

Q287



National Group: Hungary

Title: **Responsibility of online marketplaces for online infringement of industrial property rights**

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Questions

I. Current law and practice

Please answer all questions in Part I based on your Group's current law.

A. Responsibility regimes applicable to OMs

This part is intended to identify the responsibility regime(s) applicable to OMs in your jurisdiction, and the criteria for determining the application of one or other regime.

- 1) In your jurisdiction, please indicate if the responsibility of OMs for IPRs infringement is subject to the following legislation (please answer YES or NO and cite the applicable texts):
 - a) the General IP Law regime,

YES.

Art 19 Subsections (1)-(4) of Act XXXIII of 1995 on the Protection of Inventions by Patent ('Patent Act') confers exclusive rights upon the holder of the patent for the exploitation of the invention, meaning that the holder of the patent shall be entitled to prohibit anybody, who, without his authorization – inter alia – manufactures, uses, distributes, or offers for distribution the product (including product produced directly through the process that forms the subject matter of the invention) that is the subject matter of the invention or keeps stocks of this product or imports it into the country for such purposes; or uses the process that forms the subject matter of the invention or offers the process for use to others while being aware that the process cannot be used without the authorization of the IPR holder.

The IPR holder, on the basis of the exclusive right of exploitation, may also take action against any person, who - without his authorization - delivers a thing (tool, appliance, equipment) related to an essential element of the invention, or offers it for delivery with the purpose of the implementation of the invention, provided that he knows that the thing is suitable for the implementation of the invention, or serves this purpose. There is an exemption of this rule, namely if the thing delivered or offered is an ordinary article that may be purchased in commercial circulation, except for the case where the deliverer or the offeror of said article induces the recipient intentionally to carrying out the acts of unauthorized exploitation.

Article 35 Subsections (1)-(5) defines patent infringement and provides the recourse available for the IPR holder against the infringer in civil action. The recourse relevant in respect of OMs include, according to the circumstances of the case, to demand a person whose services are being used in connection with the infringement to cease and desist of infringement and imminent threat thereof. Additionally, the IPR holder may demand provision of information on the parties taking part in the manufacture and trade which infringe on the patent, as well as on business relationships established for the use of the infringer, against a person who was found in possession of the infringing goods; to be using the infringing services; or to be providing services used in infringing activities; provided these activities are undertaken on a commercial scale.

Art 12 of Act XI of 1997 on the Protection of Trademarks and Geographical Indications ('Trademark Act') provides that trademark protection affords exclusive right for the IPR holder to use the trademark; and based on the exclusive right initiate proceedings against any party who, without his consent, uses the trademark (including any sign confusingly similar to the trademark) within the scope of economic activities.

Article 27 Subsections (1)-(5) defines trademark infringement and the civil law claims afforded to the IPR holder in case of infringement. The claims available and relevant in respect of OMs include, according to the circumstances of the case, to demand a person whose services are being used in connection with the infringement to cease and desist of infringement and imminent threat thereof. Similarly to patents, the trademark holder may also demand provision of information on the parties taking part in the manufacture and trade which infringe on the patent, as well as on business relationships established for the use of the infringer, against a person who was found in possession of the infringing goods; to be using the infringing services; or to be providing services used in infringing activities; provided these activities are undertaken on a commercial scale.

Art 16 of Act XLVIII of 2001 on the Legal Protection of Designs ('Design Act') provides that based on the exclusive exploitation right the holder of the design shall have the right to prevent any third party not having his consent from using it. Said use shall cover, in particular, the making, using, offering, putting on the market, importing or exporting of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes.

While Art 23 defines design infringement and sets out the recourse available for the IPR holder in civil action against the infringer. The recourse is similar to those afforded by the Patent Act for patent holders.

b) a Special Digital Law regime,

YES.

Art 2 I) lc) of Act CVIII of 2001 on Electronic Commerce and on Information Society Services ('E-Commerce Act') prescribes that, for the purposes of this act, 'Intermediary service provider' shall mean any provider of information society services being engaged in the storage of the information supplied by the recipient of the service (hosting).

