

2020 Study Question

Descriptive use as a defence in trade mark proceedings

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I. Current law and practice

Please answer the below questions with regard to your Group's current law and practice.

1)

a) May a descriptive use¹ of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party? Please answer YES or NO.

Yes.

b) Are there specific statutory provisions in your law governing this defence? Please answer YES or NO.

Yes.

c) If the answer to Q1) b) is YES, what does/do the statutory provision(s) state?

*"The trademark shall not entitle the proprietor to prohibit a third party from using, in the scope of carrying out economic activities, in accordance with honest practices in industrial or commercial matters, signs or indications which are not inherently distinctive or which concern the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services." [Section 15 (1) b) of Act XI of 1997 on the Protection of Trademarks and Geographical Indications (hereinafter referred to as: *Hungarian Trademark Act*)]*

It is also worth mentioning that the Hungarian Trademark Act in its Section 15 (1) a) acknowledges another category of descriptive use defence, as it prescribes that *"the trademark shall not entitle the proprietor to prohibit a third party from using, in the scope of carrying out economic activities, in accordance with honest practices in industrial or commercial matters, his own name or address"*.

If you have answered NO to Q1)a), please skip Q2)-Q6) and proceed to Q7); If you have answered YES to Q1)a), please proceed to Q2).

2) Is this defence only available as a defence in respect of word trade marks?

No, it is not excluded by law to use this defence in case of, for example, pictograms.

3) Under what conditions may a descriptive use of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party?

It is prescribed by Hungarian law (see our answer to Q1)c) that in case the descriptive use of a third party's trademark, carried out in the scope of economic activities, is **in accordance with the honest practices in industrial or commercial matters**, the descriptive use shall not mean the infringement of the said trademark. Thus, to defend against any allegation of trademark infringement, it shall be proven that the use was in accordance with the honest practices in industrial or commercial matters.

To illustrate the approach of the Hungarian judicature, the summary of a couple of court cases are presented herewith.

¹ In this question as well as the following questions "descriptive use" concerns the use as defined above in para. 8.

Reference to the descriptive use of a third party's trademark act as a defence has been made in numerous trademark infringement cases decided by the Metropolitan Court of Appeal and even in some confirmed by the Curia, the highest judicial body of Hungary. As a preliminary point, we would like to emphasize that Hungary applies the bifurcation system, so the possible descriptive nature of a registered trademark and thus the examination of its suitability for protection cannot be the subject of an infringement case.

Case no. **8.Pf.20.020/2017/4. Mystic** was about cosmetic products, in particular deodorants. The defendant displayed the verbal element identical to the mark in a different spelling, in a small size at the bottom of the product packaging, while above it, positioned in the middle, the word 'Madlene' was placed in a much larger font size. The defendant was present on the market with a range of products, each of which had different colored outer packaging and their different fragrances were denoted by different fantasy words. According to the Metropolitan Court of Appeal, this is a general market practice that the average consumer is aware of. Due to the position and dominance of the inscriptions on the packaging, consumers perceive the term 'Madlene' as a trademark, whereas the word element 'Mystic' refers to a fragrance in the defendant's product family. Accordingly, the use of the word element Mystic is descriptive and does not constitute trademark infringement.

Another deodorant-related case was **Pfv.IV.20.717/2008/3. LUX / DerbyLux**. The Metropolitan Court of Appeal made a general remark that high-quality members of a product family are often marked/indicated as 'lux' or 'delux'. For the average Hungarian consumer, the sign 'lux' also means an abbreviation of the word luxury which, because of its associational content, refers more to the distinctive quality of the product and not to the trademark. The Curia (at the time of the decision: Supreme Court) agreed that the term 'lux' is also used to designate luxury, namely a luxurious or higher quality product. The fact that the term 'lux' has a different, descriptive meaning in the Hungarian vocabulary does not entail that this verbal element would not be distinctive in the case of certain products, and did not lead to the conclusion that the trademark was devoid of any distinctive character. According to the final judgment, the likelihood of confusion cannot be established, irrespective of the fact that the trademark registered for products in Class 3 is well-known to Hungarian consumers. This conclusion was not affected by the fact that the "derby" product family has also been present on the Hungarian market for several decades and is also well-known among consumers. The final judgment held that the defendant did not infringe the trademark due to the absence of any likelihood of confusion, irrespective of the fact that the designation at issue contained the word mark in its entirety.

