

2020 Study Question Standing to litigate and effect on remedies Hungarian Group report

Contributors: József TÁLAS (head), Gusztáv BACHER, Barnabás MEZŐ, Imre MOLNÁR, Árpád PETHŐ

I. Current law and practice

1) Who has standing to bring a claim of infringement of an IP right? Please also address whether co-owners and exclusive, non-exclusive and/or sole licensees, or authorised persons may bring a claim of infringement of an IP right.

Patents

The right owner has the right to enforce its patent rights by initiating a patent infringement proceeding or preliminary injunction proceeding in its own name.

In case of co-owners according to Article 26 of the *Patent Act* each of the joint patentees may act individually to protect patent rights.

As regards the licensees in the case of patent infringement, the holder of a contractual licence may invite the patentee to take appropriate action in order to stop the infringement. If the patentee fails to take action within thirty days from the invitation, the licensee recorded in the Patent Register may institute proceedings for patent infringement in his or her own name. According to the Hungarian law the exclusive and the non-exclusive licensee can also be registered.

According to the most current judicial practice, the patentee and the licensee can also sue together, unless the patentee expressly delegates this right to the licensee in a licence agreement. Furthermore, the licensee may also proceed as plaintiff in preliminary injunction proceedings based on the express consent of the patentee who is not a party to the lawsuit.

Furthermore, the applicant whose invention enjoys provisional protection may also institute proceedings for patent infringement; however, the proceeding shall be suspended until the decision to grant the patent has become final.

In case if inventorship is questioned, according to the Hungarian rules the injured party (or his or her successor in title) may initiate a so-called action for infringement of inventions (Article 34 of the Patents Act).

The same rules apply *mutatis mutandis* to the design owner and to the owner of utility models.

Trademark

The right owner has the right to enforce its trademark by initiating an infringement proceeding or preliminary injunction proceeding in its own name.

In case of co-owners according to Article 21 of the Trademark Act each of the joint owners of the trademark may act individually to protect their rights.

As regards the licensees in the case of trademark infringement, the holder of a contractual licence may bring proceedings for trade mark infringement in its own name only if the trade mark holder consents thereto or if

the licensing contract authorised it to do so. However, the holder of an exclusive licence may bring such proceedings in its own name and without the consent of the trade mark owner against the infringer, if the holder of the trade mark, after formal notice, does not itself bring infringement proceedings within 30 days.

A licensee shall, for the purpose of obtaining compensation for damage suffered by him, be entitled to join the infringement action brought by the holder of the trade mark as a co-litigant. Section 52(2)(a) of Act CXXX of 2016 on the Code of Civil Procedure (hereinafter "the Code of Civil Procedure") shall apply accordingly to the time limit of joining the action as co-litigant, and Section 38(3) and Section 39 of the the Code of Civil Procedure shall apply accordingly to the relationship of the co-litigants.

Furthermore, the applicant of a pending trademark application may also institute proceedings for infringement; however, the proceeding shall be suspended until the decision to grant the trademark has become final.

Copyright

In Hungary the copyright is not a registered right, therefore it differs from the registered rights (ie. patents, trademarks, design). Authors may bring a claim of infringement of a copyright. Furthermore, any of the joint authors is entitled to take independent action against copyright violations.

The right to claim infringement in respect of moral rights may be exercised only by the author during his or her life. After the death of an author, the moral rights can be exercised by whomever has been entrusted by the author to take care for his/her literary, scientific, academic, or artistic estate or, in the case of the absence of such person or if the designated person fails to take action, by whomever obtained the author's economic rights under the title of inheritance.

The Hungarian Copyright Act prescribes two exceptions under the above provisions:

Users are also entitled to take action in defense of an author's specific moral rights if the author has given his/her express consent to such in the licence contracts.

Once the duration of copyright protection has ended, the affected collective rights management organization or authors representative organization is entitled to take action (under the title of violating the memory of the author) against conduct that would offend the author's right, during the duration of copyright protection, to be designated as the author either on his/her work or in a publication pertaining to his/her work.

The right to claim infringement in respect of economic rights is more complex. Generally, economic rights cannot be assigned or waived; nor can these rights be assigned to any other person in any other manner. In these cases use contracts shall be concluded in order to use the copyrighted works. If a use contract grants exclusive right of use, the user may advise the author to take the necessary measures to stop the infringement (including initiating a lawsuit). If the author fails to take action within 30 days of receiving this advice, the user may proceed on his or her own behalf to stop the infringement. If a use contract grants a non-exclusive right of use the licensee may take action only if it is expressly stipulated in the use contract.

