use of a later trademark in the country while being aware of such use, he shall no longer be entitled either to oppose the use of the later trademark in the country or to request, on the basis of his earlier trademark, the cancellation of the later trademark. The provisions of paragraphs (1) to (4) shall apply *mutatis mutandis* to earlier trademarks having a reputation, to trademarks that have earlier become well-known in the country, as well as to earlier rights referred to in Sec. 5(1) and (2)(a) [Sec. 17(5) of the Trademark Act].

The correct interpretation of this provision is that the Plaintiff is considered in the present case, under Sec. 17(5), to be the holder of a mark which had previously become well-known in the country and at the same time, he is considered to be the prior user of this trademark within the meaning of Sec. 5(2)(a) of the Trademark Act. Therefore, according to the provision of Sec. 5(1), where the proprietor has acquiesced, for a period of five successive years, in the use of a later trademark in the country while being aware of such use, he shall no longer be entitled either to oppose the use of the later trademark in the country or to request, on the basis of his earlier trademark, the cancellation of the later trademark. In the present case, the Defendant does not own any later trademarks and his use of the mark – with respect to the accepted argument of the Plaintiff dealt with above – does not constitute a right to a later trademark under Sec. (2)(a) of the Trademark Act.

Furthermore, an absolutely necessary precondition of applying the rule of acquiescence, namely, that the Plaintiff was aware of the Defendant's use of the mark, was only stated but not proven by the Defendant.

According to the above-mentioned facts, the Court stated that the Defendant committed trademark infringement by using the International Trademark Registrations Nos. R292,472 and 657,541 ELLE of the Plaintiff.

Pursuant to Sec. 6 of the Act of Unfairness, it shall be prohibited to manufacture, distribute or advertise goods and services without the consent of competitors if such goods have a characteristic presentation, packaging or labelling (including designation of origin), or to use a name, mark or designation, by which a competitor or its goods are usually recognised.

In the claim, the interested party may ask for the establishment of the violation, the termination of the violation and the prohibition of continued violation by the offender, as well as the termination of the infringing state of affairs and the restitution of the *status quo* preceding the infringement [Sec. 86(2) points (a), (b) and (d) of the Act of Unfairness].

The publication of a periodical for commercial purposes is clearly a business activity, and it covers – according to the activities mentioned above as examples of trademark use – the foundation of the periodical and the registration of its title as first steps. This fact and the fact, that the Defendant is the founder and the editor of the ELITE magazine produced evidence of the Defendant's capacity to compete with the Plaintiff, a precondition for applying this provision.

The Defendant's conduct constitutes a violation of Plaintiff's interests by the foundation and application for the registration of a periodical under the title identical with the world-wide known trademark ELLE having a reputation, i.e. he attempted to take unfair advantage by imitation of the goods of the competitor, creating the false view that the goods were the goods of the Plaintiff.

On the above-mentioned basis, the Metropolitan Court stated, further that the Defendant committed unfair competition set forth in Sec. 6 of the Act of Unfairness, by founding and applying for the registration of a periodical under the title identical with that of the well-known magazine of the Plaintiff.

Further to the statement of infringement, the Court – according to the claims of the plaintiff – ordered that the sanctions set by Sec. 27(2)(a) and (b) of the Trademark Act and by Sec. 86(2)(a)(b) and (d), be applied.

The Defendant was wrong in claiming the dismissal of the order of a proceeding for cancellation of the registration of the periodical's title because the Court did not revise an appeal against an administrative decision refusing registration of a title of a periodical and did not order cancellation of a periodical registered for the Defendant but ordered the Defendant, as the proprietor of the registered right, to proceed for initiating the cancellation of this registration.

In this respect, the Court shared the views of the Plaintiff that ordering termination of violation of rights *per se* is not sufficient in the present case because it cannot be executed by obligation of the Defendant for passivity since it would result in the maintenance of the registration of the periodical under the title ELLE. To eliminate the unlawful situation, the Defendant is obligated to perform a certain activity – namely, the initiation of the cancellation from the registry of periodicals – in order to terminate the (unlawful) trademark use; at the same time, this act enables the restitution of the situation preceding infringement [Sec. 27(2)(a) and (b) of the Trademark Act and by Sec. 86(2)(a), (b) and (d) of the Act on Unfairness].

In the present case, the exact definition of the obligation is intended to serve the requirements for execution of this order.

The Court disregarded the so-called cancellation action filed by the Defendant against Plaintiff's trademarks because, like the documents filed before the Court show, this claim was based on the lapse of trademark protection through non-use. The legal consequence of a proceeding of this kind differs from a cancellation action against the trademark owner because, even if a final decision resulting in lapse of protection of Plaintiff's trademarks was reached, this would be effective from the date on which the defendant initiated the procedure for lapse of protection and, therefore, the protection of Plaintiff's trademarks relating to the earlier period of time would be maintained. For judging trademark infringement, this residual trademark protection would be relevant, and the Plaintiff's claim for unfair competition would also be well-founded even in case of lack of trademark protection with respect to the magazine disseminated by the Plaintiff abroad and later even in Hungary.

In the present case, it is also irrelevant whether the Defendant filed an application at the Hungarian Patent Office for a mark identical with the trademarks in question, because the Defendant could eventually obtain trademark protection with a later priority (with retroactive effect starting on April 3, 2001.)

On the basis of the arguments dealt with above, the Metropolitan Court accepted the Plaintiff's claims and entered judgment against the Defendant.

IV.

An appeal was filed against the decision, demanding reconsideration and dismissal of Plaintiff's claim. Relating to trademark infringement, the Defendant pressed on with his arguments made during the first instance proceedings, according to which the registration *per se* does not mean the use of the trademark but instead is merely a preparatory act. He denied unlawfulness of his use, stating that he had proceeded in accordance with press administration rules. This fact is important, because the legislation wanted to coordinate the Act on Press and the Trademark Act on the level of effective use of the marks.

Relating to the statement in the Metropolitan Court's judgment relating to acquiescence, the Defendant challenged the court's dismissal of his claim that the Plaintiff no longer was entitled to oppose Defendant's use of the mark due to the Plaintiff's acquiescence to Defendant's use because the Plaintiff was aware of Defendant's use for a period of five successive years. He asked for invalidation of the decision because of previous refusal to allow his presentation of evidence. He denied earlier use by the Plaintiff, claiming that the periodical ELLE of the Plaintiff had been published in a foreign language only and in a small quantity; the mark therefore had failed to achieve "well-known" status.

In connection with unfair competition, he referred to the error in the judgement of first instance where it is stated that it was the Defendant who founded and published a magazine named ELITE but it was another limited company and, therefore, the Defendant could not be considered as a competitor of the Plaintiff. If the Defendant were the publisher, the Metropolitan Court would have stated that the magazines ELLE and ELITE are competitors. By stating this,

the Defendant referred to an omission in the statement of the case included in the Court's judgement.

In his counterclaim, the Plaintiff asked for the maintenance of the judgement of first instance.

He referred to the correct statements and reasoning of this decision.

As far as acquiescence is concerned, the Plaintiff referred to Sec. 117(4) of the Trademark Act which provides that the time limits prescribed by this Act for legal consequences attached to an eventual acquiescence begun on July 1, 1997 at the earliest, so the five years period had not expired before the filing of the claim at the Court (on July 17, 2001).

As far as the use of his trademarks in Hungary is concerned, the Plaintiff stated that this could have been done exclusively by publishing a periodical in Hungarian, and he reported, further, that the magazine ELLE had been published even in Hungary since October 2001 by a certain limited company. In his view, the capacity of the Defendant as a competitor was founded with the establishment and registration of the magazine ELLE by him and this was even emphasized by his participation – in the capacity of one of the founders and head of the editor's board – in publishing the magazine Elite. He reported that the Defendant applied for the cancellation of his magazine ELLE from the Ministry registry on September 20, 2002. The Ministry cancelled the magazine on November 11, 2002 and this decision became final by December 2, that year.

V.

The Metropolitan Court of Appeal approved the decision of the Metropolitan Court by correcting the wording to state that the Defendant committed infringement of the Plaintiff's trademarks by applying for registration of the title of his magazine named ELLE and by keeping this name in the register.

According to the reasoning, the Metropolitan Court reached a right decision based on a proper statement of the case and cogent reasoning. The second instance court corrected exclusively the improper wording of the judgment; however, this correction had no influence on the merits or the reasoning of the judgement, either. The Metropolitan Court of Appeal shared the views of the Metropolitan Court concerning trademark infringement and unfair competition. In his appeal, the Defendant simply repeated the arguments at – and rejected by – the court of first instance.

As regards the appeal as filed, the opinion of the court of second instance was as follows:

Pursuant to the provisions of the Act No. II of 1986 on Press, it also follows that the application for registration of the magazine in question is the starting point of the business activity for publishing, and therefore, it constitutes use under the Trademark Act.

Sec. 2(1) of the Act on the Press in force at the time of the application for registration of the periodical in question provided that printing and publishing of a printed matter is permitted only when the actor is in possession of a relevant licence. The printing and publishing of a periodical – including the periodical of the Defendant according to Sec. 20(f) of the Act on Press – was due to be applied for a preliminary registration, and the dissemination periodicals before

recordal was prohibited, the Act pronounced. As far as the conditions of the application are concerned, regulated by the Government Decree No. 12 of 1986, the applicant was obliged to possess, at the time he filed his application for registration, all economic and technical preconditions for publishing his periodical. Accordingly, he had to designate the title, the subject matter, the founder and his address, the address of the redactor's office as well as the name and address of the editor.

