

Report Q 147

in the name of the Hungarian Group
by Dr. Tamás BOKOR, Katalin MÉSZÁROS,
Miklós SÓVÁRI (Head of the Working Committee) and Dr. Éva SZIGETI

The effectiveness of border measures after TRIPS

Introduction

The new Hungarian Trademark Law Act No. XI of 1997 has entered into force on July 1, 1997. The new law, complying with the regulations of TRIPS, has authorized the Government to establish by decree the customs measures applicable in case of infringement of certain intellectual property rights. The respective Government Decree No. 128/1997 (VII.24) Korm. has come into force on August 1, 1997. Both the Trademark Law and the Government Decree contain regulations compatible not only with the regulations of TRIPS, but also with the relevant Council Regulation and Commission Regulation of the European Union.

Question 1 (Re: Note 12 under the heading of Section 4 of Part III, TRIPS)

No, Hungary does not belong to any "customs union".

Question 2 (Re: Article 51, TRIPS)

- (i) The "competent authorities" are the competent customs offices and the Central Customs Headquarters.
- (ii) The adopted "procedures" are actions of the customs authorities upon case-by-case "actual" requests or general requests of the right holders, or ex officio.

Question 3 (Re: Article 51, TRIPS)

- (i) The procedures are applicable also to parallel imported trademark goods and goods protected by copyright law.
- (ii) The procedures are not applicable to goods in transit, but applicable to goods which are to be exported or re-exported.

Question 4 (Re: Article 51, TRIPS)

Border measures are applicable only in respect with the infringements of trademarks, geographical indications, copyright and related rights. In relation to patents, utility models, industrial designs, layout-designs and know-how infringement border measures are not applicable.

Question 5 (Re: Article 51, TRIPS)

Where border measures are applicable, the "procedures" and the "competent authorities" are the same as for counterfeit trademark goods.

Question 6 (Re: Article 52, TRIPS)

(i) The request of the right holder initiating the customs measures shall include among others

- an appropriate evidence, e.g. the certified registration abstract of a trademark or geographical indication, documenting the existence and validity of the protection and indicating also the owner of the particular intellectual property right;
- a declaration of the applicant that he is entitled to actions against the infringement;
- a description of the suspected customs goods, comprising their substantial features, appropriate for identifying the related customs goods; and
- further details, such as circumstances, data and documents supporting the probability of the infringement and enabling the customs authorities to recognize and identify the customs goods.

Provided that the right holders are aware thereof, they must also notify the customs authorities of following:

- the place where the infringing customs goods can be found;
- the intended place of destination of the customs goods;
- additional details, such as packaging and value of the customs goods, the means of transportation etc., by means of which the consignment can be identified;
- the importer, exporter or the possessor of the customs goods;
- the suspected time and place of shipping and arrival; and
- any informations in connection with the customs goods and the relevant persons, respectively, which may help the actions of the customs authorities.

(ii) The competent customs authorities shall examine the request and issue their decision within five working days. The maximum period for which the customs authorities will take action is six months, extendible without limitation.

The above regulations are identical for any intellectual property right, in relation to which border measures are applicable.

Question 7 (Re: Article 53, TRIPS)

(i) For the coverage of

- the storage costs of the customs goods taken under customs control,

- the costs of destruction in case the customs goods would be destroyed as a result of the substantial proceedings, and
- any eventual damages unlawfully caused for the person requesting customs clearing,

the applicant shall pay, upon the invitation of the customs authorities, a security deposit with the customs security account of the Central Customs Authority. The amount of the security deposit is 5 percentages of the value of the customs goods, provided said value can be determined; if the value of the related customs goods cannot be defined, the security deposit amounts to HUF 60.000,- (about USD 250,-) per each petition.

- (ii) In case of the applicant has declared that he doesn't wish to enforce his rights, or the applicant (the right holder) has not met the requirement of entering the infringement action and requesting the provisional injunction within a period of 10 working days (extendible for further 10 working days), or the competent judicial authority has refused the applicant's request for provisional injunction, the customs authority shall immediately notify the person requesting the customs clearing thereon, and, upon appropriate request, the customs clearing shall be effected. The regulations do not mention the requirement of posting of any security, which means that in the above cases the customs clearing is no subject to the payment of security.
- (iii) The term for entering the infringement action and requesting provisional injunction is 10 working days, extendible by another 10 working days. The period of time within which the competent court shall decide on the provisional injunction is regulated by the Trademark Law, this period is 15 days from the filing of the respective request. In the present practice the judicial decision takes generally somewhat longer, but according to the regulations relating to the customs measures the date of the respective court decision does not influence the customs measures in any respect.

The regulations are the same in relation to customs goods infringing the protection of trademarks, geographical indications, copyright and related rights.

Question 8 (Re: Article 54, TRIPS)

There are no special details; the person requesting customs clearing and the right holder shall be notified of the suspension of the direct customs control without delay.

Question 9 (Re: Article 55, TRIPS)

- (i) The notice of the suspension shall be served for the applicant according to the general regulations of the Administrative Procedure and the Customs Code, that is by mail. In the practice the customs authorities send notices for the applicants provisionally also by facsimile.
- (ii) The customs authorities accept communications from the applicants by facsimile, provided that the communication and the supporting documents are sent within a reasonable period of time also by mail.