Art 7 (2)-(5) of E-Commerce Act state that intermediary service provider shall not be liable for information made available by others and transmitted, stored or made accessible by means of an information society service provided by the intermediary service provider, provided that certain conditions (see below) are met. Intermediary service providers shall not be required to monitor the contents of the information which they only transmit or store or provide access to, nor shall they be required to actively seek facts or circumstances indicating illegal activity.

In connection with copyright or trademark infringement the intermediary service providers shall not be liable - above and beyond the above - for any infringement or for the ensuing damages to third persons resulting from an information society service that consists of the transmission or storage of information provided by others with unlawful content, or the provision of access to such information, provided that they carry out the measures under Article 13.

The above exemption of the intermediary service provider shall not preclude a harmed person from pursuing claims for the prevention or cessation of the infringement, as claims arising from the infringement, against the intermediary service provider in addition to the infringing party, by way of legal proceedings.

Intermediary service providers shall not be liable for any infringement resulting from the removal or disabling of access to information, provided that they have carried out the measures in Art. 13¹.

Art 10 states that the intermediary service providers shall not be held liable for the information stored at the request of a recipient of the service, on condition that a) the intermediary service provider is not aware of any unlawful conduct relating to the information or that the information infringes anyone's rights or legitimate interests; or b) as soon as the intermediary service provider becomes aware of such information, will take immediate steps to remove the information or not provide access to it.

Art 12 states that under the previous provision, the service provider shall not be exempt from liability if the recipient acts on behalf of or on the instructions of the service provider.

Art 13 (1) states that any proprietor whose rights relating to any authentic works under copyright protection, furthermore, whose exclusive rights conferred by trademark protection under the Trademark Act are infringed upon by any information to which a service provider has given access - not including the standardized title of the information accessed - shall be entitled to notify the service provider in a private document with full probative force or in an authentic instrument for removing the information in question.

c) the General Law regime,

YES.

Under the respective provisions of General IP law cited above, the rightholder of the respective IPR may claim compensation of damages caused by the infringement under the provisions of tort liability as provided for in Act V of 2013 on the Civil Code ('Civil Code').

Pursuant to Articles 6:518-6:519 of the Civil Code all torts are prohibited by law, and any person who causes damage to another person wrongfully shall be liable for such damage. The tortfeasor shall be relieved of liability if able to prove that his conduct was not actionable.

¹ Article 13 contains measures applicable to OMs. For other intermediary service providers, Articles 7-9 and 11 also apply.

In accordance with Art 6:521 of Civil Code the foreseeability rule is applicable: "No causal relationship shall be deemed to exist in respect of any damage that the tortfeasor could not and should not have foreseen."

The tortfeasor shall compensate the aggrieved party for all his losses in full, which shall cover

- a) any depreciation in value of the property of the aggrieved party;
- b) any pecuniary advantage lost; and
- c) the costs necessary for the mitigation or elimination of the financial losses sustained by the aggrieved party.

In principle, the mode of compensation shall be monetary compensation. General compensation may also apply: "If the extent of damage cannot be precisely calculated, the person responsible for causing the damage shall be compelled to pay a general indemnification that would be sufficient to compensate the aggrieved party." (Art 6:531 of Civil Code).

- d) an alternative/different regime.

NO.

- 2) If a Special Digital Law regime exists in your jurisdiction (applicable in particular to OMs), is this regime of responsibility more stringent or more liberal (e.g. exemption of responsibility, safe harbour, etc.) for OMs than the General IP Law, in case of IPRs infringement?

The Special Digital Law regime is more liberal because the OMs as intermediary service providers can only be held liable for infringement if certain conditions are met. If an OM is not exempt of liability based on these conditions, OMs may be held liable for IPR infringement based on the provisions of the General IP Law regime. Whether the OM is a direct or a co-infringer can only be established on a case-by-case basis.

Nevertheless the court may apply specific consequences against OMs as contributors to IPR infringement (e.g. cease and desist from infringement) even if the OM is exempted from liability for infringement based on Special Digital Law regime.

- 3) If a Special Digital Law regime exists in your jurisdiction, what justifies the application of a Special Digital Law regime to the OMs in relation to IPRs infringement?

