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Report Q210

in the name of the Hungarian Group
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Protection of Major Sports Events and associated commercial activities through Trademarks and other IPR

Questions

1) Analysis of the current legislation and case law

The Groups are invited to answer the following questions under their national laws:

- 1) *Does your national law provide specific protection for trademarks or other designations relating to Major Sports Events?*

Hungary is signatory party to the Nairobi Treaty on the Protection of the Olympic Symbol (promulgated by Act LX of 2008).

Hungary has not enacted any further specific legislation relating to the protection of trademarks or other designations relating to Major Sports Events (ambush-marketing). The Hungarian Self-Regulatory Advertising Board's Code of Conduct does not contain any relevant provisions either.

On the other hand however, Hungary was a candidate for the UEFA EURO 2012 European Football Championship, and UEFA required every candidate country to present a proposal for legal measures against ambush-marketing ready to be applied if the country won the opportunity to host UEFA EURO 2012. Hungary therefore prepared a proposal on legislative measures against ambush-marketing in 2006. Although UEFA eventually decided on Poland and Ukraine as joint hosts of the European Championship, we refer to this proposal as an example on how the relevant Hungarian regulation intended to fight ambush-marketing in order to defend the sponsors of the event (hereinafter: "**Proposal**"). The Proposal would have established a sui generis protection, based on the model of trademark protection.

Without specific legislation, it is possible to file a trademark application for any sign of the sporting event provided it meets the requirements of the trademark protection.

- 2) *If so, please explain whether - and in the affirmative in what way - the following trademark law requirements differentiate from the corresponding requirements in general rules of trademark law:*

a) *Requirement of distinctiveness*

b) *Use requirement.*

N/A.

- 3) Also, please explain whether – and in the affirmative in what way - the following differentiate from the general rules of trademark law:
- a) Is the scope of protection of trademarks which relate to Major Sports Events narrowed or extended compared to the scope of protection of other trademarks?
 - b) Does use as a mark constitute a precondition for infringement of trademarks which relate to Major Sports Events or is the requirement of use as a mark not applied in relation to infringement of those trademarks?
 - c) Is the protection period for trademarks which relate to Major Sports Events the same as the protection period for other trademarks?
 - d) Is the determination of third party traders' legitimate interest in fair use different for trademarks which relate to a Major Sports Event than for other trademarks?

N/A.

- 4) Does your national law provide for a specific registration procedure for trademarks relating to Major Sports Events?

There is no specific registration procedure for trademarks relating to Major Sports Events. The general rules of *Act XI of 1997 on the Protection of Trademarks and Geographical Indications ("Trademark Act")* are applicable. As a result of Hungary's accession to the EU, the Trademark Act is harmonized with the Trademark Directive (89/104/EEC and 2008/95/EC, respectively).

- 5) What are the possible remedies in respect of infringements of trademarks relating to Major Sports Events? Do they differ from the remedies applicable to other trademark infringements?

As a result of Hungary's accession to the EU, Hungarian intellectual property law was last adapted to the IP Enforcement Directive (2004/48/EC).

In respect of infringements of trademarks relating to sport events, there is no difference from the remedies applicable to other trademark infringements.

5.1) Claims against the infringer

The civil law claims listed below are subject to the choice of the trademark holder (Article 27 of the Trademark Act). The claims are as follows:

- a) establishment of the fact by the court that an infringement has occurred;
- b) cessation of the infringement or threat of infringement and injunction from further infringement or the provision of a security (guarantee) by the infringer in case of continuing the allegedly infringing behavior,
- c) provision of data on parties taking part in the manufacture of and trade in goods or performance of services which infringe on the trademark right, as well as on business relationships established for the distribution of the infringing goods;
- d) making amends for the infringement – by declaration or in some other appropriate manner – and, if necessary, that such amends should be made public by or at the expense of the infringer;
- e) recovery of economic profits achieved by the trademark infringement;
- f) in relation to those means and materials used exclusively or primarily in the infringement, as well as to the goods or their packaging infringing on the trademark right

- f/1) seizure,
- f/2) the delivery up thereof to a particular person,
- f/3) the recall and the definite withdrawal thereof from commercial circulation, or
- f/4) the destroying or deprivation of the infringing nature thereof;
- g) appropriate measures for the dissemination of the information concerning the decision at the expense of the infringer in a way as decided at the court's discretion.
- h) compensation of damages in addition to the economic profit achieved by the infringer in case of culpable infringement under the Civil Code.

5.2) Claims against third persons

The following civil law claims may also be enforced against persons other than the infringer.