In certain exceptional cases economic rights can be assigned or transferred. For works created under employment or similar quasi employment relationship and for collective works the rights are assigned to the employer or to the natural or legal person who initiated or directed the creation of the work. Economic rights can be assigned by contracts for

works created under employment or similar quasi employment relationship

software

databases

works ordered for advertising and

films.

In these cases the person obtaining the economic rights may bring a claim of infringement.

If the author exercises its rights (exclusive right or fee claim) through a collective copyright management organization, this organization shall have all the rights that author may exercise including bringing a claim of infringement.

2) For each class of person identified under 1) above, please explain:

a) Whether the permission of anyone else is needed, in order to bring the claim?

Patent/Trademark

Usually the licensee may bring the claim only if the right owner gives a permission for it.

The right owner may initiate any action without the prior written permission of anyone else, even in case of co-owners.

Copyright

In respect of *moral rights*

- author: no permission needed
- joint authors: no permission needed from co-authors
- person has been entrusted by the author to take care for his/her literary, scientific, academic, or artistic estate: no permission needed
- heirs: no permission needed
- users: only if the author has given his/her express consent in use contract
- affected collective rights management organization or authors representative organization: no permission needed (but only after copyright protection has ended and only for violating the memory of the author)

In respect of *economic rights*

- author: no permission needed
- exclusive licensee: only if the author fails to take action within 30 days of receiving the user's notification
- non-exclusive licensee: only if it is expressly stipulated in the use contract concluded with the author

- person obtaining the economic rights: no permission needed
- collective copyright management organization: no permission needed from the author

b) Whether any other person is required to be joined into the claim, in order to bring the claim?

In case of the infringement of patents, trademarks and designs it is not required to join the claim by anyone else but the owner of the right, however in view of the quite established Hungarian court practice it is always advisable that in addition to the right owner as claimant in an infringement proceeding all the other persons or firms should be co-claimants whose intention is to claim compensation of damages in the infringement lawsuit. Thus, if the patentee is a foreign entity and has to bring a claim of infringement of the IPRs, it is advisable to name its Hungarian licensee like for example its daughter company as co-claimant. Especially advisable to handle this way if the claimants intend to file a request for the institution of preliminary injunction or any interlocutory injunction.

c) Whether there are any other conditions that are required to be satisfied, in order to bring the claim?

3) Does the relief available to a claimant for infringement depend on the standing of the claimant, and if so, how?

No.

According to Article 35, paragraph (2) „*the patentee may, according to the circumstances of the case, have recourse to civil remedies*”, these reliefs are not depending on the standing of the claimant. However, according to the IP rules, the compensation of damages of any IPR shall be claimed in line with the Hungarian rules on civil liabilities, according to which basically a company may compensate only its own damages suffered by the infringement, which means that the damage claim is limited to the damages of those companies who are standing in the procedure. (Please note that a company may transfer its rights for damages to another company under specific rules of the Hungarian Civil Code.)

4) Who could a claim for an *inter partes* declaration of invalidity and/or declaration of non-infringement be brought against (please refer to paragraph 33)?

According to paragraphs 32 and 33 of the study guidelines, NO *inter partes* proceedings are available under the Hungarian legislation for any of the registered IPRs (i.e. patent, trademark, design, utility models).

In Hungary the decision on the validity/invalidity of an IPR the Hungarian Courts (and the Hungarian Intellectual Property Office) have exclusive jurisdiction, with the exception of the EPO opposition procedure in case of validated European patents, and the EUIPO procedures regarding community trademarks and designs.

5) Who could a claim for *in rem* revocation/nullity be brought against (please refer to paragraph 35)?

In case of the registered IPRs we first of all shall take into account that Hungary is a strictly bifurcated country, i.e. any revocation case shall be initiated in front of the Hungarian Intellectual Property Office and cannot be

filed as a counter-claim of the defendant in an infringement proceeding. Therefore, the revocation action is always initiated against the registered owner of the given right (ie. patent, trademark, utility model, design).

A very interesting and specific feature of the Hungarian patent law is the following regulation in Article 80/A in the case of service inventions, where the inventor may be involved as a party in the revocation procedure:

“In the case of a patent granted for a service invention, the Hungarian Intellectual Property Office shall send the request for revocation to the inventor informing him that he may be a party to the revocation proceedings if a statement to this effect is submitted within thirty days from receipt of the request.”