The interpretation of the concept of business integrity was the main question in case no. **Pfv.IV.20.383/2012/4. BUDAPEST KRÓNIKÁJA / BUDAPEST KRÓNIKÁJA A KEZDETEKTŐL NAPJAINKIG**, where the Curia had to determine whether the use of the dominant verbal element of BUDAPEST KRÓNIKÁJA (CHRONICLE OF BUDAPEST), the figurative mark at issue infringed the requirement of commercial fairness. The words 'CHRONICLE OF BUDAPEST' in the title of the defendant's publication ('BUDAPEST KRÓNIKÁJA A KEZDETEKTŐL NAPJAINKIG', in English: CHRONICLE OF BUDAPEST FROM THE BEGINNING UNTIL NOWDAYS) are identical to the dominant verbal elements of the mark enjoying protection among others in class 16. However, the defendant, with the choice of address, clearly marked that the publication contains a chronological overview of the city of Budapest. In addition to the information on the type and subject of the product, the visual design of the cover is individual and original. Although this alone is not sufficient to eliminate the likelihood of confusion, it may be examined in the context of business fairness, especially under circumstances where the subject matter of the publication justifies the use of offended words to determine the title of the book. The use of the word 'chronicle' as a common word is not limited even by the trademark protection in subject, it can freely be used by anyone when publishing chronologically edited, historical, historical-themed works. The trademark protection cannot be examined within the scope of an infringement action. However, if the dominant element of the mark does not confer distinctive character, as the final

judgment points out, an examination of the scope of protection of the mark cannot be dispensed with in order to assess the use of the mark. There is no doubt that, in the given case, the verbal elements are dominant, however, individually and collectively, they have not only a certain meaning, but they are also terms that are used in common language. The overall impression suggests that the dominance of word elements cannot function in itself, because the dominant elements are not distinctive by reason of their descriptive nature. Therefore, a combined trademark can only perform its function if it is used in its full complexity. Thus, even in the context of an examination of the likelihood of confusion, use of the mark can be established only if all the elements of the mark at issue are indicated in accordance with the state of the register. In the present case, therefore, the inclusion of the verbal elements of the mark in the title of the book, which are not in themselves distinctive, does not constitute the use of the mark, and pursuant to Section 27 (1) of the Trademark Act, it does not make any trademark infringement identifiable.

The potential infringement of a complex mark was also subject to case no. **8.Pf.20.506/2007/5. közületi telefonkönyv (device mark) / Magyar Közületi Telefonkönyvkiadó**. Similar to the above case, the Court pointed out, that according to established case-law, in case of figurative and word marks are combined, the word is usually dominant. However, the case-law is also consistent in holding that, in case of complex marks, the sign as a whole must be taken into account in assessing the likelihood of confusion, based on its overall impression given to consumers. It is not possible to make a comparison with another designation by grabbing certain elements of the mark. In case of a composite sign in which the verbal element is not in itself distinctive, the verbal element alone cannot be considered when assessing the likelihood of confusion, even if the consumers use it to describe the goods. Therefore, in this case the representation of the open book and the stylized telephone receiver played a role, because they, together with the word element, provided only sufficient distinctive character to the mark at issue. It was found, however, that the defendant had not used those figurative elements; he used the verbal elements either alone (company name, domain name) or supplemented with another figure (order form, direct mail, product description).

