



Study Question

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Joint liability for IP infringement

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I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

1 Are there any statutory provisions which specifically apply to Joint Liability?

Yes

Please Explain

Article 35 of the Patent Act deals with patent infringement. Paragraphs (4), (5) and (6) of this Article deal with situations which may also apply to situations of joint liability for infringement, and read as follows:

“(4) The patentee may submit the claim referred to in paragraph (2)(b) [i.e. claim for injunction] also against any person whose services were used in the infringing activities.

(5) The patentee may submit the claim referred to in paragraph (2)(c) [i.e. claim for data provision] also against any person who

(a) was found in possession of the infringing goods on a commercial scale;

(b) was found to be using the infringing services on a commercial scale;

(c) was found to be providing on a commercial scale services used in infringing activities;

(d) was indicated by the person referred to in points (a) to (c) as being involved in the production or distribution of the infringing goods or the provision of the infringing services.

(6) For the purposes of paragraph (5)(a) to (c), the acts are carried out on a commercial scale if it is obvious from the nature and quantity of the infringing goods or services that these acts are carried out for direct or indirect economic or commercial advantage. In the absence of proof to the contrary, acts carried out by consumers in good faith shall not be regarded as acts carried out on a commercial scale.”

The similar indirect infringement situations are practically identically regulated for trademarks, designs and copyrights in the respective specific laws. We note herein that these provisions duly reflect the rules of the Enforcement Directive (Directive 2004/48/EC of the European

Parliament and of the Council).

Furthermore, as the background law of the different specific IPR Acts is generally the Civil Code, its concerning regulations should also be mentioned as they may cover special joint liability situations for which there is no specific IPR regulation. The relevant part of the Civil Code reads as follows:

“Section 6:524 [Joint tortfeasors]

(1) If the damage is caused jointly by two or more persons, their liability shall be joint and several towards the aggrieved person.

(2) The court shall be entitled not to establish joint and several liability if the aggrieved person has himself contributed to the occurrence of the damage or if appears unjustified in cases of exceptional circumstances. In the event of non-application of joint and several liability the court shall condemn the tortfeasors consistent with the degree of their culpability, or - if this cannot be determined - in proportion to their respective involvement. If the degree of involvement cannot be verified either, the court shall condemn the tortfeasors equally.

(3) Liability for damages shall be borne by the tortfeasors involved consistent with the degree of their culpability, or - if this cannot be determined - in proportion to their respective involvement. If the degree of involvement cannot be verified, the tortfeasors shall cover the damages equally.

(4) The provision applicable to joint tortfeasors shall apply *mutatis mutandis* also if any one of the activities carried out concurrently would in itself be sufficient to cause the damage, or if the particular activity that in fact caused the damage cannot be identified.”

2 Under the case law or judicial or administrative practice in your jurisdiction, are there rules which specifically apply to Joint Liability?

No

Please Explain

In Hungary, there is no compulsorily applicable precedent based case-law and there are only a very few published cases in connection with the rules presented in Question 1) above. It is possible to refer to the lessons of adjudicated cases in similar court cases, but the consideration of such reference is within the discretion of the judge. In the following, we briefly describe the only closely related case this group could identify:

The Internet service provider, as a company providing services in commercial scale to the infringement by file-sharing, as a legal consequence of a copyright infringement cannot be obliged to disclose personal data of its subscriber in the absence of the consent of the person concerned (BH 2017.20, 25 May 2016). The court referred to the CJEU decision in C-275/06, Promusicae, that the EU law does not require the Member States to lay down a general obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings. The court found that in the given case the data can be used for profiling certain persons, and therefore the limitation to the protection of personal data would not be proportionate with the enforcement of claims arising from copyright infringement.

3 In the following hypotheticals, would party A be liable for Joint Infringement with party X? In each case, please explain why or why not.

3.a X sells handbags in a shop which is a small stall located in a shopping mall owned by A. The handbags infringe the registered design of Z. A knows that X (and other tenants) sells infringing goods.

Yes

Please Explain

Concerning the remedies available against design infringement, the Design Act refers to the Patent Act and renders it applicable *mutatis mutandis*. On the basis of the regulations of the Patent Act, party A is liable for Joint Infringement with party X. We are not aware of similar adjudicated cases in Hungary, on the other hand, the European Court of Justice rendered a similar judgment in a preliminary ruling matter in the case C-494/15 (Tommy Hilfiger Licensing LLC, et al. v Delta Center a.s.).

As it was detailed above under Question 1, on the basis of Article 35 paragraph (4) of the Patent Act the Patentee (here the owner of the design protection) "may request an injunction that the infringer cease his infringement or any acts directly threatening with it" "also against any person whose services were used in the infringing activities".

