

Report Q 151

in the name of the Hungarian Group
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The impact of advertising restrictions on trademarks

1. Restrictive advertising measures for certain products and services

In Hungary, Act No. LVIII of 1997 on Business Advertising Activity (hereinafter referred to as Act) contains general and specific prohibitive and restrictive provisions in relation to pharmaceuticals and other medicinal preparations not qualifying as pharmaceuticals, tobacco products and alcoholic beverages. Further special provisions concerning advertisements for pharmaceuticals are contained in Decree No. 24/1997 (VII.14.) NM. The essence of these provisions can be summed up as follows:

1.A Advertisement for pharmaceuticals

- a) Absolute prohibitive provisions:
 - comparative advertisements,
 - pharmaceutical advertisements containing narcotics or psychotropic materials, as defined by a separate statute, and drugs used in some distinct therapies, or
 - pharmaceutical advertisements showing products that are still under examination.

- b) Relative prohibitive provisions:
 - advertisements for pharmaceuticals sold exclusively in pharmacies on a physician's prescription, or licensed for exclusive use in health institutions for hospitalized patients, and pharmaceuticals that are only available to physician's surgeries or welfare centers may only be directed at parties entitled to prescribe pharmaceuticals as prescribed by the Act,
 - pharmaceuticals intended for human health care and sold over-the-counter in pharmacies as well as medicinal preparations not qualifying as pharmaceuticals may be advertised in a advertisement complying with the strict requirements of the Act.

1.B Advertisement for tobacco products and alcoholic beverages

- a) Absolute prohibition:

For advertisements of tobacco products in all radio and television broadcasting, and of alcoholic beverages in public service radio and television (Act No. I of 1996 on Radio and Television Broadcasting)

b) Relative prohibition:

Advertisements for alcoholic beverages is allowed in commercial radio and television, if in compliance with certain requirements (Act No. I of 1996)

There are special provisions on the advertising for tobacco products and alcoholic beverages in printed material, theaters, cinemas, on children's toys and on out-door advertising media, or on the publication of advertisements encouraging tobacco consumption, portraying people smoking, primarily if it uses images or statements of well known stars.

ad 1.2

The violation of the above-mentioned provisions is not sanctioned by the provisions of the Criminal Code.

In case of violation of these provisions, the body who has jurisdiction according to the character of the particular case may order that the violation be terminated, may prohibit the continuation of the violation and may impose a penalty. The sum of the penalty is not limited by the Act, therefore, it may be defined according to the circumstances of the case.

ad 1.3

The regulations of advertising do not contain special provisions on trademarks, however, the general character of these provisions may occasionally effect the exercise of trademark rights.

2. The influence of restrictive rules in respect of advertising on the validity and the registration proceedings of marks

ad 2.1

The provisions of the Hungarian legal system, in relation to the prohibition and restriction of advertising, contain neither prohibitive nor permissive provisions in relation to the trademark registration in respect of products in question.

Our view is that in these cases, public interest or a rule of law cannot amount to a reason for refusing registration.

The provisions only prohibit the advertising for certain pharmaceuticals, tobacco products and alcoholic beverages within specific limits. Therefore, the proprietor of the trademark is subject to restrictions of his trademark rights only in the case of advertising. No other restriction on the use of his trademark in case of other use of his trademark exists.

The prohibitions and restrictions on advertising activity do not hamper the production and marketing of pharmaceuticals, tobacco products and alcoholic beverages by the

manufacturers; Therefore, trademarks are able to comply with their function of distinguishing products of different manufacturers.

According to Article 15, paragraph 4 of the TRIPS Agreement, the nature of the goods or services for which the trademark is to be applied shall not create a ground for refusal of registration. The Hungarian law is in full harmony with this provision.

ad 2.2

On the basis of Article 58 of Act No. XI of 1997 on Trademarks and Geographical Indications (hereinafter referred to as TA) during the proceedings of trademark registration, third parties may submit observations to the Hungarian Patent Office stating that the mark, or the application containing such, does not meet the requirements for trademark protection as prescribed by the TA.