Similar aspects were highlighted in case no. **8.Pf.21.275/2013/6 Humán Meteorológia**. It was common ground that the defendant used the word 'Human Meteorology' in the submenu of the 'weather' link on the homepage of its website and provided information on radio and teletext. The Court held that, although the sign 'Human Meteorology' used by the defendant in providing a service similar in part to those for the trade mark is registered this occurred merely to identify their service, and to describe its type, that is, predictions are available about the possible physiological effects of the weather on the human body. It was also proved that "Human Meteorology" was displayed in the same way as "Aviation Meteorology", "Forecast" or other subheadings. The defendant therefore carried out its activities under its own name and used user-friendly collective names on its website to isolate and make as easy as possible access to databases on the same or similar subject matter, which did not go beyond the provisions of the Trademark Act. According to the court, such use is complied with the requirements of commercial fairness.

Lastly, we may refer to case no. **8.Pf.20.512/2008/3 COLGATE TOTAL / SENSODYNE TOTAL CARE and Aquafresh Total Care**, where the Metropolitan Court of Appeal had to decide whether the use of 'TOTAL' and 'TOTAL CARE' in connection with toothpaste products could be considered as infringement of the trademarks 'COLGATE TOTAL' and 'TOTAL'. The plaintiff was holder of trademarks 'COLGATE TOTAL' (word), 'Colgate TOTAL (device) and 'Colgate Total' (colour device). In addition to them, he was entitled to use the mark 'TOTAL' under a trademark agreement, only in conjunction with the designation 'Colgate'. The protection of the "TOTAL" trademark extended to toothpaste products, among other goods and services. The court found that the term 'total care' in English means 'complete protection' and in relation to toothpaste products it describes the characteristics of the goods. In the contested

designations, the word was written in smaller letters and insignificant colour, which also confirms that it merely carries data and information about the goods. Based on the litigation data, the court was convinced that the product names "Aquafresh" and "SENSODYNE" are at least as reputable as the "Colgate" or "Total" trademarks. Although the plaintiff also claimed the reputation of its marks, the court examined it only in case of the TOTAL trademark, since only in connection with this could the plaintiff successfully prove reputation in relation to goods other than toothpastes. However, the use of the trademark 'Total', which had a reputation among petrochemicals, did not take place because the word combination 'TOTAL CARE', which is described as a product characteristic of the defendant products, does not constitute use of the word 'total' as a trademark.

4) a) In order for the defence to succeed, must the use be "honest", "fair" or an equivalent thereof? Please answer YES or NO.

Yes.

b) If the answer to Q4)a) is YES, what factors are taken into account when assessing this requirement? Please tick the boxes as applicable.

- the reputation of the invoked trade mark
- the use affects the value of the invoked trade mark by taking unfair advantage of its distinctive character or reputation
- the use gives the impression that there is a commercial connection with the trade mark owner
- the use discredits or denigrates the invoked trade mark
- the product is presented as an imitation or replica of the product bearing the invoked trade mark
- the way the sign is used, namely ... ***the specific circumstances***
- the party invoking the defence was aware of the invoked trade mark
- other, namely ... ***e.g. whether the use of the translation of a third party's trademark could be regarded as infringement***

5) What kind of evidence may be accepted to support the defence?

Any kind of evidence which may be accepted in civil law / IP law proceedings shall be accepted to support the defence. Sections 267-268 of the Hungarian Act CXXX of 2016 on the Code of Civil Procedure (hereinafter referred to as: *Hungarian Civil Procedure Code*) prescribes the methods and means of evidence to be used in civil law / IP law proceedings.

As per the methods of evidence, according to the Hungarian Civil Procedure Code, evidence may, in particular, be taken in the form of witness evidence, expert evidence, documentary evidence (including e.g. public survey results) and inspection. The court shall have power to use any other type of evidentiary procedures which are capable of corroborating facts considered material for the case, if this appears feasible for determining the dispute, except if the given mode of taking of evidence is considered contrary to public order.