Moreover, under Article 35(5) of the Hungarian Patent Act, the IPR owner may request data provision from a person, who "was found to be providing on a commercial scale services used in infringing activities" ..

Since A, as the owner of the shopping mall, leases the space for the stall surely on a commercial basis, both injunction and data provision shall be available for Z, the IPR owner.

We are of the view that A shall have no further liability (i.e. account of profits, indemnification or other ancillary remedies), since A does not engage in any actually infringing activity and A's actual activity is not sufficiently closely related to the actual infringing activity.

3.b X sells handbags in an online shop which is hosted by a large market place platform owned by A. The handbags infringe the registered design of Z. A knows that X (and other web shop operators hosted by A's market place platform) sells infringing goods via their respective outline shops.

Yes

Please Explain

On the basis of the regulations of the Patent Act, party A is liable for Joint Infringement with party X, but we are not aware of similar adjudicated cases in Hungary.

On the basis of our arguments concerning hypothetical a), Z may request both injunction and data provision against A.

Furthermore, if A complies with the notice-and-take-down rules of the Act CVIII on E-Commerce and acts in good faith, A shall not be liable for the successful enforcement of the removal of the content (rules based on the Infosoc Directive).

We are of the view that if A does not comply with the notice-and-take-down rules of the E-Commerce Act and/or acts in bad faith, A could be held jointly liable for X's infringing activity (including account of profits, indemnification or other ancillary remedies). Our opinion is based on the *a contrario* interpretation of the rules of the E-Commerce Act.

3.c X sells handbags in an online shop. The handbags infringe the registered design of Z. A designed the online advertising campaign for X's shop and books online advertising resources for X on websites and in search engines. A knows that X sells infringing goods.

Yes

Please Explain

On the basis of the regulations of the Patent Act, party A is liable for Joint Infringement with party X, consequently Z may request both injunction and data provision against A. See our reasoning under hypothetical a) above, but we are not aware of similar adjudicated cases in Hungary.

We are of the view that A shall have no further liability (i.e. account of profits, indemnification or other ancillary remedies), since A does not engage in any actually infringing activity and A's actual activity is not sufficiently closely related to the actual infringing activity.

3.d For each of the hypotheticals in (a) to (c) above, does it make a difference if A merely suspects that X sells infringing goods? If yes, what is the level of "suspicion" required, and how is it demonstrated?

3.d. Hypothetical A

No

Please Explain

Suspicion on the side of A does not seem to be relevant. Where A acts in bad faith, which requires actual knowledge instead of suspicion, A shall not be relieved from liability through compliance with the E-Commerce Act.

d.i Hypothetical B

No

Please Explain

Suspicion on the side of A does not seem to be relevant. Where A acts in bad faith, which requires actual knowledge instead of suspicion, A shall not be relieved from liability through compliance with the E-Commerce Act.

d.i Hypothetical C

No

Please Explain

Suspicion on the side of A does not seem to be relevant. Where A acts in bad faith, which requires actual knowledge instead of suspicion, A shall not be relieved from liability through compliance with the E-Commerce Act.

4 In the following hypothetical, would party A be liable for Joint Infringement with party X? In your answer, please explain why or why not?

4.a Z owns a patent claiming a method for addressing memory space within a memory chip which is built into telecommunication device having further features (main processor, suitable software etc.). A manufactures memory chips. The chips are objectively suitable to be used for the claimed method. A's memory chips are distributed over multiple distribution levels to a plethora of device manufacturers. A has no knowledge of the actual end use of its memory chips.

No

Please Explain

The relevant provisions of the Hungarian Patent Act are again Article 35(4)-(6) (see our arguments under Question 1).

On the basis of the relevant regulations of the Patent Act, we think that no injunctive relief can be requested against company A, which manufactures a memory chip, but infringement of all elements of the claimed invention requires that the chip is built into a telecom device (as described in point 21 of the Study Guidelines) and the manufacturer has no knowledge on the infringement, furthermore the specific infringing use may not be obvious to it. However, we are not aware of similar adjudicated cases in Hungary.

In our view, with special attention to the fact that the manufacturer has no reasonable grounds to know about the infringement, any request for information and/or seizure should be rejected by the Hungarian Courts in this hypothetical case.

4.b Further, under your Group's law, would it be considered obvious (in the sense of Q204P) that A's chips would be put to one or more infringing uses and if so, why?

No

Please Explain

We are of the view that with respect to the evaluation of the above situation, it is immaterial whether it is obvious (in the sense of Q204P) that A's chips would be put to one or more infringing uses or not because A is not aware of the end use of the chips and there are also non-infringing uses of the chips.

5 In the following hypotheticals, would party A be liable for Joint Infringement with party X? Please explain why or why not.

5.a Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". A operates server "a" in your country, which exchanges encrypted messages with server "b" operated by X, also located in your country. A and B know that their servers exchange encrypted messages according to the patented method.