Regarding the above provisions, the Metropolitan Court was right when it stated that the application for registration filed by the Defendant was not a preparatory activity only but constituted the first phase of his business activity in order to publish the magazine ELLE. Thus, the application constitutes trademark use in itself under the Trademark Act.

The court of the second instance shared also the views of the Metropolitan Court pronouncing definitive similarity between the maintenance of a registered name of a periodical and „stocking” under trademark law. The situation emerging from the application and maintenance of the registration resulted in the possession of the mark in legal sense and this was equivalent with the use thereof. Accordingly, the second instance court did not find the relevant argument of the appeal filed by the Defendant to be well-founded.

The court of second instance did not accept the views of the Defendant as to the lawfulness of his conduct, either. As the Metropolitan Court pronounced properly, the use of a trademark without the consent of the trademark owner is unlawful. The conduct of the Defendant, which meets the requirements of the Act on Press, can run at the same time contrary to the exclusive right of the Plaintiff to use his trademark. It is not typical that special legal rules provide the legal relationships together, respecting all details contained thereof. The Plaintiff was right when he referred to the analogy of the law on Company Registry: the use of a company name lawfully applied for can constitute trademark infringement at the same time.

The appeal filed by the Defendant is not well-founded in respect of acquiescence, either. The court of the second instance shares the views contained in the counterclaim filed by the Plaintiff.

Sec. 117(4) of the Trademark Act provides that the time limits prescribed by this Act for legal consequences attached to acquiescence and failure to use the trademark shall begin on the day of the entry into force – i.e. on July 1, 1997 – at the earliest. According to these provisions, legal consequences attached to acquiescence can only be applied in infringement proceedings after July 1, 2002 because the same consequence had not been provided in the earlier Trademark Act. The Plaintiff was right in stating that the five years period had not expired before the filing of the claim at the Court on July 17, 2001. It is unnecessary, therefore, to prove whether the Plaintiff was aware of the use of the mark and it is also unnecessary to examine whether the trademarks of the Plaintiff could be considered as well-known or even who is prior user, because the five years period as a precondition of acquiescence did not expire. Thus, the consequences of acquiescence can not apply and can not constitute an excuse for the Defendant.

No meritorious argument was contained in the appeal as filed. Only the minor question was discussed therein whether the Defendant is the publisher of the magazine named ELITE.

The Plaintiff gave evidence that the Defendant is the founder and the editor of this magazine; so, the statement of the case had to be corrected accordingly. However, this does not result in a more favourable decision for the Defendant, because the capacity of the Defendant as a competitor is demonstrated on the basis of his founding and registering of the magazine ELLE itself.

On the basis of the above-mentioned reasons, the Court of Appeal approved the decision of the Metropolitan Court with a minor correction in the wording.

(Decision No. 1.P.26,421/2001 of the Metropolitan Court and Judgement No. 21,08/2003 of the Metropolitan Court of Appeal.)

IMITATION OF DISTINCTIVE SIGNS: TRADEMARK LAW AND/OR COMPETITION LAW?

70 years ago, in 1934, Salamon Beck⁴ began the introduction of his book On Hungarian Trademark Law by stating that „the book approaches trademark law as part of competition law”. This was true at that time, but it was not true for 40 years. After the change of regime, however, it became a little true again, and following harmonization with EC law in 1997 it has probably become even more roughly true than in Beck’s time.

That is hardly debatable in general, but let us look at how the situation stands in respect of imitation and infringement.

I will not use the term „counterfeit” because it has a suggestion of criminal law. Though some prefer making use of criminal law tools against imitators, and they succeed on occasion, as far as I am concerned, I am drawn to civil law tools.

For a starting point, a short comparison between what is protected against imitation by trademark law on the one hand and by competition law on the other is warranted.

Sec. 1 of the Trademarks Act defines signs that may be registrable as trademarks: in practice this mostly means words, images, combinations thereof or the shape of goods or their packaging.

Sec. 6 of the Unfair Competition Act refers to characteristic appearance, packaging or signs. These may be protected without registration, provided that they are known to such an extent that they give rise to association with the producer or the trader.

Protection against imitation therefore has different formal requirements: trademark protection is linked to registration, whereas competition law protection is linked to the appearance, packaging, or signs becoming known.

Substantially, however, the requirement for both kinds of protection is the same: the unlawfulness of the imitation is based on the likelihood of confusion⁵ with an earlier sign. There are two basic types of likelihood of confusion: the primitive type – total imitation, also called copying – which is less frequent. The other type is where imitation is carefully thought up: the imitative sign or packaging is similar enough for the superficial consumer to confuse it with the original mark but different enough to allow the imitator, should he be caught, to refer to the differences. Examples are an imitation of the original ambling zebra: a zebra sitting in a twisted cross-legged position, or an imitation of DHL known for postal delivery services: DLH.

* Professor of Law, Of Counsel, Danubia Patent and Trademark Attorneys

⁴ B. Salamon: Magyar Védjegyjog (Hungarian Trademark Law). Budapest 1934, p. III.

⁵ The publication entitled „Kapcsolódási pontok a védjegyoltalom és a tisztességtelen piaci magatartás között” (Links between trademark protection and unfair market conduct) by A. Szecskay and G. Bacher has the same basic idea. MIE Közleményei (Publications of the Hungarian Industrial Property Association) 2003, p. 111.

Before presenting some more examples in a little more detailed manner, I would like to anticipate that almost all of us take them like an old German professor says, „Everybody is standing on the other’s shoulders.”, or, like the English court says, „from precedent to precedent”. Of course neither is a new idea, the Romans had already invented case law more than two thousand years ago, and evidence of even earlier imitations can be found in the Trademark Infringement Museum of Paris (imitations of wine amphorae of Greek origin), albeit no such words as „trademark” or „economic competition” existed at that time.

For this reason I refer to Hungarian colleagues such as K. Szamosi, G. Mikófalvi, A. Szecskay and G. Bacher, who preceded me in this topic with publications, hoping, however, to be able to contribute something new to the subject.

1. Imitation sanctioned by trademark law

Such cases are reported on from time to time to readers of the AIPPI Proceedings, Hungary; therefore some examples are given from the decisions of recent years.

1. The Adidas mark consisting of three parallel stripes rotated 45 degrees is widely known. The defendant used three parallel stripes rotated 45 degrees to the right placed on the sides of shoes bearing the signs LUCK and WANLI. Even though he used signs completely different from Adidas, the defendant was condemned by both the Metropolitan Court and the Supreme Court for confusion due to imitation of the three stripes. The Supreme Court confirmed the decision of the Metropolitan Court by establishing in its decision,⁶ among other things, that „no different conclusion can be reached on the basis of the overall impression of the shoes, either”.

2. The plaintiff is the holder of the combined trademark consisting of the words TRÖSCH PRIMA and a conventionalized fruit emblem, registered for canned foods and pickles. The defendant traded pickles and this trademark appeared on some bottle caps. Facts were established in the case that the defendant had obtained about one or two thousand bottle caps (2-3 cartons) bearing the plaintiff’s mark by mistake and the defendant had made use of them. As such conduct of the defendant was proved only in respect of two bottles of pickles, the Metropolitan Court dismissed the claim. The Supreme Court⁷, however, sustained the appeal and condemned the defendant. It stated in its decision that the quantity of goods that infringed had no significance. (Let me observe that this statement does not apply to the amount of compensation, which was not claimed in this case.)

3. Finally, a trademark infringement case with an infringing domain name: the defendant registered with the Council of Internet Suppliers the domain name szivarvany.hu, identical with the similarly well-known and famous SZIVÁRVÁNY (‘rainbow’) mark of a chain of magazines for underwear. The plaintiff requested an injunction, which was served by the Metropolitan Court: it ordered that the use of the domain name cease. The Supreme Court⁸ also

⁶ Védjegyvilág (Trademark World) 2001, vol.1, p. 23.

⁷ Védjegyvilág (Trademark World) 2000, vol.1, p. 22.

⁸ Védjegyvilág (Trademark World) 2001, vol.1, p. 23.

pointed out in its decision dismissing the defendant's appeal that it was irrelevant whether the defendant rendered or wished to render his trade services on the market in the traditional sense or on the Internet. Therefore the court of first instance was correct in reaching the conclusion that the plaintiff had proved probability of infringement.

2. Imitation sanctioned by competition law

Competition law proceedings for imitation of distinctive signs show many similarities to trademark infringement proceedings. Unfortunately few such decisions are published.

1. From 1994 on, the plaintiff's legal predecessor used the word NETWORKX as trade indication, and it became known to such an extent that certain business partners corresponded with the plaintiff under that name. A few years later, the defendant's legal predecessor adopted the name Network Sz. Kft. and operated in the same field as the plaintiff and his predecessor. Both the court of first instance and the Supreme Court⁹, in an interim decision, established that the defendant's adoption of the word NETWORKX in its company name was unfair. As such, the Supreme Court referred the case back to the court of first instance with respect to compensation part of the claim.

2. The plaintiff traded a so-called American type pizza family under the name BIG AMERICANS, in colourful, flat cardboard boxes. On the top side of the boxes there was a product photo with the American flag in the background. The defendant traded pizza under the name AMERICANA PIZZA, in flat cardboard boxes of the same size as those of the plaintiff. Also the photo of the pizza with the Stars and Stripes in the background was on the top side of these boxes. Both the court of first instance and the Supreme Court¹⁰ condemned the defendant for featuring the product photo, the American flag and the words „Americans-Americana”.

3. The LEGO proceedings were not started for imitation of the logo but instead for imitation of the building blocks themselves. However, as the defendant advertised the imitations as „possible to assemble with LEGO” and „similar to LEGO”, the Supreme Court¹¹ condemned the defendant also for this act.