Thus, the observations may be filed by consumer protection organizations as well. However, in conformity to the points detailed in 2.1, such observations would be unfounded from material legal point of view, and cannot result in the refusal of registration, if they are based only on the fact that the goods in respect of which the application is filed are subject to advertising restrictions.

ad 2.3

The comments set out in 2.1 apply equally. Hungarian law does not know the concept of temporary registration.

ad 2.4

The cancellation of a trademark may be requested by anyone in proceedings initiated at the Hungarian Patent Office, on the ground that the trademark should not have been registered.

Any use of the trademark violating prohibition or restriction of advertising is not a ground for cancellation, as it is not in itself a ground for refusal of registration. Therefore, the restrictions on the advertising activity of a particular product do not by themselves affect the validity of registration.

3. The influence of restrictive advertising measures on the exercise of a trademark right

ad 3.1

Advertising restrictions do not affect the right and the obligation of the trademark owner to use his trademark for a product or service.

The fact that the owner cannot use his trademark in advertising does not release the owner from the legal consequences of the lack of use of the trademark because the concept of use of a trademark is broader than the use in advertisements.

ad 3.2

In each particular case, we have to take the general effect of trademark-, competition- and advertising law as starting-point.

Hungarian statutory law does not define and regulate the question of so-called indirect advertisement within the prohibitions and restrictions of advertising activities and there is no court practice on this issue.

Within the restrictions of the advertising of pharmaceuticals sold over-the-counter, there are provisions that advertisements shall not contain a reference indicating the drug or the product not qualifying as a pharmaceutical product to be cosmetic product or foodstuff.

Therefore, the provision prohibiting advertising concerns the use of the trademark in case the above-mentioned products are sold as cosmetics or foodstuff.

According to the definition of the Act, activities promoting the publicity of the product or the marking qualify, inter alia, as business advertisements.

The marking of a product with a trademark, the advertising of which is prohibited, on another product with the sole purpose of advertising may qualify as indirect advertisement.

It obviously violates the interest of the competitors and qualifies as unfair competition, if the producer or distributor of the product, the tobacco or pharmaceutical manufacturer, places the registered trademark under advertising prohibition on completely distinct products, e.g. on T-shirts, or other articles of personal use, thus using the trademark indirectly for advertising the product under prohibition. He would obtain a business advantage as opposed to the competitors following the legal requirements, and therefore his conduct violates fair competition.

On the other hand, if the manufacturer of goods under advertising restriction, in the course of his ordinary business activity, simultaneously produces other goods under no advertising restrictions, no indirect advertisement exists, if the manufacturer distributes these goods with the same trademark. However, the goods with the same trademark but under no advertising restriction may be advertised only in such a manner, that the relation between the advertisement and the product under no advertising restriction is be easily recognizable.

The anticipation of the aforesaid points was necessary for the original question to be answered.

If the two trademark owners have identical or similar trademarks and one of them can be advertised but the other was registered for products under restriction of advertising, in our opinion, the registration of both trademarks was - in itself and at the date of the registration - lawful because of the circumstances referred to above and neither party may request the cancellation of the other party's trademark.

However, the trademark owner who uses his trademark violating the prohibition of advertising activity may face both a procedure initiated by the Consumer Protection Authority and/or proceedings on the ground of unfair competition initiated by a competitor.

ad 3.3

If an owner's trademark covers products, some of which are, and some of which are not subject to advertising prohibitions, in our opinion, the owner can maintain his trademark in both cases. However, he still has to take into consideration that any party may request the cancellation of the trademark on the ground of lack of use in relation to those products, for which he did not use the trademark. However, the lack of advertisement does not mean in itself the lack of use of the trademark.