Yes

Please Explain

[We suppose that in the above Question B should be correctly X]

On the basis of the regulations of the Patent Act, party A is liable for Joint Infringement with party X, but we are not aware of similar adjudicated cases in Hungary.

On the basis of our arguments concerning hypothetical a) of Question 3, Z may request both injunction and data provision against A.

Explanation: the eventual fault (culpability), bad faith behavior, knowledge, or expected knowledge is irrelevant from the aspect of this joint (mitigated) liability. Therefore the only precondition of this liability is that the service of the contributor should be provided on commercial scale.

§ 35(6) of the Patent Act provides that acts carried out on a commercial scale are those where the nature and quantity of the products or services involved clearly indicate that they are carried out for direct or indirect economic or commercial advantage. Pending proof to the contrary, the definition of acts carried out on a commercial scale would normally exclude acts carried out by end consumers acting in good faith.

As a result, if the operation of the server is carried out on a commercial scale, the provision of information can be ordered. If not, the only claim to be enforced is the injunction (cease and desist order).

For the eventual liability of this joint infringer under the background Civil Code, please see the answer to Question 6.

5.b Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". A operates server "a" in your country, which exchanges encrypted messages with server "b" operated by X, located outside your country. A and B know that their servers exchange encrypted messages according to the patented method.

Yes

Please Explain

[We suppose that in the above Question B should be correctly X]

On the basis of the regulations of the Patent Act, party A is liable for Joint Infringement with party X.

On the basis of our arguments concerning hypothetical a) of Question 3, Z may request both injunction and data provision against A.

The cease and desist order (injunction) and the order to provide information against A) can be rendered by the HU courts like in hypothetical a). As far as X is concerned, first the issue of jurisdiction has to be answered. The jurisdiction of the HU court can be established under Art 8 (1) or also under Art 7 (2) of the Brussels II Regulation.

The operation of the server is the essential precondition of the infringement. Without the operation of the server the patent cannot be infringed. As a result Art 7(2) of Brussels II Regulation can also apply.

The applicable law is HU law under Art 8 (1) of the Rome II Regulation. The claim is arising out of the infringement of an IP right.

Please see the eventual sanctions in the answer to Question 5 a).

5.c Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server “a” and server “b”. X operates server “a” outside your country, which exchanges encrypted messages with server “b” operated by Y, located in another country outside your country. A, located in your country, is a software consultant advising X and Y how to use the patented method (but A does not supply any software).

Yes

Please Explain

On the basis of the regulations of the Patent Act, party A is liable for Joint Infringement with party X.

On the basis of our arguments concerning hypothetical a) of Question 3, Z may request both injunction and data provision against A.

In our view the issue of jurisdiction can be answered in a similar way. Article 7 (2) of the Brussels II Regulation offers a legal ground for the bringing in the lawsuit before HU courts against both foreign contributors. Since A) is located in HU, and also provides services indirectly on commercial scale to the infringement, also Art. 8 (1) of the Brussels II regulation applies.

The applicable law is HU law under Art. 8(2) of the Rome II Regulation.

6 Are there any other scenarios which result in Joint Liability for IPR infringement under your Group's current law?

Yes

Please Explain

All IP laws' background statute is the Civil Code (Act V of 2013). All IP Acts provide that the rightowners may enforce claims for compensation of damages caused by the infringement. Here the background statute is the Civil Code.

Under § 6:524(1) of the Civil Code, if the damage is caused jointly by two or more persons, their liability shall be joint and several towards the aggrieved person. (Anyway this rule applies to contractual liability as well via § 6:144 of the Civil Code.)

There is however an exception under paragraph (2). The court shall not hold liable the joint tortfeasors under the joint and several liability rule if the aggrieved person has himself contributed to the occurrence of the damage or the joint and several liability appears unjustified in cases of exceptional circumstances.

In the event of non-application of joint and several liability the court shall decide upon the liability of the tortfeasors consistent with the degree of their culpability, or - if this cannot be determined - in proportion to their respective involvement in the causation of the damage. If the degree of involvement cannot be verified either, the court shall hold the tortfeasors liable in an equal proportion.

Under the court practice, the joint and several liability applies both on a contractual and on a non contractual basis. As a result, if a licensee breaches the IP licensing agreement intentionally by stepping over the scope of the license (= infringement) and thereby causes damage to the IP rightowner and the licensee has a contributor (abettor, accomplice) whose behavior

- proves to be culpable (acts in a way which may not generally be expected from a person under the given circumstances), and is part of the causal link that resulted in the damage suffered by the rightholder, and
- does not qualify as a contribution that falls within the scope of limitation of liability for IP infringements (in particular the acts of the intermediarieservice providers),

such a contributor may be held liable under the joint and several liability rule of the Civil Code.