On the basis of written and oral evidence, the Metropolitan Court established that the packaging of PICK salami, decorated with the band tag in the national tricolour, had become widely known since 1994. This conclusion was supported by the statements included in the „salami packaging test” survey conducted by GfK Hungária Market Research Institute. The court also examined whether the lithographic packaging of PICK salami might be considered characteristic. In this regard, the court established that the following were some basic characteristics of the packaging: the underlying product and the greyish white mildew cover of the salami were visually perceptible through the material of the cellophane packaging; the band

⁹ BH 2001, case no. 73; Versenyjog (Competition Law) (Ed. T. Sárközy), Budapest 2001, p. 79.

¹⁰ Sárközy p. 80.

¹¹ BH 1995, case no. 394; see also V. Bacher: Court Practice in Matters of Unfair Competition. AIPPI Proceedings (Hungary) 1997, p. 110.

tag in the national tricolour ran along the whole salami; and the band tag overprint in the national tricolour were placed in the middle of the salami.

As the defendant had imitated exactly these characteristic elements of the packaging, the court of first instance condemned the defendant for an act of unfair competition. The Supreme Court¹² also established in its consenting decision that the defendant traded his salami bar with a mildew cover similar to the plaintiff's product in cellophane packaging, too. The motif applied on such product, substantially the same as the plaintiff's band tag motif in its size, layout, form and colour combination, gave the defendant's product appearance similar to that of the plaintiff's product and therefore the product itself became likely to confuse consumers.¹³

3. Trademark and/or competition law

Following this I turn to the question contained in the title, to which several answers can be given, as it is suggested by the wording of the question itself.

1. K. Szamosi, in her study¹⁴ published ten years ago, refers to parallel protection by trademark law and competition law and distinguishes two types of cases therein: on the one hand, where the sign is not registered but it has become known through use, and on the other hand where the mark is registered but it is used for different goods from those for which it is registered.

Two examples are given by her for the first type of cases.

One of the examples is the decision taken in the case of BARBIE dolls. In this case the defendant, who traded children's toys packed in cardboard boxes, was condemned by the Supreme Court¹⁵ for both unfair market conduct and trademark infringement. On the packaging of tea kits, dining chairs, clothes hangers and stand mirrors the defendant represented the product photos and so-called „Barbie” dolls, and in the texts regarding the intended purpose of the products he used the wording „tea kit for Barbie dolls”, „dining chair for Barbie dolls” etc. According to the statement contained in the decision the defendant, who only traded products called „tea kit for Barbie dolls” before the filing date of the trademark application, by the use of the well-known term created the impression in consumers that the product in question was the plaintiff's product; therefore he committed an act of unfair competition. Following the filing date of the trademark application, however, he committed trademark infringement through the use of the word mark on the packaging of the toys.

I agree with the author's comments that making use of the competitor's goodwill and advertising is in itself an act of unfair competition. I would note only that today it is also an expressed requirement for registrability, in the case of well-known or famous marks, that the

¹² A. Vida: Imitation of Pick Salami's Package. AIPPI Proceedings (Hungary) 2003, p. 110.

¹³ As regards slavish imitation E. Boytha says that it contains also cases where the product with characteristic appearance, packaging or name is not protected under industrial property law but it has become known to consumers with the characteristic in question (E. Boytha: Versenyjog (Competition Law), Budapest 2002, p. 64.).

¹⁴ K. Szamosi: Parallel Protection under Trademark and Competition Law. AIPPI Proceedings (Hungary) 1994, p. 79.

¹⁵ BH 1993, case No. 25; see also op. cit. p. 113.

applicant should not make unfair use of the repute obtained by another mark even in respect of different products. I also find it possible that unfair market conduct should be sanctioned even more broadly, in lack of the competitor relationship, under Sec. 4(1) of the Civil Code providing for the criterion of fairness. I trust that this is not a dream and Sec. 22 of the Trademarks Act as amended in force from May 1, 2004 seems to strengthen such tendency.

For a further example Szamosi cites the case where products bearing signs unlawfully using several marks registered by the firm Cassucci for jeans had been traded before the protection of those international marks was accepted in Hungary. With such facts, the Metropolitan Court condemned the conduct of the imitators only for unfair market conduct.

2. From my own practice I cite an example for alternative enforcement: the trademark holder can make his own option as to whether he wishes to act against an imitator on trademark law or competition law grounds, as he finds expedient. For instance we started proceedings for trademark infringement against certain traders about the unlawful use of the mark HARD ROCK CAFÉ on T-shirts, and the proceedings were concluded by reconciliation: statements containing the obligation to stop were signed. Whereas against other traders selling in tents we requested, mainly to be cost effective, that the Consumer Protection Supervisory Authority should start proceedings for the Unfair Competition Act for misleading consumers. In the latter case, the results varied, to put it shortly. The third alternative is criminal charges: we used this means in other cases (Pierre Cardin etc.), mostly where unlawful acts were committed by Chinese traders, against whom enforcement through civil means is particularly problematic.

3. An example for cumulated protection against imitation, that is, where the court established an act of both trademark infringement and unfair competition, is the case of HUBI liqueur. In its decision condemning the user of the sign HUBI imitating the mark HUBERTUS, the Metropolitan Court stated that it was public knowledge that consumers called the HUBERTUS liqueur „hubi”. This, no doubt, made the impression that HUBI liqueur was identical with HUBERTUS, or was perhaps a cheaper version thereof. The Supreme Court¹⁶ made a further comment that likelihood of confusion between the two signs could be established on the basis of the comparison of the products, which gave ground also for the defendant's liability under competition law.

It is not impossible that cases falling into additional types of cases not covered by the cited examples for the alternative, optional or cumulative application of trademark law and competition law happen¹⁷, or might happen.

In any case, the presented types of cases can demonstrate that in recent years, in Hungary, like in other countries, the relationship of the two legal means, trademark law and competition law, has become grown closer, which I think is continued by the interface provisions entered into force as from May 1, 2004.

¹⁶ Védjegyvilág (Trademark World) 2001, vol.1, p. 27; presented also by: Szecskay-Bacher p. 119.

¹⁷ See also the decision of the Metropolitan Court of Appeal taken in the ELLE case. Presented by A. Mikófalvi in the present volume of AIPPI Proceedings (Hungary)

TRADEMARKS IN THE MEDIA

Following the dissemination of commercial television broadcasting activities in Hungary, competition amongst broadcasters has emerged in the field of device marks, logos, and other distinctive signs.

The legal framework has been complicated by the amendment of the Law No. I of 1996 on Radio and Television Broadcasting (hereinafter referred to as Media Act) by the Law No. XX of 2002 enabling legal harmonisation of the former Law (hereinafter referred to as Harmonization Act) since it did not include any provisions about products, services, trademarks nor brands and trade names. What is a trademark and how can it be lawfully used in the programs of broadcasters at all? In the first part of this paper, we try to find answers to this issue.

Even the printed press is not free from debates on competition or trademark law, either. Although the Law No. I of 1986 on the Press (hereinafter referred to as Press Act) contains the criteria resulting in refusal of the application for recording a name of a periodical intended to be published, i.e. it regulates the requirements for the title, graphical appearance and exterior art design, there is no harmony between the substantial and procedural provisions of the Press Law and the Law No. XI of 1997 on the Protection of Trademarks and Geographical Indications (hereinafter referred to as Trademark Act), respectively. The second part of this paper analyses the collision between trademark law and press law.¹⁸

1. Trademarks in television programme broadcasting activities

Under the Trademark Act currently in force, trademark protection shall be granted for any sign capable of being represented graphically provided that these are capable of distinguishing goods or services from those of other undertakings. Accordingly, signs which may be granted trademark protection can be words, combination of words (including personal names and slogans), letters, numerals, figures, pictures, two- or three-dimensional forms (including the shape of goods or of their packaging), as well as colours, combination of colours, light signals, holograms, sound signals, as well as combination of signs mentioned above.

The main purpose of trademarks is to distinguish one's goods or services from those of others.

A sign shall be excluded from trademark protection if it is devoid of distinctive character.

Under the legal provision referred to above, names, titles of programmes or periodicals, as well as their characteristic graphical appearance, sound effects, individual slogans etc. used

* Attorney at Law, Budapest.

¹⁸ This study does not analyse the provisions of the Act No. CII of 2003 on the amendment of the Trademark Act, published after its completion and does not stipulate the procedural questions relating to oppositions or the substantive law questions following to the amendment, either.

by broadcasters in the media or editors in the printed press are able to enjoy trademark protection. One of the first published trademark disputes involved the mark „TV2” used previously by the Hungarian Television (hereinafter referred to as MTV) for decades. The same „TV2” mark was chosen by a private broadcaster when he started operation of a commercial channel.

Before the Media Act came into force – in the absence of competitors – MTV had been the sole television broadcaster in the country, and therefore, it did not place emphasis on ensuring the exclusive right to use and trademark protection of the signs effectively used. No trademark applications were filed for registration of names of broadcasting channels, titles of different programmes or special graphical designs ensuring unique appearance of programmes, either.

Notwithstanding, the wording of trademark law of the pre-commercial-television era, namely Act No. IX of 1969 on Law on Trademarks emphasized the importance of distinctive character of a mark.

The Act provided that a mark is appropriate for distinguishing itself from competitors if it gives the covered goods a special, different character relative to identical or similar goods. Trademark protection shall afford the exclusive right of the proprietor of the trademark to use the registered trademark – the Act declared.