The E-Commerce Act as *lex specialis* deals with the actors in the electronic commerce sector. The E-Commerce Act *expressis verbis* states that online marketplaces fall within the scope of this Act when regulating in Art (1) that the "online marketplace" is a service that is subject to prior notification obligations. Consequently, it can be established that the E-Commerce Act acknowledges that OMs as platforms do fall under its scope.

It should also be noted that the E-Commerce Act does not categorize OMs directly into any category of service providers or intermediary service providers. No national case law was found in this topic, either. However, based on the fact that Hungarian courts follow the decisions of the CJEU and tend to consider the case law of other EU member states (especially Austria and Germany), based on academic literature it is likely that OMs fall within the category of 'intermediary service provider' and subcategory 'hosting'. This is in line with the understanding of the CJEU's [see C-567/18, *Coty Germany GmbH v Amazon*]. We may

mention that in some cases, the OM plays active role in the creation of content (e.g. by ranking goods). This does not reach beyond the scope of hosting. In this respect, Art 7 of the E-Commerce Act provides that OMs are not required to monitor the contents of the information which they only transmit or store or provide access to, nor are they be required to actively seek facts or circumstances indicating illegal activity.

However, once the OM becomes aware of the infringing content or activity and fails to act upon it, the exemption of its liability will not apply.

- 4) If OMs can benefit an exemption of responsibility/safe harbour, what are the criteria for determining whether an OM is subject to this regime (e.g. active or passive role of the OM, knowledge/control of the presentations of the products, awareness of the IP rights infringement, etc.). Please give examples (case law, etc.).

The OMs can benefit from the exemption of responsibility provided by the E-Commerce Act if they meet the following two conditions:

- a) the OM (as intermediary service provider) is not aware of any unlawful conduct relating to the information or that the information infringes anyone's rights or legitimate interests; and
- b) as soon as the OM becoming aware of such information, it takes immediate steps to remove the information or not provide access to it.

This means that once OMs become aware of the infringing content or activity and fail to act upon it, the exemption of its liability under the Special Law regime will not apply.

The text of the law is rather specific and straightforward on when the exemption applies. The Hungarian Group has not come across decisions addressing this specific aspect.

B. The implementation of the OMs responsibility regimes

The purpose of this chapter is to determine the implementation for each responsibility regime applicable to OMs in your jurisdiction (conditions to engage responsibility, exceptions, exemptions, etc.).

The purpose is, for instance, to determine under what conditions an OM can be considered an IP infringer, co-infringer, accomplice, or contributory IP infringer (use of the IP on its own benefit, awareness of IP rights infringement, providing of specific services such as optimizing the presentation, promoting offers, etc.), and under what conditions an OM can benefit from an exemption of responsibility/safe harbor (acting expeditiously following awareness of IP rights infringement, etc.), etc.

To answer each question in this chapter, please deal separately with each responsibility regime applicable in your jurisdiction.

General IP law regime (if applicable to OMs)

- 5) In your jurisdiction, under what conditions can an OM be held responsible for IP rights infringement or, on the contrary, to be exempted from responsibility for an IP rights infringement in each of these cases?
 - a) in patent law:

Firstly, for an OM to be held liable for IPR infringement, it is required that the exemption provided in the Special Digital Law regime, namely the E-Commerce Act does not apply to it.

The Patent Act provides that patent protection confers exclusive rights upon the rightholder for the exploitation of the invention. The law provides a closed list of infringing activities generally applicable for any infringer (not specific for OMs), which are the followings:

- a) manufacturing, using, marketing or offering for sale the infringing product or warehousing, importing such product for these purposes;
- b) using the process that forms the subject matter of the invention or offering the process for use to others when aware - or it is evident based on the relevant circumstances - that the process cannot be used without the authorization of the rightholder.

Although patent infringement is an objective act, for an OM to be held responsible for IP rights infringement, it is required under the Special Digital Law regime that the OM is aware of the IPR infringement. The same applies for certain types of contributory infringement activities, namely for delivering a thing (tool, appliance, equipment) related to an essential element of the invention, or offering such for delivery with the purpose of the implementation of the invention. In this case the law requires that the infringer knows - or it is evident on the basis of the relevant circumstances - that the thing is suitable for the implementation of the invention, or serves this purpose.