With regard to the means of evidence, it must enable the court to reliably ascertain facts considered material for the case, and to take into account for the purpose of deliberation. Means of evidence may, in particular, be admitted in the form of *hearing a witness or an expert, or in the form of documents, video recordings, sound recordings, audiovisual recordings, and other material means of evidence*. Means of evidence shall not be admitted if: a) excluded by an act, or b) rendered conditional by an act, except if compliance with said condition can be verified.

6) In what types of proceedings concerning trade mark infringement can the defence be invoked? Please tick the boxes as applicable.

- court proceedings (civil)
- court proceedings (administrative)
- court proceedings (criminal)
- IP office
- other, namely

II. Policy considerations and proposals for improvements of your Group's current law

7) Could any of the following aspects of your Group's current law or practice relating to the descriptive use defence against an allegation of trade mark infringement be improved? If YES, please explain.

No, our Group came to the conclusion that the current law addresses the descriptive use defence sufficiently.

a) whether a descriptive use of a third party's trade mark can act as a defence to an allegation of trade mark infringement by that third party and if so, whether this applies only to word trade marks

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b) under what conditions a descriptive use of a third party's trade mark may act as a defence to an allegation of trade mark infringement by that third party

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c) whether, in order for the defence to succeed, the use must be "honest", "fair" or an equivalent thereof

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d) the kind of evidence that may be accepted to support the defence

-

e) the types of proceedings concerning trade mark infringement in which the defence can be invoked

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8) Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

In the view of our Group, a harmonized policy may be helpful for cases whose subject matter is a so-called "fig leaf" trademark, i.e. a trademark which in its word elements may be descriptive of the goods and services it is registered for, but because of additional figurative elements it is granted protection. For an example, see the Common Practice ("CP3. Absolute Grounds - Figurative Marks") issued by the IP offices of the European Trade Mark and Design Network.

III. Proposals for harmonization

Please consult with relevant in-house / industry members of your Group in responding to Part III.

9) Do you believe that there should be harmonization in relation to the descriptive use defence against an allegation of trade mark infringement?

Yes.

With reference to our answer to Q3), we contacted a member of the Hungarian IP law industry, who worked on the above summarized LUX / DERBY LUX case. He found the final judgement of the case is illogical, as in his view it is against the principles of trademark law to come to the conclusion that a sign ("lux") may exist as a well-known trademark enjoying protection and as a descriptive quality marker at the very same time.

Further harmonization may help the legal practice to be more consequent and prevent "surprise judgements".

If YES, please respond to the following questions without regard to your Group's current law or practice.

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

10) Should a descriptive use of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party? Please answer YES or NO.

Yes.

11) Should this defence only be available as a defence in respect of word trade marks?

No, this kind of restriction is viewed unnecessary, see for example pictograms.

12) Under what conditions should a descriptive use of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party?

With reference to our answer to Q3) the "honest practices" investigation is an appropriate manner to determine the lawfulness of a conduct in this regard.

13)

a) In order for the defence to succeed, should the use be "honest", "fair" or an equivalent thereof? Please answer YES or NO.

Yes.

b) If the answer to Q13)a) is YES, what factors should be taken into account when assessing this requirement? Please tick the boxes as applicable.

- the reputation of the invoked trade mark
- the use affects the value of the invoked trade mark by taking unfair advantage of its distinctive character or reputation
- the use gives the impression that there is a commercial connection with the trade mark owner
- the use discredits or denigrates the invoked trade mark
- the product is presented as an imitation or replica of the product bearing the invoked trade mark
- the way the sign is used, namely ... **the specific circumstances**
- the party invoking the defence was aware of the invoked trade mark
- other, namely ... **e.g. whether the use of the translation of a third party's trademark could be regarded as infringement**

14) What kind of evidence should be accepted to support the defence?

In this regard any restriction is viewed unnecessary.

15) In what types of proceedings concerning trade mark infringement should it be possible to invoke the defence? Please tick the boxes as applicable.

- court proceedings (civil)
- court proceedings (administrative)
- court proceedings (criminal)
- IP office
- other, namely