Under the provisions of the Act, the proprietor of a trademark shall – within the limits fixed by legislation – enjoy the exclusive right to use the trademark for goods enumerated on the list of goods or to grant licenses to others for the use of the mark.

Under the Trademark Act in force from July 1, 1997, on the basis of trademark protection, the proprietor – namely MTV – had the exclusive right to use the mark and the proprietor is entitled to prevent any person not having his consent, from using any sign identical with or confusingly similar to the trademark in the course of trade.¹⁹ Accordingly, MTV would have been granted exclusive right to use the mark „TV2” if the mark had been registered by the Hungarian Patent Office.

Although the mark had not been registered, the Trademark Act was decisive providing that „With respect to identical or similar goods or services, a sign shall not be granted trademark protection, if it has been used effectively in the country without registration where the use of the sign without the consent of the prior user would be contrary to law.”²⁰ In this particular case, the services rendered by both broadcasters fell into the same Class of the Nice Agreement (Concerning the International Classification of Goods and Services), consequently, MTV [the

¹⁹ (a) any sign identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered;
(b) any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services, there exists a likelihood of confusion on the part of the public; or
(c) any sign which is identical with, or similar to, the trademark in relation to goods and services which are not identical with, or not similar to those for which the trademark is registered, provided that the trademark has a reputation in the country and the use of the sign would take unfair advantage of, or would be detrimental to, the distinctive character or the repute of the trademark [Sec. 12(2) of the Trademark Act].

²⁰ Sec. 5(2) of the Trademark Act.

Magyar Televízió Rt (Hungarian Television Limited Company by Shares)] had the exclusive right to use the mark „TV2” even without trademark registration. (The dispute was not brought before the Hungarian Patent Office or before the courts, since an amicable settlement was reached by the parties.)

2. The presentation of trademarks and product placement in the programmes

The use of trademarks for making distinction between broadcasters is only one example of the peculiarities for using marks in the broadcast context.

The different marks do not serve solely to distinguish between broadcasters but also can be characteristic features of their particular programmes.

Nowadays, when a broadcaster starts a new programme and selects an individual name, music etc. for this programme, he usually wants to safeguard his rights; he therefore files a trademark application with the Hungarian Patent Office. By means of a trademark application, the mark of the applicant enjoys priority towards others.

By registration of the sign as a trademark, the proprietor shall have the exclusive right to use the trademark, and shall be entitled to prevent any person from using it in the course of trade. This means, basically, that a title of a programme protected to a certain broadcaster is not allowed to be used by another broadcaster lawfully.

The ruling of presentation of trademarks and product placement in the electronic media

The Media Act governing the activity of broadcasters in Hungary does not provide guidance for the appropriate use of marks, brands or even branding. The Law Harmonization Act does not cover product placement or presentation of a brand or a trademark, either.

As far as the Hungarian ruling is concerned, the first thing to note is that the provisions of the Media Act relating to advertising and sponsorships cover only the most important rules and therefore, do not provide complete, detailed guidance as to all questions that can occur in the framework of the legal institutions stipulated here. Consequently, the provisions set by the Media Act need to be interpreted and completed.

Position papers and recommendations of the ORTT Radio and Television Board (RTB) contain interpretations that should be followed by the broadcasters and broadcasting in Hungary.

These position papers and recommendations are normative decisions in particular cases as well as commentaries connected therewith, on the one hand, and position papers on questions defined by Sec. 41(1)(b) of the Media Act, on the other hand. It should be emphasized that no legislation is apt to follow the extremely fast technical development in the fields of media and telecommunication; it can only follow behind.

This is one of the reasons why not only the Hungarian Media Act but also the related Community Directives have to be amended constantly. According to the definition in the Media

Act, „Hidden advertising shall mean a programme item or programme announcement which, in the disguise of neutral information, encourages the purchasing of a product or using of a service or acting in accordance with any other business conduct.” Furthermore, encouraging the purchase of a product is an essential feature of this notion. This fact should be taken into consideration when judging particular product placements.

In its position paper No. 274 of 1997, the ORTT interpreted how „the disguise of neutral information” from the above-mentioned definition has to be understood, having given the following definition: „A communication, oral or written, shall be considered as disguised neutral information, whereby its author or publisher expresses economic, personal or group interests by means that appear to be objective.” „All economic elements have to be considered as hidden advertising which appear in a given programme item or in a programme without due cause and the extent of comparison to essential contents of the basic information. Hidden advertising can be wilful or negligent.”

In the absence of regulation in the Media Act, position paper No. 258 of 1997 describes the views of the RTB relating to product placement: „No special definition of the category of product placement can be found in the Act No. I of 1996. Product placement, therefore, can be accepted in fiction programmes, without cash flowing and to the extent of normal needs of life.”

The TVWF Directive does not operate with the above-mentioned definition of „fiction programme” used by the RTB, but classifies feature films and television films (including docusoap, light entertainment programmes and documentaries) as audiovisual programmes. Under this classification this category covers light entertainment programmes and docusoap as well.

The provisions of the Media Act relating to sponsorship were eased by the Law Harmonization Act in a significant extent.²¹ The original legal rules on sponsorship had totally prohibited the presentation of any products, services, or even trademarks or brands of the sponsor in a programme sponsored by him. The only exception has been and still is the programme preview, where the Act has permitted and still permits the presentation of trademarks, distinctive signs or slogans of the sponsor, together with the requisite adherence to the rules governing sponsorship. The practice relating to sponsorship has been facilitated as well – obviously following the amendment of community rules.

The RTB in a related position paper²² permitted presenting products, services, trademarks or brands in sponsored programme items without the intention of selling or stimulating buying. In its decision, the ORTT declared that „the message of the sponsor cannot be of advertising value, in particular: „The information relating to the properties, composition or price of a particular product appearing on the packaging of the product – not including the brand or logo of the product – cannot be presented in an accentuated way.” [3.1.]

²¹ Sec. 18(2) of the Media Act: No sponsored programme items are allowed to encourage or influence to make use of, or refrain from using, the business services of the sponsor or of any third party specified by him.

²² Decision No. 1473 of 2002 of the ORTT on visualization of sponsors.

The practice has shown unequivocally that presenting products, services, trademarks, brands or logos in sponsored spots is not contrary to law without showing advertising features or stimulating selling or buying. In its revision programme relating to the Television without Frontiers (TVWF) Directive, the European Commission is examining in particular whether an adaptation of existing regulatory measures is necessary in light of technological developments and market trends, or whether amendments and reconsideration of national laws are necessary. The Bird & Bird study cited above handles new advertising techniques in detail, such as split screen advertising, interactive advertising and virtual advertising as well as how these are applied at the national level. There is an open question: if applicable, to what extent are the new techniques compatible with the provisions of the Directive on advertising time limits, split screen advertising or about the way in which the provisions of the Directive on hidden advertising through new advertising techniques can be reconciled with the interests of right holders and viewers?²³

The proposed amendment of the said Directive would prohibit sponsoring rendered by enterprises manufacturing or marketing cigarettes or tobacco products as their basic activity.

Obviously, the presentation of trademarks, brands and logos of enterprises would be prohibited as well. The Hungarian standpoint relating to trademarks, brands or product placements, which is going to be presented by the Ministry of National Cultural Heritage during the preparation of the amendment or a new European directive, is governed basically by practical needs. It was elaborated with RTB jointly, having taken into account the views expressed by the advertising industry.

The protection of trademarks and titles of periodicals in the printed press

The overall amendment of the Press Act in 1990 introduced a registration proceeding in respect of the establishment of new periodicals with the Ministry, instead of the administrative licensing that had been required before. It could be understood from the wording of Sec. 12(2) of the Press Act²⁴ that the competent ministry is a registration authority only. The Act No. CXXVII of 1996 on national news agency entered into force on January 1, 1997, amending at the same time some provisions of the Press Act. The amendments made the compulsory registration by the Ministry substantive when provided on the substantive examination of the applications. Under the provisions of the Act in force, the refusal is not only optional but compulsory, where the contents of the printed matter commit a crime or calls for crime, is contrary to public morality or personal rights²⁵ as well as where the external appearance of the printed matter suggests

²³ Discussion Document to the proposed revision of "Television without Frontiers" Directive, Theme 3.

"Protection of general interests in television advertising, sponsorship, teleshopping and self-promotion, in the framework of the regulation of the Directive"

A joint conference held by NKÖM and the ORTT, July 9 – 10, 2003.

²⁴ Sec. 12(2) of the Press Act: "The establishment and publication of periodicals must be previously reported [to the Ministry]. Upon this report, the periodical shall be recorded."

²⁵ Sec. 3(1) of the Press Act.

being an official gazette or is published under a title, graphical appearance, external appearance or other characteristics that make it similar to a periodical already registered and therefore becomes suitable to deceive customers.²⁶

This provision of the Press Act lays such a heavy charge on the competent authority that it cannot be executed effectively by the Ministry at the foundation of the periodical, namely when the application form is filled out and filed. The authority can examine the graphical appearance, external appearance or other characteristics of the printed matter just after the first issue has been published. The title of the printed matter is the single piece of information that can be known after the filing of the application form in order to fulfil this legal requirement. However, is there a reason for refusing the registration of the title of the periodical based only on a single piece of information? Certainly not. And particularly not where – before starting of the press law proceeding – under the application by the editor, the proposed title of the periodical was registered by the Hungarian Patent Office as a word mark or a device mark. Trademark protection – as it was mentioned above – grants exclusive right to use the trademark for the proprietor. Trademark protection begins with the registration and shall be effective retroactively from the date of the application, and shall have a term of ten years beginning on the filing date of the application. It shall be renewable for further periods of ten years.