In this latter case there is an additional exemption from liability, namely if the thing delivered or offered is an ordinary article that may be purchased in commercial circulation, except if the OM delivering or offering such article intentionally induces the recipient to carry out the infringing acts.

- b) in trade mark law:

Firstly, for an OM to be held liable for IPR infringement, it is required that the exemption provided in the Special Digital Law regime, namely the E-Commerce Act does not apply to it

The Trademark Act defines infringing activities generally applicable for any infringer (not specific for OMs), as, using, within the scope of the infringer's economic activities

- a) any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered;
- b) any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark and the sign, there exists a likelihood of confusion on the part of the consumers, including the case where the likelihood of confusion includes the likelihood of association between the sign and the earlier trademark; or
- c) any sign which is identical with, or similar to, the trademark irrespective of whether it is used in relation to goods or services which are identical with, or similar to those for which the trademark is registered, where the latter has a reputation in Hungary and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark without the rightholder's consent.

Although trademark infringement in general is an objective act, for an OM to be held responsible for trade mark infringement, it is required under the Special Digital Law regime that the OM is aware of the IPR infringement. In the case of contributory infringement, for applying sanctions as per the General IP law, no awareness of the OM of the IPR infringement is required.

c) in design law:

Firstly, for an OM to be held liable for IPR infringement, it is required that the exemption provided in the Special Digital Law regime, namely the E-Commerce Act does not apply to it.

Infringement of a design right means the unauthorized use of a design that is under protection, such use shall cover, in particular, the making, using, offering, putting on the market, importing or exporting of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes. This is generally applicable for any infringer (not specific for OMs).

Although design infringement in general is an objective act, for an OM to be held responsible for design infringement, it is required under the Special Digital Law regime that the OM is aware of the IPR infringement.

6) Please indicate under what circumstances an OM can be considered an IP infringer, co-infringer / joint tortfeasor, accomplice, or a contributory infringer.

a) in patent law:

Provided that the exemption in the Special Digital Law regime, namely the E-Commerce Act, does not apply to the OM, the act of infringement is assessed according to the general national rules applicable for patent infringement.

Direct infringement occurs in the case of use of the IPR by the OM itself or in its own direct benefit. The Hungarian Group is not aware of relevant case law dealing with direct infringement of patents by OMs.

Contributory infringement occurs if the OM's services are used for committing infringement. Also, in the case the OM is possession of the infringing goods or using the infringing services on a commercial scale. Commercial scale means that acts are carried out for direct or indirect commercial or other economic advantages due to the nature and quantity of the goods or services involved. It is presumed that acts carried out by end consumers acting in good faith are not considered as being on commercial scale.

b) in trade mark law:

Provided that the exemption in the Special Digital Law regime, namely the E-Commerce Act does not apply to the OM, the act of infringement is assessed according to the general national rules applicable for trademark infringement.

Direct infringement occurs in the case of use of the IPR by the OM itself or in its own direct benefit. The Hungarian Group is not aware of relevant case law dealing with direct infringement of trademarks by OMs, nevertheless, it is expected that the principles stemming from the decisions of the CJEU in the joint cases C-148/21 and C-184/21 Louboutin v Amazon would be observed and followed by the Hungarian courts in similar cases. Meaning that an OM could

be held liable for trade mark infringement if, when seeing the advertisement, an informed and reasonably observant consumer could establish a link between the trade mark in question and the services of the OM.

Contributory infringement occurs if the OM's services are used for committing infringement. Also, in the case the OM is possession of the infringing goods or using the infringing services on a commercial scale. Commercial scale means that acts are carried out for direct or indirect commercial or other economic advantages due to the nature and quantity of the goods or services involved. It is presumed that acts carried out by end consumers acting in good faith are not considered as being on commercial scale.

c) in design law:

Provided that the exemption in the Special Digital Law regime, namely the E-Commerce Act does not apply to the OM, the act of infringement is assessed according to the general national rules applicable for design infringement.

For the conditions under which an OM may be held responsible for design rights infringement are the same as for the infringement of patents.

Special Digital Law regime (if such a regime is applicable to OMs)

7) In your jurisdiction, what are the conditions for an OM to be held responsible on this basis? What obligations must the OM fulfil in order to be exempted from responsibility for an IP rights infringement? If possible, please give examples for each IPR separately.