- (iii) The requests of the applicants for extension of the time limit by another 10 working days are usually accepted by the customs authorities. Typical arguments supporting the requests for extension are for example, that the right holder is a foreign firm or person, or the right holder wishes to examine before taking any actions, whether the related customs goods are counterfeit or pirated products, or parallel imported goods etc.
- (iv) According to the Hungarian Code of Civil Procedure provisional injunction cannot be requested but in connection with a civil action, simultaneously or after the civil action has been initiated. Before making a decision on the preliminary injunction the court shall invite the defendant to set out his observations and/or any documents supporting his standpoint. On a grounded basis the defendant may also request that an oral hearing be provided before a decision on provisional injunction is made.

The court decision on the provisional injunction is an intermediate decision, against which an appeal can be filed with the Supreme Court. The appeal is however without delaying force.

- (v) According to the Hungarian Code of Civil Procedure the request for provisional injunction is bound to the substantive civil action: preliminary injunction cannot be requested before filing the writ initiating the substantive civil proceedings.

The above details are the same for the different intellectual property rights where the above-mentioned customs measures are applicable (see our response to Question 4).

Question 10 (Re: Article 56, TRIPS)

The compensation of the importer and the owner of the goods for any damages caused by the injunction upon unfounded request of the applicant, can be claimed on the basis of the general rules of civil liability regulated by the Civil Code. The customs authorities shall invite the applicant requesting customs measures to pay a security, as a precondition for the direct customs control, and also the court may invite the plaintiff requesting provisional injunction to pay a security deposit. Both securities function as a coverage for any eventual damages caused unlawfully by the applicant to the importer or proprietor of the customs goods.

Question 11 (Re: Article 57, TRIPS)

- (i) The customs authorities shall, upon request, provide the opportunity for the right holder for an inspection and examination of the relevant customs goods, and also provide information on the person requesting customs clearing and on the name and address of the consignee of the customs goods.
- (ii) The right of the importer is regulated by the Customs Code, according to which the importer is entitled to inspect, under the control of the customs authority, the customs goods.

- (iii) The regulations do not deal with the obligation of the competent authorities to inform the right holder of the names and addresses of the consignor and of the quantity of the goods in question. In the practice however the customs authorities do inform the applicant of these details, too.

The above regulations are the same in relation to any intellectual property rights where customs measures are applicable.

Question 12 (Re: Article 57, TRIPS)

In lack of any prohibiting regulations the practice is that the competent customs authorities provide the information meant in the last sentence of Article 57.

Question 13 (Re: Article 58, TRIPS)

- (i) The customs authorities may at any time seek information from the right holder, as well as from the Hungarian Patent Office and from the societies of collective administration of copyright that may assist them to determine the probability of the infringement of trademarks, geographical indications, copyright and related rights.
- (ii) The customs authorities shall take ex officio actions, that is take the customs goods in respect of which *prima facie* evidence has been acquired that an intellectual property right is being infringed, under direct customs control, and notify the right holder of the measures. The procedures are further the same as if a request had been filed.
- (iii) There are no special regulations hereto. The public authorities and officials are exempted from liability to appropriate remedial measures where lawful actions have been taken or intended in good faith under the background law.

The above details are the same for any intellectual property rights where customs measures are applicable.

Question 14 (Re: Articles 59 and 46, TRIPS)

- (i) The Hungarian Constitution does not prohibit the destruction of infringing products. In the civil procedure on the merit of the case the right holder may request that the infringing goods be destroyed (or the infringing nature of the goods be removed) on the costs of the infringer. The customs authorities must not take such irreversible measure without final judicial decision.
- (ii) Border measures are not applicable against materials and implements the predominant use of which has been in creation of the infringing goods. Such measures can be claimed only in the substantive court proceedings.
- (iii) Exceptional circumstances where the release of the counterfeit trademark goods, after removal of the trademark, can be permitted into the channels of commerce, are not defined by the law. Such circumstances can be e.g. if the counterfeit products definitely lose their infringing and counterfeit character by the removal of the trademarks, or a respective settlement has been entered between the parties.

The above details are the same for any intellectual property rights where customs measures are applicable.

Question 15 (Re: Article 60, TRIPS)

The regulation of the Hungarian law does exclude "De Minimis Imports" as meant in Art. 60 from the above-referred customs measures.

Final general questions

Question 16

We are of the opinion that the border measures as formulated in TRIPS are sufficient as a frame of the regulations to be defined by the Members. Nevertheless, it would be certainly advantageous if some details, such as for example the applicability of border measures in relation to parallel imported goods, or customs goods infringing designs, patents etc. would be uniformly, cogently regulated by TRIPS.

Question 17

We believe the relevant regulations defined by the Hungarian law are fairly sufficient.