In case of partial cancellation through lack of use, trademarks that have a reputation in the domestic market are protected because of an exclusive right in connection with goods or services which are not listed in the specification of goods for which the trademark is registered, when the use of the mark would be detrimental to or would unfairly take advantage of the trademark's distinctive character or reputation.

ad 3.4

For a brand, advertising is an essential factor of becoming well known. Besides that, there are many other factors which, because of the inherent quality of the product or service, make the brand, denoting the product or service, well-known. The advertisement does not substitute these inherent qualities giving value to the brand, it may only utilize them.

Provisions restricting advertising activity concern all products from different producers, therefore, these provisions stipulated in favor of health care do not concern the equal opportunity of the competitors, thus, in comparison with the given aim cannot be considered disproportionate.

ad 3.5

European Community trademarks are not valid in Hungary.

4. Possible harmonization of the existing national systems

Comparing the original questions to the Hungarian legal regulations, we can ascertain that the prohibitions and restrictions on advertising do not concern the ownership of the trademark, only its use within the scope of restrictions on advertising. The restrictions on advertising constitute proportional restrictions as opposed to the requirements of the free circulation of goods in favor of health care. This concerns trademarks, too. The trademark can accomplish its original function within the field where the production and distribution of the products is realized observing the restrictions on advertising.

The aim of the harmonization of restrictive advertising measures is to enable the manufacturer to pursue a uniform advertising campaign to present the products distributed in various countries to the consumers so that he does not conflict with regulations differing in each country which would force him to alter the advertisement. However, the harmonization cannot prohibit that some countries stipulate different regulations on the basis of health care. Neither does the legal practice of the EU consider national restrictions on advertising in favor of health care to be a violation of the concept of the free movement of goods.

Summary

The Hungarian legal regulations contain prohibitive and restrictive prescriptions in relation to advertisement for pharmaceuticals, tobacco products and alcoholic beverages. Yet, there are no special regulations concerning trademarks in these provisions. However, the general character of the regulations of advertising can affect the exercise of trademark rights. Therefore, the proprietor of the trademark is only subject to limitations in the use of his rights within the scope of advertising. This does not mean limitations of his rights in other activities concerning the use of his trademark. The prohibitions of and restrictions on advertising do not concern the production and distribution of pharmaceuticals, tobacco products and alcoholic beverages by the manufacturer, therefore, the trademarks can accomplish their function of distinguishing the products of one manufacturer or distributor from another product.

The placement of a trademark marking a product under restrictions of advertising on other types of goods with the sole purpose of advertising may violate the Business Advertising Activity Act. These issues have to be resolved on the basis of advertising law and competition law, as well as of trademark law.

For a brand, advertising is an essential factor of becoming well known, however, besides that there are many other factors which, because of the inherent quality of the product or service, make the brand denoting the product or service, well-known. The advertisement does not substitute these inherent qualities giving value to the brand, it may only utilize them. Provisions restricting advertising activity concern all products in question in the given field, therefore, these provisions protecting health care do not concern the issue of providing equal opportunities to competitors.

The aim of the harmonization of restrictive advertising measures is to enable the manufacturer to pursue a uniform advertising campaign in order to present the products distributed in various countries to the consumers, and in doing so not to conflict with the differing regulations of each country, which would force him to alter the advertisement. However, the harmonization cannot prohibit the fact that some countries stipulate different regulations on the basis of protecting health care.

Résumé

Les règles juridiques hongroises renferment des mesures prohibitives et restrictives en rapport de la publicité de médicaments, de tabacs et de boissons alcooliques. Cependant, ces règles ne contiennent pas de mesures spéciales concernant des marques. Mais le caractère général des règles de publicité peut - le cas échéant - affecter l'exercice du droit des marques. Conséquemment, le titulaire de la marque ne tombe sous restriction en exerçant son droit de marques qu'en le domaine de publicité; mais cela ne signifie pas la restriction de son droit des marques en actes sur le domaine d'usage des marques. Les prohibitions et restrictions de publicité n'influencent pas les intentions des producteurs de produire et de vendre de médicaments, de tabacs et de boissons alcooliques, et ainsi les marques peuvent remplir leurs fonctions, c'est-à-dire de distinguer les produits de différents producteurs et vendeurs.