The OM may be held responsible if the OM does not meet at least one of the following two conditions, which would lead to exemption.

These conditions are the following:

- 1) the OM (as intermediary service provider) is not aware of any unlawful conduct relating to the information or that the information infringes anyone's rights or legitimate interests; or
- 2) as soon as the OM becomes aware of such information, the OM will take immediate steps to remove the information or not provide access to it.

The burden of proof of meeting at least one of the abovementioned conditions lays with the OM.

The E-Commerce Act does not specify IPR infringement. Rather, it generally applies to all types of infringements. These provisions of the E-Commerce Act are the result of the implementation of Directive 2000/31/EC ("E-Commerce Directive") into national law.

However Art 13 of the E-Commerce Act provides special provisions for copyright and trademark owners according to which rightholders of such IPRs are entitled to submit a notice & take-down request with the OM. In the case of a formal request for notice & take-down the OM subject to the request may only be exempt from liability if it complies with the formal procedure prescribed in the E-Commerce Act.

From this, it also follows that in case of the infringement of other IPRs, it may not be relevant whether a rightholder submits a formal notice & take-down request and consequently whether a notice & take-down procedure was concluded or not. Once the OM is aware of the unlawful

conduct or infringement it must take immediate steps to remove said information in order to benefit from the general exemption of the act.

According to the reasoning provided for to the E-Commerce Act, the provisions on notice & take-down are following a similar approach as those in the Digital Millennium Copyright Act (1998) in the USA.

General Law regime (if this regime is applicable to OMs)

- 8) In your jurisdiction, what are the conditions for an OM to be held responsible on this basis? What obligations must the OM fulfil to be exempted from responsibility for an IP rights infringement? If possible, please give examples for each IPR separately.

As described in point 1a), under Hungarian law, in the event of infringement of IPRs, in accordance with the General IP laws, the rightholder may demand compensation for damages based on the provisions of civil liability.

Thus, the general civil law does not provide for separate and stand-alone legal basis for holding the infringer liable for IPR infringements, but, in accordance with the provisions of the General IP laws, it solely applies for establishing the infringer's liability – as one of the legal consequences of IPR infringement - for damages compensation. Hence, the application of the general rules on damages compensation requires that first the infringement of the respective IPR is established based on the provisions of General IP law.

We note that OMs might also be held responsible for passing-off and personality rights (e.g. right in the name, reputation or portrait rights) infringements under the unfair competition laws and/or the personality rights regime of the Civil Code. However, as the civil law responsibility in such cases is not based on IPR infringements, it is the common understanding of the Hungarian Group that they are outside the scope of the Study Question.

There are no specific rules applicable to OMs in the Hungarian civil (tort) law, hence general rules on liability for damages set out in Art 6:518 – 6:654 of the Civil Code apply. Pursuant to the general rules a person causing unlawfully damages to another shall compensate for the damages caused. Under Hungarian law, all torts are considered unlawful, unless the tortfeasor can prove it was not at fault.

Thus, the liability regime is fault-based, where fault is evaluated by imputation (i.e. what is generally expected given circumstances). In court proceedings the court must define a virtual level of awareness (knowledge), and behaviour, that can be expected from the average reasonable person (entity) committing the IPR infringement under the given circumstances. The courts enjoy full discretion to assess the said elements.

The Hungarian Group is not aware of relevant official commentary, court guidance or published court decision dealing with OMs' liability for damages claims arising out of IPR infringements. However, considering that a level of awareness is required to establish the civil law liability, such liability of OMs may most likely arise in direct infringement situations.

When claiming damages, the rightholder as aggrieved party must prove the following elements:

- the amount of damages (losses, lost profits);
- the fact that infringement of IPR by the OM caused the damages, and
- the causal links between the infringing act and the damages.

Other liability regime (if applicable to OMs)

- 9) In your jurisdiction, what are the conditions for an OM to be held responsible on this basis? What obligations must the OM fulfil to be exempted from responsibility for an IP infringement? If possible, please give examples for each IPR separately.

N/A

C. Sanctions that can be imposed on OMs

The purpose of this part is to determine the sanctions that can be imposed (in your jurisdiction, by a judge or by any other state entity) on an OM whose responsibility is engaged under one or more forms of responsibility (damages, injunction to delist a seller, obligation to inform/reimburse the buyers, obligation to prevent future sales of the infringing product, etc.).