In trademark litigation, the Metropolitan Court has jurisdiction and exclusive competence over these cases, and where a trademark law claim is accompanied by another, typically a competition law claim, the trademark law decision is determined primarily by the court. The trademark applicant enjoys priority during the period lasting from filing the application to its registration. What is the legal situation when a periodical is put on the market under a title which has been registered as a trademark on behalf of another editor who wants to launch his own periodical under the trademarked name just after the registration proceeding had been finished? The Ministry of National Cultural Heritage is in the position during the administrative proceeding under the Press Act²⁷ to learn that the title of this particular periodical is identical with a title of another periodical already registered, and therefore, basically, there would be a case of refusal of the registration under Sec. 12(2) of the Press Law.

The authorities in the administrative proceedings are more and more cautious, due to experience gained from the court litigation proceedings in recent years. The Department for Registration of Titles of Periodicals of the Ministry of National Cultural Heritage advises the parties about the intention to register a new title and calls the applicant for justifying its request. In the event when the later applicant produces evidence of trademark protection by filing its trademark certificate and the decision of the Hungarian Patent Office on the registration, the legal status becomes unequivocal since a trademarked title of a periodical protected by

²⁶ Sec. 6 of the Act No. LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices defines the notion of misleading of the consumers, incorporated by the Act No. CXXXII of 1997 as follows:

„It shall be prohibited to manufacture, distribute or advertise goods and services /hereinafter together: `goods`/ without the consent of competitors if such goods have a characteristic presentation, packaging or labelling (including designation of origin), or to use a name, mark or designation, by which a competitor or its goods are usually recognised.”

²⁷ Nowadays, the Ministry of National Cultural Heritage, NKÖM.

trademark registration enjoys exclusive right to use the mark even in relation to a newspaper that has been put on the market earlier. The Metropolitan Court, as a first instance court, pronounced in several final decisions that any person, who had applied for a name protected by trademark registration as title of a newspaper to be registered by the competent authority, is guilty of trademark infringement.²⁸

Actually, the Ministry of National Cultural Heritage in its administrative proceeding is able to obtain information on the existence of trademark protection exclusively by requesting that the parties submit the necessary information. Obviously, a direct on-line connection between the Ministry and the Hungarian Patent Office would be more suitable, enabling constant computerized inquiries and the ability to obtain immediately information for the registration proceeding of titles of periodicals.

The above-mentioned „dual protection” of titles of periodicals, namely joint profiting from compulsory registration under the Press Act and trademark protection, became usual in the last ten years. At the same time, the number of legal disputes and court proceedings has been increased.

A cautious proceeding is followed by the Ministry of National Cultural Heritage in the recent years by taking the existing trademark registrations into consideration. This would help to decrease the number of court proceedings in the future.

For the sake of completeness, it should be mentioned that in the event that simultaneous procedures are pending before the administrative courts relating to registration of titles of periodicals and before the Trademark Board of the Metropolitan Court relating to cancellation of identical or confusingly similar titles, jurisprudence shows that, by request of the interested party, the procedure will be suspended by the administrative court until the relevant court decision in trademark litigation becomes final. Thus, the administrative court admits the priority of the decision set by the court competent in the trademark dispute, taking into consideration the obvious impact of the decision of the later on its own decision.²⁹

The contradictions between the legal rules analyzed above and the collisions between different Acts have been solved in part by the administrative and judicial jurisdiction. Computerized files and a computerized online connection between the competent authorities would be really helpful in order to emerging legal debates be solved or even prevented.

²⁸ See the final decision No. 1.P.26.989/2001 of the Metropolitan Court proceeding as the court of first instance.

²⁹ In a particular case, another judge of the Metropolitan Court involved in the case reached a standpoint contrary to the practice described above. This judge did not consider the trademark law issue to be a question for preliminary examination, and therefore did not see any reason for suspending the administrative proceeding (Decision No. 8 K. 33.533/2002). A revision proceeding is pending before the Supreme Court.

COMPARATIVE ADVERTISING IN HUNGARIAN LAW³¹

1. Introduction

Comparative advertising is a special form of advertising that aims to compare the goods or services of an undertaking with those of another. The advantage of a comparative advertisement is that it helps consumers to reach a more well-founded decision in choosing from various goods or services. Nevertheless, comparative advertisements could carry with them possible disadvantages, since they may be used by an undertaking to denigrate the goods or services of a competitor, or to achieve unfair advantages in the economic competition.

Consequently, adequate legal rules have to be adopted in order to ensure that undertakings and consumers are able to enjoy the advantages of comparative advertising, but at the same time to prevent any possible disadvantages that may result from them.

With the above in my mind, the present article gives a brief overview of the development of the legal rules pertaining to comparative advertisements in Hungary, and presents and evaluates the present current legal framework and practice.

2. The development of the legal framework and practice

2.1. The first Competition Act and the corresponding legal practice

2.1.1. The legal framework

a) Regulation of comparative advertisements goes back to the years well before the change of the political and economic regime and the transition to a market economy in 1989. The Hungarian Competition Act of 1984 already contained provisions on comparative advertisements.³²

These provisions were incorporated into the Act LXXXVI of 1990 on Unfair Market Behaviour (hereinafter: UMB), the first Hungarian Competition Act adopted in the new market economy.

Sec. 11(1) of the UMB stated that “it is prohibited to deceive consumers in the interest of improving the salability of goods”. According to Sec. 11(2)b) “it particularly qualifies as deceiving consumers if a comparison of goods suitable for deception is applied and released to the public as advertisement or any other form of information.” According to Sec. 12(1) “the comparison of goods cannot be regarded as suitable for deception if the conditions of an unbiased and proper inspection have been guaranteed, the inspection is based on comparative data made known to

³⁰ The author is an attorney at law trainee with S.B.G.&K. Patent and Law Offices.

³¹ The basis of the present article is the Report of the Hungarian Group to the Question “Comparative Advertising” of the LIDC 2004 Budapest Congress.

³² Act IV of 1984 on unfair business activities.

the public, and if the essential features and price of the goods compared and the terms of application of the price have been released to the public.”

First, it can be established that the UMB used the term “comparison of goods” for the comparison of the goods or services of an undertaking to a specific product or service of a competitor.

Second, according to the UMB, “comparison of goods” in an advertisement was a specific rule of the general prohibition of deceiving the consumers, so “comparison of goods” in advertisement was not a *sui generis* legal institution, rather a part of general competition law.

2.1.2. Legal practice on the basis of the first Competition Act

a) One of the first examples in the case law was the misleading comparison of perfumery products. The Competition Council of the Hungarian Competition Office³³ established that the advertisement was misleading because it claimed that the “Sensationale” perfumes were perfect odour imitations of concrete, well-known brands, and this allegation was not justified on the grounds of Sec. 12(1) UMB.³⁴ The Metropolitan Court and the Supreme Court upheld the decision of the Council; however they reduced the amount of the penalty.³⁵

b) The provisions of the UMB only prohibited the comparison of specific goods or services, which the consumers could identify directly or indirectly. In the OMO case, the Supreme Court pointed out that the comparison of goods in an advertisement is not the same as the so-called “comparative advertising”. According to the Supreme Court, in a “comparative advertisement” a new product of an undertaking is not being compared to a concrete competing product, but to the general level of goods and services represented by those already on the market. The Supreme Court pointed out that the essence of a “comparative advertisement” is that it does not compare concrete products; rather it compares the general level of goods already on the market to a new product which is entering a market and promises a higher level of service.³⁶

c) The definition of “comparative advertisement” as developed by the Supreme Court in the OMO case was later applied in the same sense in a case involving the deceptive advertising of a compilation of legal rules. In this case, an undertaking claimed that its compilation was the fastest and cheapest on the market. The judgment of the Supreme Court stated that this representation – contrary to the standpoint of the Council³⁷ – is not a “comparison of goods” but instead a “comparative advertisement”, since no concrete competing product was identifiable in the advertisement.³⁸

³³ The Competition Office is the responsible administrative body for the enforcement of unfair influencing of consumer decisions (misleading of consumers, misleading advertisements) and antitrust law. The Competition Council, which is an independent institution of the Competition Office, renders the decisions on the merits.

³⁴ Competition Council decision Vj-67/1993.

³⁵ Supreme Court, Kf.III.27417/1995/4.

³⁶ Supreme Court, Kf.25.784/1993, later published as BH 1995/55; see AIPPI Proceedings (Hungary) 1977, p. 117.

³⁷ Competition Council decision Vj-114/1994/22.

³⁸ Supreme Court, Kf. II.27.796/1995/4.

Summarising, we can establish that the UMB contained rules on the comparison of concrete goods or services in an advertisement (“comparison of goods”), while the case law developed the concept of “comparative advertisement” that, according to the interpretation of the Supreme Court, means comparing the goods of an undertaking with all other products of the same nature already available on the market. Nevertheless, the common feature was that the allegations of the advertisement had to avoid the prohibition of deceiving the consumers, irrespective of the fact whether it constituted a “comparison of goods” or a “comparative advertisement”. Thus, both a comparison of goods and a comparative advertisement had to comply with the same standard, the prohibition of misleading the consumers.

2.2. The second Competition Act and the Act on business advertising activity

2.2.1. The provisions of the second Competition Act

In the year 1996, the Act LVII of 1996 on the prohibition of Unfair and Restrictive Market Practices was adopted (hereinafter: UMPA). The UMPA upheld the provisions of the UMB concerning the prohibition of misleading consumers but refrained from regulating comparison of goods as a specific method of misleading.³⁹ According to the ministerial reasoning of the UMPA, the reason for this change was that the legislature already had the adoption of a separate act on business advertising activity on its agenda.