5.2.1) The claim for injunction (5.1.b) can be enforced against any contributor whose service is used in relation to the infringement.

5.2.2) Claims to provide information (5.1.c) can be enforced against third persons, namely contributors to the infringement who

- a) are found in possession of the infringing goods on a commercial scale¹;
- b) are found to be using the infringing services on a commercial scale;
- c) are found to be providing, on a commercial scale, services used in infringing activities;
- d) are named by the persons referred to in a)-c) as being involved in the production, manufacture or distribution of the infringing goods or the provision of infringing services.

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

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

5.2.3) Means, materials, goods and packaging under 5.1.f) can be seized even if they are possessed by an owner other than the infringer if the owner was aware of the infringement or could have been aware of such with proper care.

5.2.4. The burden of proof can be reversed by the court in an infringement lawsuit if the plaintiff has substantiated its statements to a reasonable extent. As a result, the opposing party can be ordered to present and allow for review of documents and other physical evidence in its possession and to notify of and to present bank, financial or commercial information and documents in his possession.

- 6) *What are the possibilities under your national law of reacting against non-official sponsors' use or registration of trademarks which take place before a Major Sports Event and which relate to the Major Sports Event?*

Act I of 2004 on Sports governs so-called image-transfer (market building) agreements within the rules of commercial agreements (Article 35).

¹ An act is conducted on commercial scale if the nature and quantity of the goods or services involved clearly indicate that the acts are for direct or indirect economic or commercial advantage. (End consumers if in good faith are regarded by a rebuttable presumption not to act on commercial scale).

Based on an image-transfer (market building) agreement in exchange for consideration, the contracting party (user) may use the name, picture of the sportsman/woman, the name, badge of the sport organization, sport association or public law sport association as well as other intellectual assets related to sporting activity, on advertising boards, decorations, gift products, on other objects as well as electronically in order to influence consumer decisions.

An image-transfer agreement can be concluded with a sportsman/woman, sport association, sport undertaking and public law sport association.

Based on an image-transfer agreement, the name and the picture of the sportsman/woman may only be used (provided that the agreement is concluded with a sport organization, sport association, or sport public law association) on the condition of prior written consent from the sportsman/woman. Any opposite stipulation shall be null and void. This rule also applies to any advertisement or other contracts that concern the name or picture of the sportsman/woman. Concerning the protection of the goodwill and personal rights of the sportsman/woman, sport organization, sport association and public law sport association, the provisions of the Civil Code applies.

Besides the above rules, there are no further specific provisions concerning the sponsoring of Major Sports Events. In the event of unauthorized use of intellectual property, name or personal rights, the general rules apply.

6.1) Non-official sponsors' use

Chapter II (Prohibition of Unfair Competition) of *Act LVII of 1996 on the Prohibition of Unfair Market Practices and of Restrictions of Competition ("Competition Act")* contains a general clause, according to which: *"It is prohibited to conduct economic activities in an unfair manner, in particular, in a manner violating or jeopardizing the lawful interests of competitors, market participants and consumers, or in a way which is in conflict with the requirements of business fairness."* Following the general clause, there are examples of certain actions that violate the prohibition of unfair competition, such as: injury of reputation, violation of business secrets, passing-off, boycott etc. Conducts not specified in the Competition Act may also qualify as conducts that violate the prohibition of unfair competition if the violation of the general clause can be established.

In our view, ambush-marketing may fall within the scope of the general clause since it violates and/or jeopardizes the sponsors' (competitors') lawful interests.

Further, under specific circumstances, the ambush marketing activity may constitute passing-off (slavish imitation) which is defined in the Competition Act as follows: *"It is prohibited to manufacture or sale or advertise, without the consent of the competitor, goods or services with such characteristic outer appearance, packaging, designation, including the designation of origin, or denomination, furthermore to use such a name, designation or label for which the competitor or its goods or services are generally recognized."*

According to Act XLVII of 2008 on the Prohibition of Unfair Commercial Practices against Consumers (**UCP Act**), which was adopted on the basis of the UCP Directive (Directive 2005/29/EC), a commercial practice shall be regarded as misleading if it contains false information or represents factually correct information in such a way, including overall presentation, that makes it deceive or likely to deceive the consumer in relation to one or more of the following elements, and thereby causes the consumer or is likely to cause him to take a transactional decision that he would not have taken otherwise: [...] *the identity, attributes and rights of the undertaking or its representative, such as its nature, its legal status, affiliation and connection, assets, ownership of intellectual and commercial property rights, approval, qualifications or its awards and distinctions* [Article 6(1)].