The same applies if the infringement is committed outside any contractual relationships.

The application of the Civil Code is thus always subsidiary in relation to the IP Acts.

7 What remedies are available against a party found liable for Joint Infringement? In particular:

7.a Is an injunction available?

Yes

Please Explain

According to the Article 35(2) and (4) of the Hungarian Patent Act:

(2) The patentee may, according to the circumstances of the case, have recourse to the following civil remedies:

(b) he may request an injunction that the infringer cease his infringement or any acts directly threatening with it;

7.b Are damages or any other form of monetary compensation available?

Yes

On what basis?

On the basis of the Patent Act no monetary compensation is available against a joint infringer. In special situations, were the liability of the joint infringer can also be established on the basis of the Civil Code, monetary compensation may be claimed on the basis of its relevant regulations (see under Question1)).

7.c Are any of the available remedies different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?

Yes

Please Explain

On the basis of the Patent Act, only injunction and data protection may be requested against the joint infringer but no monetary compensation. Monetary compensation may only be claimed on the basis of the Civil Code in special situations, where the joint infringer can be proved to be liable for causing damages to the IP owner (see Question1)).

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

8 Are there aspects of your Group's current law that could be improved?

No

Please Explain

We think that the regulations present in our IP Acts in harmony with the EU Enforcement Directive together with the background joint liability regulations present in the Civil Code duly address the most typical joint infringement situations (see our response to Question 1)) and we do not see any significant need for improvement.

9 Should acts outside the scope of direct infringement or Contributory Infringement give rise to Joint Liability for IPR infringement?

Yes

Should that sound in availability of injunctive relieve and/or damages? Please explain why or why not.

Yes, there are acts outside the scope of direct infringement or contributory infringement which should give rise to Joint Liability for IPR infringement. If the joint infringer is not liable for causing damages, only injunctive relief and data provision should be available against him. If the joint infringer is also liable for causing damages than it should also be possible to claim against him (in Hungary it is possible on the basis of the Civil Code).

10 Should Joint Liability be excluded if one or more acts being necessary for establishing Joint Liability for IPR infringement are committed outside the domestic jurisdiction? Please explain why or why not.

No

Please Explain

Joint Liability should not be excluded if one or more acts being necessary for establishing Joint Liability for IPR infringement are committed outside the domestic jurisdiction because the liability of the domestic infringers stands even in these situations. Nevertheless, it might be difficult to obtain any relief against the joint infringer residing outside the domestic jurisdiction.

11 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

Please Explain

We are not aware of any need that would require improvement to our concerning present regulations.

III. Proposals for harmonisation

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

12 Is a consolidated doctrine of Joint Liability for IPR infringement desirable?

No

Please Explain

We think that there is no need for any further doctrine with respect to infringement of IPRs. It is clear enough that all indirect infringement which is not contributory infringement is joint infringement. We think that such situations can duly be regulated on the basis of the EU Enforcement Directive and by background Civil Code regulations on joint liability for causing damages.

13 Is harmonisation of the laws of Joint Liability for IPR infringement desirable?

Yes

Please Explain

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

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

14 Please propose a suitable framework for Joint Liability for IPR infringement, focussing on the hypotheticals set out in Questions 3 to 5 above:

4.a The acts in question are limited to activities such as renting retail space, hosting websites, advertising etc. (as further described in Question 3 (a) to (d) above)

4.b The means supplied or offered by the contributory infringer related to a substantial element of the subject matter of the protected IPR, but at the time of offering or supply, the suitability and intended use were not known to the supplier or obvious under the circumstances (as further described in Question 4 above)

4.c The infringing acts are divided between two parties, and the acts of each party do not qualify as direct infringement or Contributory Infringement, as further described in Question 5 (a) to (c) above.

We think that the suitable framework for regulating the above situations are IP Acts being in harmony with the concerning EU Enforcement Directive regulations plus background Civil Code regulations on joint liability for causing damages.

15 Are there any other scenarios which should result in Joint Liability for IPR infringement, and where harmonisation is desirable?

No

Please Explain

We are not aware of such further situations.

16 What remedies should be available against a party found liable for Joint Infringement? In particular:

6.a Should an injunction be available?

Yes

Please Explain

6.b Should damages or any other form of monetary compensation be available?

Yes

On what basis?

Yes, but only if joint liability in causing damages can be proved.

6.c Should any available remedies be different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?

Yes

Please Explain

Yes, the possibility of claiming damages against a joint infringer should not be automatic.

17 Please comment on any additional issues concerning any aspect of Joint Liability you consider relevant to this Study Question, having regard to the scope of this Study Question as set out in paragraphs 7 to 13 above.

We do not have any further related issues.

18 Please indicate which industry sector views are included in your Group's answers to Part III.

Pharma, biotech, IT and mechanical engineering.