Sec. 8(1) of the UMPA contains the general provision that “it is prohibited to mislead the consumers in economic competition”. According to Sec.(2a) “the following shall in particular constitute the misleading of consumers: in respect of the price and material qualities of the goods (in particular, the composition and use thereof, the effect thereof on health and the environment, the handling thereof, as well as the origin, place of origin, source or manner of the purchase of the goods), untrue facts are stated or true facts are stated in a manner capable of misleading the consumer, the goods are presented with attributes of goods capable of misleading the consumer, or any other information capable of misleading the consumer is provided in respect of the material qualities of the goods.”

2.2.2. The concept of comparative advertising in the Business

Advertising Act

Subsequently, Act LVIII of 1997 on Business Advertising Activity (hereinafter: BAA) was adopted.

The BAA essentially repeats the prohibition of misleading consumers as per Sec. 8 UMPA by imposing a general prohibition on misleading advertisements.⁴⁰ Sec. 7(1) states that it is forbidden to publish misleading advertisements. According to Sec. 7(2) for the purpose of

³⁹ Chapter III, Sections 8-10 of the UMPA.

⁴⁰ According to Sec. 2, point n) of the Act LVIII of 1997 misleading advertising shall mean any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, for reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor who is engaged in the same or similar activities.

defining a misleading advertisement, the information conveyed in the advertisement, which pertains to a) the general characteristics of the merchandise, b) the price of the merchandise or to the pricing method, and to other contractual conditions of purchase, c) the disposition of the advertiser, such as its characteristics, the rights, wealth and/or endowments of or the awards received by the advertiser shall be taken into consideration.

The BAA defines comparative advertising as „advertising that directly or indirectly allows the recognition of another enterprise which engages in the same or a similar activity as the advertiser, or of goods manufactured, sold or introduced by such other enterprise for the same or similar purpose as those featuring in the advertising.“⁴¹

The above definition of comparative advertisement, though not a literal translation, is in conformity with Art. 3(a) of Directive 97/55/EC of the European Parliament and of the Council of October 6, 1997 (hereinafter: Directive).⁴²

It has to be kept in mind that according to Recital (6) of the Directive, comparative advertisement is a broad concept. In the Toshiba⁴³ case, which is a leading case on the interpretation of the Directive, the European Court of Justice stated that “in order for there to be comparative advertising within the meaning of Article 2 (2a) of Directive 84/450 as amended, it is therefore sufficient for a representation to be made in any form which refers, even by implication, to a competitor or to the goods or services which he offers. It does not matter that there is a comparison between the goods and services offered by the advertiser and those of a competitor.”⁴⁴ Therefore, there are many ways to refer to a competitor or its product or service, either directly or indirectly, by implication or insinuation. Thus, all direct or indirect references shall fall within the scope of the definition of comparative advertisement.

It shall be noted that the definition of comparative advertising in the BAA has actually the opposite meaning as the same term developed previously by the Supreme Court. The definition of comparative advertising in the BAA provides that concrete goods of a similar purpose have to be compared, so the definition basically corresponds to the concept of “comparison of goods” in the UMB. Initially, in the legal practice, the term “comparative advertisement” was not used as per the definition of the BAA, but more in the sense developed by the Supreme Court before the adoption of the UMPA and the BAA.⁴⁵ The concept developed by the Supreme Court may correctly be called “abstract comparative advertisement”, since such advertisements per se mean a comparison with all other products of the same nature already available on the market.

It shall be emphasised that even though the BAA introduced the definition of comparative advertisement, it did not contain specific requirements with which such an advertisement had to comply with in order to be legal. Consequently, if an advertisement contained a comparison of

⁴¹ Sec. 2 point o) of the Act LVIII of 1997.

⁴² Directive 97/55/EC and amended Directive 84/450/EEC on misleading advertising so as to include comparative advertising.

⁴³ Toshiba Europe GmbH v Katun Germany GmbH, Case C-112/99.

⁴⁴ Toshiba, point 31.

⁴⁵ This confusion in the terminology is reflected by a case from the year 2000, in which the Council used the term comparative advertisement in connection with an advertisement, which did not compare two recognisable competing products, but a concrete product of the advertiser with the general level of services represented by the goods already on the market (Vj-30/2000).

identifiable goods, it had to comply only with the general rules of the UMPA, more specifically with the prohibition on misleading of consumers. Therefore, even after the adoption of the BAA, the comparative advertisements were simply judged as misleading of consumers by the Competition Council according to the general rules of the UMPA.

2.2.3. The corresponding legal practice

In what follows, I will give a few examples of the corresponding legal practice.

a) In 1997, the company used the slogan “it does not have a sour aftertaste like saccharin” for the advertisement of its sweetener product. The Competition Office stated that the disputed statement could be judged as infringement of the competitor’s goodwill (unfair competition) if it contains a false allegation concerning the competitor’s product, but it may also be judged as misleading of consumers, if it contains an allegation regarding its own product. In the given case, the Competition Council found that the allegation that the company’s product does not have a sour aftertaste is true, but the allegations that the saccharin-based sweetener products – which cover approximately 70-80 % of the Hungarian sweetener product market – have a sour aftertaste is false, therefore the slogan infringes the prohibition of misleading the consumers.⁴⁶

b) In a case involving a comparative advertisement of supermarket chains, the Competition Council first stated that the fact that the advertisement contains a comparison is not per se a violation of competition law rules; there is a violation only if the comparison contains a message which is suitable to mislead the consumers. In the given case, the Competition Council established that the allegations of the advertiser that its prices are lower than that of the competitor are true and correct and, therefore, not suitable to mislead the consumers.⁴⁷

c) In the same year, a case of the Competition Council laid down the principle that comparing goods in an objective manner is not a violation of law.

In the given case, the advertiser compared its own diapers to similar products of competitors in order to demonstrate that its new product has a better ability to withhold the water. The Competition Council established that the message of the public promotion was correct and was supported by true facts. The Competition Council also established that the conditions of promotion were not manipulated in favour of the advertiser. Based on these findings, the Competition Council terminated the procedure against the advertiser.⁴⁸

d) In a subsequent case, the advertiser stated that its contact lens care product was more efficient and of better quality than those of the competitor. During the procedure started by the Competition Council, the advertiser was able to prove with expert opinions that its contact lens care liquid product was in fact of better quality and more efficient than those of the competitor; therefore, the Council terminated the procedure.

⁴⁶ Competition Council decision Vj-81/1997.

⁴⁷ Competition Council decision Vj-123/1998.

⁴⁸ Competition Council decision Vj-56/1998.

In this case, the Council stated as a general principle that comparative advertising does not harm the interests of consumers if it informs consumers of true facts.⁴⁹

e) In the next important case, the advertiser promoted its energy drink product by indicating another unrecognisable and broken energy drink bottle on the other side of the poster, and stated that its product is original, but the other is fake and made of cheap sugar. The Council found that the advertisement did not compare two specific products, but instead it compared the advertiser's product generally with other energy drink products already on the market. Nevertheless, it stated that both type of comparisons shall comply with the legal rules on the prohibition of misleading the consumers.

In the given case the Council found that the impression or message the advertisement communicated to the consumers was unfounded and incorrect; therefore it concluded that the advertiser violated Sec. 8 of the UMPA and imposed a fine on the advertiser.

As a general principle, the Council stated that a comparative advertisement may harm the interests of competitors and it could also violate the prohibition of misleading the consumers.⁵⁰

2.3. The amendment of the BAA introducing the conditions of comparative advertising

2.3.1. The adoption of the amending Act

As shown in the previous chapter, the BAA introduced the definition of comparative advertisement, but its admissibility conditions were defined indirectly, by reference to the general rules of the UMPA on the prohibition of misleading the consumers. The case law presented above confirms that comparative advertisements were simply judged according to the rules of the UMPA on the prohibition of misleading of consumers.

In 2001, an amendment of the BAA was adopted (Act I of 2001), which introduced special admissibility conditions for comparative advertisements.

This was in line with the already mentioned Directive 97/55/EC of the European Parliament and of the Council of October 6, 1997, which required Member States to permit comparative advertisements under the conditions of Article 3(a) of the Directive. It shall be noted that Recital (11) of the Directive provides that conditions for comparative advertising should be cumulative and respected in their entirety. In the Pippig case⁵¹, the European Court of Justice set forth that "the Directive carried out an exhaustive harmonisation of the conditions under which comparative advertising in Member States may be lawful. Such a harmonisation implies by its nature that the lawfulness of comparative advertising throughout the Community is to be assessed solely in the light of the criteria laid down by the Community legislature. Therefore, stricter national provisions on protection against misleading advertising cannot be applied to comparative advertising as regards the form and content of comparison."⁵²

⁴⁹ Competition Council decision Vj-148/1999.

⁵⁰ Competition Council decision Vj-30/2000.

⁵¹ Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH und Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer, Case C-44/01.

⁵² Pippig, point 44.

The Act I of 2001 introduced a new Sec. 7/A to the BAA, which regulated the admissibility conditions of comparative advertisements in conformity with Article 3(a) of the Directive.

2.3.2. The admissibility conditions of comparative advertising

According to Sec. 7/A(1) a comparative advertising may be published if it satisfies the conditions set forth in Sec. 7/A(2) - (3) below. Sec. 7/A(2) contains the negative, while Sec. 7/A(3) the positive requirements.