A commercial practice shall also be regarded as misleading if it can create confusion with another undertaking or any trade names, goods, designations of goods or other distinguishing

marks of another undertaking [Article 6 (2)a)]. The Annex of the UCP Act, which contains a black list of expressly forbidden activities, states that “advertising goods that are similar to goods made by a particular undertaking in such a manner as to mislead deliberately the consumer into believing that the goods are made by that same undertaking when they are not” constitutes unfair commercial practice (Article 13).

If the Competition Act is violated, claims can be enforced by the injured party before the court through litigation. If the rules of the UCP Act are violated, the Consumer Protection Authority or the Hungarian Competition Office will have competence in administrative proceedings initiated against the infringer.

We are unaware of any published ambush-marketing cases in Hungary.

6.2) Non-official sponsors’ registration of trademarks

According to Article 3(1) of the Trademark Act, a sign may not be granted trademark protection if: [...]

- b) it is capable of deceiving consumers as to the nature, quality, geographical origin or other characteristics of the goods or services;
- c) its registration was applied for in bad faith.

Consumers may be deceived if the applicant’s designation makes it look as though the owner of the trademark is the same as the organizer of the Major Sports Event.

An application is filed in bad faith when filed by an applicant that knows that the designation duly belongs to someone else.

- 7) *Does your national law provide for protection against Ambush Marketing? In the affirmative, is such protection set out in the law protecting trademark rights, in the laws against unfair competition, or both?*

There is no specific legislation on Ambush Marketing.

- 8) *Does your national law provide for specific trademark protection or protection against unfair competition relating to other major events, such as film, art or music festivals, World Expos and other similar events?*

Hungarian law does not provide for any specific protection relating to major events, such as film, art or music festivals, World Expos and other similar events.

II) Proposals for substantive harmonisation

The Groups are invited to put forward their proposals for adoption of uniform rules, and in particular consider the following questions:

- 1) *Are particular rules on trademark protection desirable for trademarks or signs which relate to Major Sports Events? In the affirmative, why is that the case?*

As there have been no issues (on the basis of the current rules and regulations) with regard to particular rules on trademark protection relating to Major Sports Events thus far, we do not consider passing special trademark related provisions as necessary.

However, it should be noted without prejudice to our opinion set out above that Hungary has not yet hosted any Major Sports Events, except Formula 1 car racings. On the other hand, Major Sports Events are used for marketing purposes by undertakings on the Hungarian market as well.

Trademark protection ensures territorial (regional) protection. Taking into consideration that Major Sports Events can have significant effects not only in the host country but also in other countries, if certain countries (above all the host country) pass special regulation, the enactment of internationally uniform regulation could be reasonable (e.g. Nairobi Agreement).

2) *What would be desirable for trademarks and signs which relate to Major Sports Events in respect of the registration of such trademarks?*

a) *Would it be reasonable to adopt a registration procedure which is shorter than the general registration procedure?*

We do not consider it necessary to adopt special rules concerning the duration of the registration procedure. Under the Trademark Act, the applicant can request "accelerated application proceedings" [Article 64/A(1)] and even "extraordinary accelerated application proceedings" [Article 64/A(7)].

b) *Would it be reasonable to change the classification system in respect of registration of trademarks which relate to Major Sports Events?*

We do not consider it necessary to change the rules on the classification system. The signs of Major Sports Event presumably have a good reputation. Although the European Court of Justice has limited the scope of protection granted for trademarks having a reputation [see the judgments Intel (C-252/07) and TDK (C-197/07)], we are of the view that the current regulation provides sufficient protection.

c) *Would it be reasonable to adopt a narrowed requirement of distinctiveness for trademarks which relate to Major Sports Events or alternatively not to require distinctiveness at all?*

We do not consider it necessary to change the requirement of distinctiveness. If a sign has no distinctiveness, it should not be granted trademark protection, which would lead to the prohibition of other market players from using this sign. Without trademark protection, the rules of unfair competition can provide adequate protection.

3) *What would be desirable for trademarks and signs which relate to Major Sports Events in respect of the use requirement?*

a) *Would it be reasonable to adopt a use period of e.g. 8 or 10 years for trademarks which relate to Major Sports Events?*

b) *Would it be reasonable to apply a use period of e.g. 8 or 10 years if the period from registration of the trademark to the actual event is shorter than 8 or 10 years?*

We do not consider it necessary to adopt special rules. If the applicant proceeds with reasonable care, the current rules do not cause any problems.