Moreover, paragraph (1) of Article 81 establishes the following:

„The Hungarian Intellectual Property Office shall invite the patentee and – in the case of a patent granted for a service invention – the inventor to submit comments on the request for revocation.”

Thus, the inventor of a service invention may be active in the revocation proceedings.

6) Are there any standing requirements to bring a claim:

a) under 4) above; and/or

Not applicable, as we have no such procedure.

b) under 5) above.

No.

The Hungarian patent law does not restrict who could file a claim for an *in rem/erga omnes* declaration of invalidity; ie. there is no need to show any commercial interest or any ground why somebody requests a declaration of invalidity. A bit different is the case in respect of a declaration of non-infringement in view of the wording of paragraph (1) of the respective Article 37:

“(1) Any person believing that proceedings for patent infringement may be instituted against him may, prior to the institution of such proceedings, request a decision ruling that the product or process exploited or to be exploited by him does not infringe a particular patent specified by him.”

However, we are not aware of any case when the Hungarian Intellectual Property Office, being responsible to make said decision at the first instance, examined whether the person requesting the issuance of a declaration of non-infringement was really threatened by an infringement lawsuit.

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

7) Are there aspects of your Group's current law or practice relating to standing to litigate IP rights that could be improved? If YES, please explain.

Yes.

In general, the current Hungarian law contains appropriate rules on standing to litigate. It would be reasonable to unify the rules for the different IP rights. For example, the new rules of the Trademark Act, effective as of 2019, regulate the standing of the licensee as co-litigant (see response No. 1.). The same rule should apply to other IP rights as well.

8) Should the standing of a person to litigate an IP right depend on whether that person suffers loss caused by the infringement, or has any other interest in the claim?

NO.

9) Should it be possible to 'outsource' enforcement of IP rights by authorising third parties, who suffer no loss from any infringement, to litigate?

Yes.

In our view, in some cases it may have relevance, see for example the collective copyright societies. If we take the collective copyright societies an example, in order to assist the financially weaker individuals and companies to enforce their rights against the multinational companies it can be a good solution for them, to have an "outsource" enforcement.

10) If it is possible to 'outsource' enforcement of IP rights to third parties, should the quantification of damages in such an outsourced action depend on the loss suffered by the third party claimant, or the loss suffered by the owner of the IP right?

The action should be dependent on the loss suffered by the owner of the IP right, as the outsource of the enforcement cannot establish more rights and therefore cannot increase the amount of the damages suffered.

11) Should IP right owners always be joined into a case if there is an in rem determination of validity?

YES.

12) Should a declaration of non-infringement only be available in relation to an existing product, or should such a declaration also be available for proposed products that have not been made or sold yet?

In case if the declaration of non-infringement is granted, the product shall be precisely defined. Therefore, this is not a theoretical question as it is well possible that in some cases the product is not defined precisely without any manufacturing method for its preparation; however, in some cases the proposed products are precisely defined by their properties or formulae in case of chemical or pharmaceutical products.

13) 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?

No.

III. Proposals for harmonisation

14) Do you believe that there should be harmonisation in relation to standing to litigate IP rights?

YES, especially in case of any revocation (even in inter partes cases - see point 33 of the Study Guideline) of the IPR, the owner of the IPR shall be involved.

15) Who should have standing to bring a claim of infringement of an IP right, and subject to what (if any) conditions?

The current system enables a wide range of persons to enforce an IP right. We believe that the current system is appropriate and no one else should have standing to bring a claim of infringement.

16) Should the remedies available, including the quantification of damages, depend on who brings claim of infringement of an IP right, and if so, how?

Yes, no one should receive more damages than it was actually suffered, except if this person is entitled to collect damages on behalf of other parties.

17) Who could a claim for an inter partes declaration of invalidity or a declaration of non-infringement be brought against?

The owner of the IPR shall be involved in such cases.

18) Who could a claim for in rem revocation/nullity be brought against?

Any party should have the right to file a revocation action (except the owner of the IPR).

19) What conditions / standing requirements should be satisfied by a claimant before a claim for a declaration of invalidity and/or non-infringement can be brought?

The claimant should precisely define its product, and also file that he or she has some intention to start any activity within the territory of protection by the IPR.

20) Should there be any difference, in terms of requirements for standing, between actions in courts and actions in administrative tribunals (such as patent offices)?

No.

21) Please comment on any additional issues concerning any aspect of standing to litigate IP rights you consider relevant to this Study Question.

N/A

22) Please indicate which industry sector views provided by in-house counsel are included in your Group's answers to Part III.

No industry sector view.