According to Sec. 7/A(2) comparative advertising a) cannot be misleading, b) must not injure the reputation of another company or the name, merchandise, brand name and other marking of such company, c) must not produce confusion between the advertiser and another company or the name, merchandise, brand name and other marking of such company, d) must not produce any unfair advantage derived from the reputation of another company or the name, merchandise, brand name and other marking of such company, and e) must not violate the provision of Sec. 6 of Act LVII of 1996 on the Prohibition of Unfair or Restrictive Market Practices (hereinafter referred to as "UMPA") on the prohibition of imitating the merchandise of another company or the characteristics of such merchandise.

According to Sec. 7/A(3) comparative advertising a) shall be allowed to compare only goods which are similar in terms of purpose and function, b) must objectively compare one or more features of the goods in question which are essential, relevant, representative and verifiable, c) must objectively exhibit the prices, when applicable, and d) shall pertain to goods of the same origin, when applicable.

According to Sec. 7/A(5) the findings of a comparative study prepared by a third party may be published or referred to in advertising only with the express prior consent of the party responsible for such study.

2.4. The enforcement of complaints against unpermitted comparative advertising in the BAA

2.4.2. Rules of competence

As already mentioned above, the responsible administrative authority for enforcing Sec. 8 UMPA and Sec. 7/A BAA is the Competition Office. However, I must emphasize that the rules of competence for comparative advertisements are very complex.

Sec. 15(2) BAA provides that the courts have the competence to establish the conditions of Sec. 7/A(2)b-e) (conditions pertaining to unfair competition law), and the Competition Office has competence to establish the condition of Sec. 7/A(2) a) (misleading character). The compliance with the positive requirements of Sec. 7/A(3) is to be established by the Competition Office, and the court as well, if the question arises in a matter within the court's competence.

2.4.2. Initiating the procedure

The procedure may be started by the Competition Office either based on a report of a third party or *ex officio*. It shall be noted that the person filing a report to the Competition Office does not become a party to the procedure; thus his rights, especially the right to a remedy, are

limited. This is detrimental if an undertaking violates the relevant substantive rules of the UMPA or BAA, and thereby achieves an unfair advantage in the economic competition. In this case, the competitor has no choice but to file a report to the competent Competition Office, but subsequently the procedure is carried out by the Competition Office *ex officio*, and the rights of the injured competitor are limited.

Therefore, in my view, in such cases the injured competitors shall be ensured the right to bring a legal action before the courts against the undertaking which violated the competition law rules. In my opinion, Sec. 2 of the UMPA, the general clause on unfair competition, is a suitable legal basis for such claims. It remains to be seen whether the legal practice will accept such claims in the future.

2.4.3. Rules of evidence

According to Sec. 26 of the Act IV of 1957 on the general rules of administrative procedures, the administrative authority is obliged to clarify the facts of the case.

Nevertheless, it shall be emphasised that the Act I of 2001 introduced a specific rule on the burden of proof in conformity with the Directive. Sec. 17(3) BAA states that “if justified, the advertiser may be compelled – with due observation of the applicable circumstances and the legitimate interest of the advertiser and other concerned parties – to supply evidence in support of any facts stated in its advertisement.”

Evidence in the procedure before the Competition Office may be test results, market surveys, opinion polls, expert opinions, etc.

2.4.4. Sanctions

According to Sec. 18 BAA, if the competent authority establishes the violation of the substantive rules of the BAA, including the rules on comparative advertising, it may impose a cease order and a desist order. Furthermore, the authority may also impose a fine on the undertaking that violated the substantive rules of the BAA. The fine shall be calculated by taking into account all essential and relevant circumstances.

According to Sec. 19 BAA, the competent authority may order a preliminary injunction, if the legal or economic interests of the petitioner require an immediate order.

Sec. 19/A enables the possible prevention of publication of an unpermitted comparative advertisement.

2.5. A special issue: trademarks in comparative advertisements

According to Sec. 7/A(4) BAA, “in respect of legitimate comparative advertising, the holder of a trademark shall not contest the use of his trademark in the comparative advertisement on the basis of exclusivity, if such use is appropriate, if it is essential for the purpose of comparison and if not used excessively.”

Recital (15) of the Directive states that the use of another’s trademark or trade name does not breach the owner’s exclusive rights if the use complies with the admissibility conditions of the

Directive, the intended object being solely to distinguish between goods and services and thus to highlight their differences in an objective manner.

Thus, the Directive and the BAA permit the use of a competitor's trademark to the extent that it is appropriate, essential, objective and not used excessively. The BAA provides a statutory exception from infringing the competitor's trademark in a comparative advertisement.

However, several questions arise that have to be clarified. As devices, shapes, colours, etc. may also constitute a trademark according to the Trademark Act⁵³, it has to be clarified whether only word marks fall into the scope of the exemption or other marks as well.

In the Directive and in the BAA nothing is said about the competitor's design rights or copyrights. However, this question was partially clarified by the European Court of Justice in the Pippig case. The Court found that "Article 3a(1)(e) of Directive 84/450 does not prevent comparative advertising, in addition to citing the competitor's name from reproducing its logo and picture of its shop front, if that advertising complies with the conditions of lawfulness laid down by Community law".⁵⁴

There is no further guidance in this matter yet, but in my view, based on the interpretation of Sec. 7/A(4) BAA, it may not be advisable to limit the exemption only to word marks; it should rather be extended to the use of the mark as registered. Nevertheless, stricter scrutiny is warranted to ensure that such use is lawful and complies with the admissibility conditions of comparative advertising.

3. The legal practice since the adoption of the Act I of 2001

3.1. Basic questions of the legal practice

As presented above, the definition and admissibility conditions of comparative advertisements have been laid down in a separate act in 1997 as amended by Act 2001.

According to Sec. 7/A(2), Point a) of the BAA, one of the negative conditions of comparative advertisements is that they shall not mislead consumers. This condition refers back to the general prohibitions of misleading advertisement as per Sec. 7 BAA and misleading of consumers as per Sec. 8 of the UMPA.

Based on the above, it can be established that comparative advertising is regulated in a separate advertising act, but its rules are in strong correlation with the rules of general unfair competition rules.

Furthermore, one has to keep in mind that the Competition Office is responsible for enforcing the rules against misleading consumers, misleading advertisements, and on the misleading condition of comparative advertisement. So the same administrative authority has competence in all three matters, and a common standard of these legal rules is that none of them shall be misleading. As shown below, the Office places great emphasis on the misleading element, being the disputed conduct a comparative advertisement or a regular advertisement.

⁵³ Act XI of 1997 on the protection of trademarks and geographic indications, amended by the Act CII of 2003.

⁵⁴ Pippig, point 84.

Before presenting the legal practice of comparative advertisements, we have to return to the question of what exactly the term “comparative advertisement” means.

The BAA defined a comparative advertisement as one that directly or indirectly allows the recognition of another enterprise. According to this definition, a comparative advertisement has to compare two or more concrete products, which must be directly or indirectly identifiable. If this is the case, the advertisement has to comply with the specific conditions of Sec. 7/A BAA. If a comparison in an advertisement does not make the concrete product of a competitor identifiable (abstract comparative advertisement), then it shall not be treated as a comparative advertisement, and it does not need to meet the criteria of Sec. 7/A BAA.

Therefore, advertisements that simply contain a comparison without making a competitor’s product recognisable, and usually compare the undertaking’s product or service with the general level of services represented by the competing products already on the market, shall only be judged according to the rules governing misleading advertisements of the BAA or misleading of consumers of the UMPA.⁵⁵

Based on the above, comparative advertisements and simple advertisements merely containing a comparison have to be separated. The requirements and the admissibility conditions are different, since comparative advertisements have to comply with more stringent criteria. In the following, I will first present those cases that qualified as comparative advertisements by the Office, and then, in the subsequent subchapter, I will focus on those cases that contained a comparison but did not qualify as comparative advertisement.

According to information from the Competition Council, the number of condemnations for unpermitted comparative advertising is low⁵⁶, but there are more decisions relating to the misleading of consumers with the involvement of a comparison⁵⁷.

3.2. Comparative advertising cases

3.2.1. The Sunlicht case

The relevant undertaking advertised its new liquid dishwasher concentrate product by comparing it to three competing products in TV spots broadcast in 2001. The competitors’ liquid dishwasher products were identifiable in the TV spot.

The undertaking claimed in its advertisement that its new liquid dishwasher product lasts three times longer, and that it is unbeatable in diluting grease. The undertaking supported its allegations by an expert opinion obtained from the Faculty of Sciences of Debrecen University. The competitor also obtained an expert opinion of KERMI, which brought almost the same result.

⁵⁵ It has to be remembered that the definition of comparative advertisement in the BAA corresponds to the term „comparison of goods” in the UMB. The term „comparative advertisement” as developed by the Supreme Court before the adoption of the BAA actually covered those cases of comparisons which do not fall into the effective legal definition of comparative advertising, since they do not compare concrete products (abstract comparative advertisement).

⁵⁶ In 1997:1, in 1998: 4, in 1999:1. in 2000:1, in 2001: 2, in 2002:5, in 2003:6.

⁵⁷ In 2001:59, in 2002:52, in 2003:52.

The Council first found that the concerned TV spot qualified as a comparative advertisement, since it compared essential and general features of concrete, identifiable products, which were on the market.

Second, the Council analysed whether the TV spot complied with the admissibility conditions of comparative advertisements as per Sec. 7/A BAA. The Council found that the advertisement compared goods of the same purpose, even though obviously less quantity is needed from the concentrate than from the regular dishwasher. Furthermore, the Council found that essential, definitive features were compared which can be verified (the dilution of grease with an amount of dishwasher). Last but not least, the Office found that the expert opinion obtained by the competitor supports the objective requirements of the products concerned.