4) *What would be desirable for trademarks and signs which relate to Major Sports Events in respect of the scope of protection? Would it be reasonable to give trademarks which relate to Major Sports Events a broader scope of protection than the scope of protection given to other trademarks, and in particular in relation to other trademarks which have a low degree of distinctiveness?*

As shown above, we do not consider it necessary to pass any special legislation relating to trademarks and signs of Major Sports Events. Consequently, as far as the sign is registered as a trademark, the protection given to trademarks in general is appropriate and sufficient.

5) *What would be desirable for trademarks and signs which relate to Major Sports Events in respect of infringements of those trademarks?*

- a) *Should the requirement of use as a mark as a precondition for trademark infringement apply to alleged infringements of trademarks which relate to Major Sports Events or should it be possible to infringe such trademarks even when the use in question can not be characterised as use as a mark? Why is that the case?*
- b) *Should the remedies available against infringements of such trademarks be different from the remedies available against infringements of other trademarks? In the affirmative: Why is that the case?*

According to the opinion of the Hungarian Group, if a trademark relating to a Major Sports Event is registered, the precondition for establishing infringement should be the same as for other trademarks. Thus, one condition for establishing the infringement is the use as a mark.

We think that the remedies given by the Enforcement Directive against a trademark infringer are sufficient.

- 6) *Are specific measures protecting against Ambush Marketing relating to Major Sports Events necessary or justified? In the affirmative, why is that the case and what should the contents of such measures be?*

The general clause of the Competition Act generally prohibits conducting economic activities in an unfair manner. The actual meaning of this rule is established through case law on a case by case basis. To avoid uncertainty, it could be justified to define which conducts are regarded as being unfair. As an example we refer to the prohibited conducts as set forth in the Proposal mentioned above:

- a) to suggest that any person or its goods or services are in a contractual, commercial, organisational or financial relation (especially sponsorship) to the organizer of the sports event;
- b) to offer, sell or provide any goods or services, which make a suggestion as defined under point a) above;
- c) to organise public events or social acts on the sites of the sport event or in the vicinity of these sites (especially in the stadiums, public places around the stadiums and other public spaces, train and bus stations, airports and similar public spaces) and the airspace above, or to cooperate in the organisation of such events, where the participants make a suggestion as defined under point a) above, due to their clothing or objects (especially flags, etc.) or other similar instruments.

- 7) *Are other measures protecting against unfair competition relating to Major Sports Events necessary? In the affirmative, why is that the case?*

We refer to the answer given in point 6.

- 8) *Does your group have any other views or proposals for harmonisation in the area?*

N/A.

Summary

There are no special provisions in Hungarian law on the protection of signs of Major Sports Events, neither in the regulations of competition law nor in those of trademark law. Thus, for these signs the general provisions apply. In the Hungarian case law no problems have occurred regarding the protection of signs of Major Sports Events. As a conclusion we do not consider it necessary to introduce special regulations.

If it is considered necessary to harmonize the protection given to Major Sports Events due to problems of applying the law in other countries, we suggest defining in an international treaty in connection with Art. 10bis of the Paris Convention the economic activities that are regarded as being conducted in an unfair manner.

Résumé

Ils n'y a pas de dispositions spéciales dans le droit hongrois concernant la protection des marques des grands événements sportifs (Major Sports Events) ni dans le cadre du droit des marques ni du droit de concurrence déloyale. Par conséquent les règles générales s'appliquent pour ces marques. Pas des problèmes ont émergés dans la jurisprudence concernant la protection des marques des Major Sports Events. Pour cette raison, nous ne considérons pas nécessaire l'introduction des règles spéciales.

Si des problèmes d'application du droit émergent dans d'autres pays, et l'harmonisation de la protection des événements sportifs devient nécessaire, nous proposerions la définition des cas particuliers de la concurrence déloyale en connexion avec Article 10bis de la Convention de Paris.

Zusammenfassung

Im ungarischen Recht gibt es keine speziellen Regelungen die Bezeichnungen von *Major Sports Events* betreffend, weder im Markenrecht, noch im Bereich des unlauteren Wettbewerbsrechts. Demnach werden für diese Bezeichnungen die allgemeinen Regeln angewendet. In der ungarischen Rechtsprechung sind keine Probleme aufgetreten bezüglich des Schutzes von Bezeichnungen von Major Sports Events. Aus diesem Grunde betrachten wir es nicht erforderlich spezielle Regelungen einzuführen.

Wenn in anderen Ländern sich Probleme in der Rechtsanwendung gezeigt haben, die einen international harmonisierten Schutz bezüglich *Major Sports Events* verlangen, dann schlagen wir vor, die einzelnen speziellen Fälle des unlauteren Wettbewerbs in Zusammenhang mit Art. 10bis des Pariser Übereinkommens zu definieren.