To answer each question in this chapter, please deal separately with each form of responsibility applicable in your jurisdiction. For each form of responsibility, please treat each IPR (patent, trade mark, design) separately only if you consider it necessary.

General IP law regime (if applicable to OMs)

- 10) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

Provided that the conditions of direct liability are met, the following general sanctions can be imposed on the OM as infringer:

- establishment of infringement;
- cease and desist of infringement or activities immediately threatening with infringement;
- provide information on persons taking part in the manufacture and sales of the infringing goods or services, and business relationships created for the sales of such goods;
- publish a public apology;
- reimbursement of unjust enrichment to the trademark holder;
- seizure of assets and materials used exclusively or primarily for the infringement; of the infringing goods as well as packaging material; withdrawal of the same from circulation and destruction;
- compensation for damages in accordance with the provisions of civil liability which require knowledge or lack of generally expected care.

Provided that the conditions of direct liability are not met, but the conditions of contributory infringement are met, the following sanctions can be imposed on the OM as contributor to an IP rights infringement:

- cease and desist of infringement or activities immediately threatening with infringement;
- provide information on persons taking part in the manufacture and sales of the infringing goods or services, and business relationships created for the sales of such goods.

Provided infringement for IP rights are established, the tools and materials used for infringing an IP right, as well as the goods and packaging materials involved in the infringement, may be seized from the OM, if the OM as owner of such goods and materials were aware of the infringement or should have been aware acting with due care under the given circumstances.

Special Digital Law regime (if such a regime is applicable to OMs)

- 11) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

There are no specific provisions in the E-Commerce Act that would either broaden or narrow the scope of the sanctions that are applicable in case of an IPR infringement. Therefore, theoretically, all sanctions against infringers laid down in the General IP laws or General Law are applicable once it is established that the OM is a direct or co-infringer or whether only certain consequences apply to it without establishing its liability for infringement of IPRs.

In the case the OM is exempted from liability based on the provisions of the E-Commerce Act, or the liability of the OM cannot be established, the rightholder harmed by the unlawful information can pursue his claims for the prevention or cessation of the infringement, against the OM, as contributory infringer by way of legal proceedings.

General Law regime (if this regime is applicable to OMs)

- 12) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

As explained, the general civil law does not provide for separate and stand-alone legal basis for IPR infringements, it serves as the legal background of liability for the compensation of the caused damages. Thus, the General Law regime relates to one specific sanction applicable in case of IPR infringements, namely the obligation for compensating the rightholder's damages arising out of the infringement (tort liability).

The preconditions of tort liability were set out in question 8 above. As for the extent and nature of the compensation the followings can be relevant.

As a basic rule, the infringer shall compensate rightholder as aggrieved party for all their losses in full, which covers any depreciation in value of the property, pecuniary advantage lost, and the costs necessary for the mitigation or elimination of the financial losses. In addition, this sum is reduced by the financial advantage of the rightholder as aggrieved party resulting from the tort (if any).

In principle, compensation has to be provided in monetary means, unless compensation in kind is justified by the circumstances. The compensation is due upon the occurrence of the damage.

The court may always evaluate, whether the amount of damage alleged by the rightholder can be regarded as evidenced, and whether such amount is or is not in causal connection with the infringing acts. Foreseeability is the limit of the compensation: no compensation may be awarded for the damage that the infringer could not and should not have foreseen. The rightholder bears the burden of proof.

Practical experiences in IPR infringement cases show that outside of lost profits, it is difficult for the rightholders to claim compensation for other negative economic consequences resulting from an infringement. There are many types of consequential damage that can result from an

infringement – reputational damage, price declines, damage to the distinctiveness or value of a trademark, and the like – which are quite rarely considered or compensated.

For awarding lost profits, the rightholder may prove decrease of sales. Licence analogy may also be applicable, but lost royalties are most likely awarded only in case of intentional infringement.

Under Art 6:531 awarding general compensation is also possible, the general measure for compensation is the general indemnification that would be sufficient to compensate the rightholder as aggrieved party. The application of general compensation requires that the extent of the damage (objectively) cannot be precisely calculated.