Based on the above, the Office found that there was no unfair influence over consumer decisions by the undertaking, and the TV spot helped promoting the consumers' freedom of choice. Therefore, the Office found that the advertisement did not violate that provisions of the BAA or the UMPA and in lack of violation of law it terminated the proceedings.⁵⁸

3.2.2. The CIF case

In a subsequent procedure, the TV spot promoting the CIF cleaner was subject to the examination of the Office. The Council first found that in the TV spot, the other bottle – the Cillit product of the competitor - presented in a negative sense as part of the comparison with CIF was not directly shown, but it was recognisable based on the colours, shape and label of the bottle.

Subsequently, the Council established that, based on the complex examination, the TV spot basically presented two allegations: first that CIF cleans all kitchen and bathroom stains more efficiently than Cillit, and second that, while Cillit scratches the surface of objects, CIF does not harm any surface.

Concerning the first allegation, an expert opinion obtained by the producer of CIF found that the efficiency of the two cleaners is the same concerning at least one certain type of stain, everyday lime-scale.

Concerning the second allegation, the expert opinion proved that the categorical statement, according to which CIF does not harm the surface of products, is not true.

Based on the above, the Council found that the producer of CIF violated Sec. 8 UMPA, and imposed a fine of 1 million HUF. It is interesting to note that, even though the Office found that the TV spot qualified as a comparative advertisement, it did not analyse whether the advertisement complied with the criteria of Sec. 7/A BAA; it only referred to Sec. 8 UMPA as the legal rule, which was violated.⁵⁹

The Council stated that every misleading advertisement as per Secs. 7 and 7/A BAA may also be judged as misleading the consumers as per Sec. 8 UMPA with respect to the fact that their common standard is the misleading element. Thus what shall be examined in all three

⁵⁸ Competition Council decision Vj-133/2001/23.

⁵⁹ Competition Council decision Vj-156/2002.

cases is whether the allegations of the given advertisement are true and objectively verifiable. According to the Council, this standpoint is supported by the requirement for unity of legal practice. The above standpoint of the Council has been brought forward in subsequent similar cases.

3.2.3. The Seroxat case

The information brochure subject to the examination of the Office contained a comparison between the medicine Seroxat and other “generic paroxetine” pertaining to the efficiency, experience and patent protection of these products. A footnote of the latter stated that “Rexetin is a product of Richter Gedeon Rt.”

First, the Council found that the information brochure qualifies as an advertisement, and also as a comparative advertisement as per Sec. 7/A BAA with respect to the fact that it compares two identifiable products of the same need, medicines against depression.

Subsequently, the Council referred to its standpoint mentioned above according to which the common requirement of all advertisements as per Secs. 7 and 7/A BAA is that they must not be misleading, and set forth that in comparative advertisement matters, it shall be examined whether the advertisement had any influence or effect on the decision of consumers.

In this case, the consumers were doctors, taking into account that the medicines referred to in the brochure shall only be prescribed by a doctor. The Council referred to a study involving 200 doctors that found that information brochures generally do not play a decisive role in the doctor’s decision of which medicine to prescribe for the same problem.

Based on the findings of the research, the Council concluded that the brochure did not decisively influence the special consumer group to the extent that it shall be qualified as a misleading advertisement. Consequently, the Council terminated the given procedure, but maintained that the possibility of misleading doctors by information brochures cannot be categorically excluded, especially in those cases where the allegation of the advertisement seriously influencing the decision misleads the doctors in such an essential question, which they consider important in their decision.⁶⁰

3.2.4. The Dona case

This is exactly what happened in another case involving the comparison of medicines. In this case the information brochure compared the medicine Dona with “other cartilage extracts”.

At first sight, it seemed that no concrete products were compared. However, taking into account that there was only one medicine on the market that served the same need as Dona, the Council found that doctors could identify the competing product called Condrosulf by the use of the term “other cartilage extracts”, so the brochure actually indirectly identified the concrete competing product. Therefore, the Council qualified the brochure as a comparative advertisement.

⁶⁰ Competition Council Decision Vj-120/2002/24.

Taking into account that the brochure compared, among others, the clinical examination of the medicines, the Office was of the opinion that this information was important and served as an important factor in the doctor's ultimate decision in choosing from the various medicines to treat the same need.

As a final step, the Office examined whether the allegations of the brochure were correct and objectively verifiable. The Office found that the information provided for lack of clinical examination of Condrosulf was not correct.

Consequently, the Office established that this particular information may mislead the specific consumers, the doctors, and based on these findings it obliged the producer of Dona to provide a statement to all concerned doctors providing true information on the clinical examination of Condrosulf.⁶¹

3.2.5. The "radiator" case

In an interesting case, the Office examined an advertisement containing a comparison between a specific radiator and a "simple radiator" with respect to several characteristics (e.g. the edges, colours, contours, and qualifications).

Based on an in-depth investigation, the Council found that the professional consumers (e.g. retailers) actually recognised a concrete competing product, while for the laymen the comparison concerns a specific product and the general level of services already available on the market. So, while the comparison is a comparative advertisement for professional consumers, it is only an advertisement containing a comparison for laymen.

This separation of consumers was decisive for the decision of the Council, which established that the advertisement was not suitable to mislead the professional consumers, since their choice is not primarily determined by the characteristics mentioned in the comparison. However, the allegations of the advertisement were found to be suitable to mislead the layman consumers, because they provided such information that influenced their choice in choosing from various radiator products.

The Office found the comparison of products unlawful, since it only emphasised subjective points, and refrained from referring to objective and essential information such as prices and thermal features, thus making the objective comparison of the products more difficult. However, it is worthy to note that the Council did not analyse whether the criteria for comparative advertisement as per Sec. 7/A (2-3) were fulfilled, but it established the unfair influencing of consumer decisions as per Sec. 10 UMPA, despite the fact that earlier it found the disputed activity a comparative advertisement.

Based on these findings, the Council prohibited the advertiser from continuing the unlawful conduct, but it refrained from imposing a fine due to the fact that the advertisement was used only in a few shops and reached only a few consumers.⁶²

3.3. Cases involving a comparison without qualifying as a comparative advertisement

⁶¹ Competition Council decision Vj-21/2003/16.

⁶² Competition Council decision Vj-18/2003/18.

As presented above, there have been several comparative advertisement cases, in which the advertisement compared two concrete products, which were either directly or indirectly identifiable.

Nevertheless, there are several cases in which the advertisement contained a comparison without comparing two concrete products (abstract comparative advertisement). These are advertisements that compare the product or service of the advertiser with products of the same need already available on the market. These cases often allege that the product or the service of the advertiser is “the best” on the market.

However, even though there is a comparison in these advertisements, they do not qualify as comparative advertisement, so they do not have to comply with the specific admissibility criteria of Sec. 7/A (2-3) BAA, but they are judged according to the general rules against misleading consumers and misleading advertisements. From the rich legal practice of the Competition Council⁶³, I will present a typical example in the followings.

The advertiser claimed in a TV spot that its shampoo is the most effective against dandruff. The Council found that there is no concrete competing product that consumers could identify; therefore, the TV spot does not qualify as a comparative advertisement. However, it is an advertisement containing a comparison, which contains allegations vis-à-vis all shampoo products against dandruff available on the Hungarian market.

According to the Competition Council, the message of the advertisement is that the shampoo of the advertiser is the best and most effective, and other shampoos cannot achieve the same results as Head & Shoulders. Consequently, the advertiser had to prove that its allegation is true and objectively verifiable. The Council found that the company could not prove that its allegations are true. Furthermore, the expert opinions obtained in the procedure stated that several shampoos are capable of reaching the same result of stopping dandruff and preventing its reappearance. Since there are several products on the Hungarian market that can achieve the same results equally as well, the Council found that the advertisement violated the prohibition of misleading the consumers as per Sec. 8 UMPA, and it also imposed a fine of five million HUF.⁶⁴

4. Conclusions

Comparative advertising has been regulated in Hungarian law since 1984. The legal framework and practice went through a lot of changes in the recent decades. The Act on Business Advertising introduced a legal definition for comparative advertisement and an amending act in 2001 provided the specific conditions with which such an advertisement has to comply with in order to be legal.

⁶³ See Competition Council decisions Vj-66/2000/30 (computer sales), Vj-23/2002/27 (washing gel), Vj-140/2002/18 (mobile telephone tariffs), Vj-52/2003/17 (washing powder), Vj-68/2003/17 (washing powder), Vj-100/2003/30 (yoghurt).

⁶⁴ Competition Council decision Vj-4/2003.

Nevertheless, the legal practice shows that there have been only few cases that qualified as comparative advertisement, with the majority of cases involving comparison made between the product of the advertiser and the other products of the same need already available on the market (abstract comparative advertisement). The so-called abstract comparative advertisements have to comply only with the general rules of competition law and misleading advertisements.

It shall be noted that the rules of competence pertaining to comparative advertising are complex, the competence being split between the Competition Office and the courts. This makes the evaluation of the admissibility conditions almost impossible in everyday practice. This might be the underlying reason why even those cases that qualify as a comparative advertisement are being judged by the Competition Office mainly along the lines of the general rules of competition law on the prohibition of unfair influencing of consumer decisions (Chapter III UMPA) – especially the prohibition of misleading the consumers - with reference to Sec. 7/A(2)a) of the BAA.

The use of the competitor's intellectual property rights in a comparative advertisement is certainly one of the most interesting questions for the future legal practice. The BAA provides an exemption with respect to trademarks, but it remains to be seen whether this exemption should be confined to word marks or it should include device, shape and other types of marks as well; the application of this exemption to design rights or copyrights also remains in question. At the moment the European legal practice seems to broaden the exemption.