Summary

Though the GATT/TRIPS has come into force in relation to Hungary on January 1, 1995, its binding force as part of the *domestic law* has entered only with its proclamation by Act No. IX. of 1998 on March 15, 1998. TRIPS is the Appendix 1.C) of the Act. Before that date however, in 1997, the relevant domestic law, that is the new Trademark Law and the Government Decree on customs measures applicable in case of infringement of intellectual property rights had been made in conformity with TRIPS and come into force.

The Government Decree provides the legal basis to the effective preliminary measures of the customs authorities in order to impede the import, export and re-export of customs goods infringing the protection of trademarks (incl. counterfeiting and parallel import), geographical indications, copyright and related rights. The provisional measures of the customs authorities are supported by multiple guarantial opportunities: 1) the customs measures are subject to the payment of a security deposit by a petitioner; 2) the customs authorities' actions can be appealed (without delaying effect) and administrative court proceedings can be entered against the final customs decisions; and 3) the judicial control: the forum of the substantive case is the judicial authority which - within a reasonable time period - will maintain or, if it seems to have been unfounded, release the seizure by provisional court measures.

The first experiences of the application of the customs measures are good: the number of the exposed relevant legal injuries has multiplied in the past two years and the actions of the competent authorities have proved to be thoughtful and effective.

Résumé

Quoique la GATT/TRIPS soit déjà entrée en vigueur par rapport à la République Hongroise le 1er janvier 1995, elle n'a été promulguée que par la loi No IX de 1998 le 15 mars 1998. Toutefois, avant cette date, en étant en parfait accord avec la Convention TRIPS, le règlement en droit national a été établi et mis en vigueur en 1997: notamment la nouvelle loi sur les marques et le décret gouvernemental sur des mesures des autorités douanières concernant la violation des droits de propriété intellectuelle.

La réglementation établit la base juridique des mesures provisoires efficaces pour les autorités douanières pour arrêter l'importation, l'exportation et la réexportation des marchandises si celles sont contraires à la protection des marques (y compris la contrefaçon et l'importation parallèle), à la protection des indications géographiques, au droit d'auteur et à d'autres droits voisins.

Les mesures provisoires des autorités douanières sont supportées par des garanties. Notamment: 1. la condition des mesures à prendre par l'autorité douanière est la mise en dépôt de la caution (sécurité) par le demandeur; 2. contre les décisions des autorités douanières des appels peuvent être interjetés (sans effet suspensif), de plus, un procès peut être engagé contre la décision administrative, et 3. le contrôle judiciaire: la scène de l'affaire dans la matière est le tribunal, où la saisie de la marchandise par la douane est maintenue par mesure judiciaire provisoire, dans les délais raisonnables, ou levée, si la mesure provisoire semble être erronée.

Les expériences concernant l'application des mesures douanières sont jusqu'à présent favorables. Pendant les derniers deux ans le nombre des violations de droit révélées s'est multiplié, tandis que les mesures des autorités compétentes se sont montrées réfléchies et efficaces.

Zusammenfassung

Bezüglich Ungarn ist GATT/TRIPS am 1. Januar 1995 in Kraft getreten, die als inländisches Recht wirksame verbindliche Kraft des Abkommens ist jedoch erst mit seiner Verkündung im ungarischen Gesetz Nr. IX. vom 1998 am 15. März 1998 geltend geworden. TRIPS ist die Beilage 1. C) des Gesetzes. Eher aber, im Jahre 1997, sind die relevanten innenrechtlichen Rechtsregeln, d.h. das neue Markengesetz und die Regierungsverordnung über die im Falle der Verletzung von geistigen Eigentumsrechten anwendbaren zollrechtlichen Maßnahmen in Konformität mit TRIPS geschaffen und in Kraft gesetzt.

Die Regelungen bieten die Rechtsgrundlage für eine wirksame einstweilige Verfügung der Zollbehörde um den Import, den Export und den Re-Export von Zollgütern, mit denen der Schutz von Markenrechten (einschl. Nachahmungen und Parallelimport), geographischen Angaben, Urheberrecht und verwandten Schutzrechten verletzt wird, zu verhindern. Die einstweilige Verfügung der Zollbehörden ist durch garantieller Rechtsinstitute mehrseitig unterstützt: 1) als eine Voraussetzung der einstweiligen Verfügung wird der Antragsteller verpflichtet, eine entsprechende Sicherheit zu leisten; 2) die Bescheide der Zollbehörden

sind mit Rechtsbehelfsmitteln anfechtbar, gegen die rechtskräftigen Bescheide ist der verwaltungsrechtlicher Weg beschreitbar; und 3) die gerichtliche Kontrolle: das sachliche Forum ist das zuständige Gericht, welches die Aussetzungsmaßnahme der Zollbehörde mit seinem vorläufigen Justizbeschluss aufrecht hält, oder - falls die vorläufige Maßnahme für unbegründet erscheint - aufhebt.

Die bisherigen Erfahrungen hinsichtlich der Anwendung der zollrechtlichen Maßnahmen sind positiv: Die Zahl der aufgedeckten relevanten Rechtsverletzungen hat sich in den vergangenen zwei Jahren vervielfacht, und die Maßnahmen der zuständigen Behörden haben sich als überlegt und wirksam erwiesen.