The infringer's profit can only be awarded once, either as a recovery of unjust enrichment or as part of the damages awarded, no cumulation is possible.

Other liability regime (if applicable to OMs)

- 13) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

N/A

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

- 14) Could your Group's current law or practice relating to the responsibility of online marketplaces for online infringement of industrial property rights be improved? If YES, please explain.

At this point, we shall point out that there is an upcoming revision of the current Special Digital Law regime, as the European Parliament and Council of the European Union rendered an update on the E-Commerce Directive in the form of Regulation 2022/2065 (Digital Services Act). The Digital Services Act will be applicable for intermediary service providers. While the Digital Services Act reiterates when intermediaries are exempt from liability, it also imposes obligations on them, with the aim of combating illegal content available on their services.

As regards the current laws, we are of the view that it would be desirable if the E-Commerce Act would expressis verbis contain that online marketplaces are "hosting" intermediary service providers, in accordance with the CJEU's interpretation.

- 15) Could any of the following aspects of your Group's current law relating to responsibility of online marketplaces for online infringement of industrial property rights be improved? If YES, please explain.

- a) The regime of responsibility applicable to OMs?

NO.

b) The implementation of the responsibility regimes applicable to OMs?

NO.

c) The sanctions that can be imposed to OMs

YES, by introducing operational review of OMs, where the OM has to show that expedited and efficient mechanisms are in place to enforce IPRs on their platforms, including notice and take-down procedures and at least three of the following as a minimum in line with the Q281-RES-2022 on Trade Marks and the Internet and Social Media, namely:

- a) stay-down procedures;
- b) shut down of a seller, an online shop or marketplace;
- c) a list of registered IPRs that are in use notified to the online platform;
- d) the ability for a user of an IPR in an online platform to indicate authentic product verification; and
- e) a mechanism for investigating and informing IPRs rightholders of any potential infringement on their platform and supplying the contact details of any potential infringer.

16) 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?

N/A

III. Proposals for harmonisation

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

17) Do you believe that there should be harmonization in relation to the responsibility of online marketplaces for online infringement of industrial property rights?

YES.

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.

A. Responsibility regimes applicable to OMs

The purpose of this part is to determine the responsibility regime(s) that should be applicable to OMs.

18) In case of IP rights infringement, should OMs be subject to:

a) the General IP Law regime,

YES.

b) a Special Digital Law regime, e.g. an exemption of responsibility (safe harbour),

Yes, but under stricter conditions, see the Hungarian Group's answer to Q 19 below.

c) the General Law regime,

YES.

d) an alternative/different responsibility regime.

NO.

19) If OMs should benefit an exemption of responsibility/safe harbour, what should be the criteria for determining whether an OM should be subject to this regime (e.g. active or passive role of the OM, knowledge/control of the presentations of the products, awareness of the IP rights infringement, etc.)?

We welcome that the (below defined) Digital Services Act will complement the current Special Digital Law liability regime by introducing a new rule (Article 6 (2)), according to which the exemption of liability shall also not apply where the recipient of the service is acting under the authority or the control of the provider. This means that if the provider takes an active part in any transaction, it may not be exempt from liability.

The Digital Services Act will introduce further obligations on OMs nevertheless those are not directly relating to infringement of IPRs, although in their effect those obligations may avail better enforcement of IPRs.

Further, as OMs tend to introduce a bona fide scanning tool on their own in order to identify infringing products, the DSA introduces another new rule. According to Article 7, providers of intermediary services shall not be deemed ineligible for the exemptions from liability referred to in Articles 4, 5 and 6 solely because they, in good faith and in a diligent manner, carry out voluntary own-initiative investigations into, or take other measures aimed at detecting, identifying and removing, or disabling access to, illegal content, or take the necessary measures to comply with the requirements of Union law and national law in compliance with Union law, including the requirements set out in this Regulation.

B. The implementation of the OMs responsibility regimes

The purpose of this chapter is to determine the conditions that should be required for an OM to be held responsible for IP rights infringement or, on the contrary, to be exempted from responsibility.