Faire apparaître comme réclame sur une autre marchandise une marque qui sert à indiquer une marchandise tombant sous prohibition de publicité signifie violation du droit de publicité. Telles questions sont jugées, outre le droit des marques, sur la base des règles de publicité et celles du droit de compétition.

La publicité est un facteur important de la réussite d'une marque; par ailleurs, il-y-a un nombre de facteurs originaires des qualités du produit en soi par qui la marque indiquant ce produit devient connue. Les qualités intérieures conférant valeur à la marque ne peuvent pas être remplacées par la réclame; elles peuvent seulement être exploitées. Les règles de prohibition de publicité se rapportent également aux produits dans le même domaine, donc, ces restrictions n'affectent pas l'égalité de chances des compétiteurs.

Le but de l'harmonisation des mesures restrictives de publicité est de permettre au producteur de faire connaître les produits fabriqués dans des pays différents aux consommateurs par une campagne de publicité unifiée, et ce ne pas être forcé d'affronter des règlements différents dans chaque pays et d'être forcé au change de sa réclame. Outre cela, l'harmonisation ne doit pas prohiber aux pays d'établir de règles différentes basées sur la protection de santé.

Zusammenfassung

Nach ungarischer Rechtsregelung liegen Verbotsvorschriften und Beschränkungen bezüglich Werbung von Arzneimitteln, Tabakwaren und Spirituosen vor. Diese Rechtsregeln enthalten jedoch keine Spezialvorschriften für Marken. Der allgemeine Charakter der Regelung über Werbung kann jedoch gegebenenfalls Wirkung auf die Ausübung des Markenrechtes haben. Demzufolge ist der Markeninhaber in der Ausübung seines Markenrechtes nur im Bereich der Werbung einer Beschränkung unterworfen, was jedoch nicht die Beschränkung seiner Berechtigung in anderen dem Markenbenutzungsbereich angehörenden Handlungen bedeutet. Durch die Werbeverbote und Werbebeschränkungen wird die Absicht der Hersteller, Arzneimittel, Tabakwaren und Spirituosen zu produzieren und zu vertreiben, nicht betroffen, so dass die Warenzeichen jene ihre Funktion erfüllen können, die Produkte einzelner Hersteller und Vertreiber voneinander zu unterscheiden.

Ein Verstoss gegen das Werbegesetz kann vorliegen, wenn eine Marke eines unter Werbeverbot fallenden Produktes an einem anderen Produkt mit der ausdrücklichen Absicht der Reklame angebracht wird. Die Beurteilung dieser Fragen erfolgt, ausser durch Vorschriften des Werbegesetzes, aufgrund werberechtlicher und wettbewerbrechtlicher Regelungen.

Die Werbung stellt einen bedeutenden Faktor für das Bekanntwerden einer Marke dar. Abgesehen hiervon gibt es aber, zufolge der vom Produkt in sich getragenen Eigenschaften, eine Anzahl solcher Faktoren, welche die das Produkt kennzeichnende Marke bekanntmachen. Die inneren Eigenschaften, welche der Marke Wert verleihen, können durch Werbung nicht ersetzt werden, lediglich kann die Werbung diese anwenden. Die Werbeverbotsvorschriften beziehen sich unterschiedslos auf die auf dem gegebenen

Gebiet betroffenen Produkte, so dass diese Vorschriften die gleichen Möglichkeiten der Wettbewerber nicht beeinflussen.

Zweck der Harmonisierung der Werbebeschränkungen ist, dass die in verschiedenen Ländern vertriebenen Produkte vom Hersteller im Rahmen einheitlicher Werbekampagne auf dem Markt den Verbrauchern nähergebracht werden und der Hersteller nicht in jedem Land auf unterschiedliche Rechtsregeln stösst, welche ihn etwa zur Änderung der Werbung zwingen. Die Harmonisierung kann jedoch nicht verbieten, dass einzelne Staaten, mit Berufung auf Gesundheitsschutz, unterschiedliche Rechtsregeln schaffen.