The purpose is, for instance, to determine under what conditions an OM should be considered an IP infringer, co-infringer / joint tortfeasor, accomplice, or contributory IP infringer (use of the IP on its own benefit, awareness of IP rights infringement, providing of specific services such as optimizing the presentation, promoting offers, etc.), and under what conditions an OM should benefit from an exemption of responsibility/safe harbor (acting expeditiously following awareness of IP rights infringement, etc.), etc.

To answer each question in this chapter, please deal separately with each of responsibility regime that should be applicable. If you consider it necessary, please treat each IPR (patent, trade mark, design) separately.

General IP law regime (if this regime should be applicable to OMs)

- 20) Under what conditions should an OM be determined to be an IP infringer or, on the contrary, be exempted from responsibility for an IP rights infringement?

[See our answer on the presently applicable law.](#)

Special Digital Law regime (if this regime should be applicable to OMs)

- 21) Under what conditions an OM should be held responsible on this basis? What obligations should the OM fulfil to be exempted from responsibility for an IP rights infringement?

[See our answer on the presently applicable law.](#)

General Law regime (if this regime should be applicable to OMs)

- 22) Under what conditions an OM should be held responsible on this basis? What obligations should the OM fulfil be exempted from responsibility for an IP rights infringement?

[See our answer on the presently applicable law.](#)

Other liability regime (if this regime should be applicable to OMs)

- 23) Under what conditions an OM should be held responsible on this basis? What obligations should the OM fulfil be exempted from responsibility for an IP rights infringement?

[N/A.](#)

C. Sanctions that should be applicable to the OMs

The purpose of this part is to determine the sanctions that should be available against an OM whose responsibility is engaged (e.g. damages, injunction to delist a seller, obligation to inform/reimburse the buyers, obligation to prevent future sales of the infringing product, etc.).

General IP law regime (if this regime should be applicable to OMs)

- 24) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

Sanctions as according to the general rules of General IP law regime.

Special Digital Law regime (if this regime should be applicable to OMs)

- 25) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

Sanctions as according to the general rules of Special Digital Law regime. In addition to that a review of its internal rules and policies addressing IPR infringements. Namely an operational review whether the OM has expedited and efficient mechanisms in place to enforce IPRs on their platforms, including notice and take-down procedures and at least three of the following as a minimum in line with the Q281-RES-2022 on Trade Marks and the Internet and Social Media:

- a) stay-down procedures;
- b) shut down of a seller, an online shop or marketplace;
- c) a list of registered IPRs that are in use notified to the online platform;
- d) the ability for a user of an IPR in an online platform to indicate authentic product verification; and
- e) a mechanism for investigating and informing IPRs rightholders of any potential infringement on their platform and supplying the contact details of any potential infringer.

The fulfilment of the above requirements should be investigated by an authority, which would carry out investigations based on a final and binding court judgement confirming the IPR infringement on the OM in question. The authority may be able to proceed upon consumer complaints. The authority would be given several tools to conduct an investigation (e.g. trial purchase, obtaining statements from sellers and IPR right holders, requesting data from the OM). At the end of the investigation, in case of irregularities, the authority would be entitled to impose sanctions as administrative sanctions, or potentially accept a “package of undertakings” from the OM operator (similarly to the rules available in the competition law regime). The decision of the authority would be subject of appeal to a court. The authority would be given a follow-up period to check whether the OM changed its operation in a way to be in compliance with the rules for operational review.

General Law regime (if this regime should be applicable to OMs)

- 26) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

Sanctions as according to the general rules of General Law regime.

Other liability regime (if this regime should be applicable to OMs)

- 27) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

N/A

Other

- 28) Please comment on any additional issues concerning any aspect of the responsibility of online marketplaces for online infringement of Industrial Property Rights you consider relevant to this Study Question.

We are of the view that the introduction of the Digital Services Act raises a couple of new questions with regard to the liability of OMs (e.g. under what conditions can it be established that the OM takes on an active role in a transaction).

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

There has been no in-house counsel in the committee answering the present Study Questions for the Hungarian Group. Nevertheless, the members of the Study Committee are attorneys at law active and represent client in the retail and consumer; FMCG, technology and life sciences sectors. For this reason, the Hungarian Group considers that the members of the Study Committee possess relevant insight to the issues these sectors are facing.