

Change in the Scope of Legal Protection of Trademarks in Hungary from 1 January 2019

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Act XI of 1997 on the protection of trademarks and geographical indications (“**Act**”) has been modified by 1 January 2019 through Act LXVII of 2018 on the amendment of certain acts on industrial property right protection. Through the amendments, the legislator primarily intended to fulfil its legal harmonization obligations arising from Directive 2015/2436 of the European Parliament and the Council on the approximation of the laws of the Member States relating to trade marks (“**Directive**”). Considering the diversity of the new amendments, we highlight some of the novelties relating to the scope of legal protection of trademarks.

1. Expanding the appropriate forms of representation

So far, signs could only be granted trademark protection if capable of being represented graphically. From now on, however, it is sufficient if a sign is represented in the trademark registry in any manner that enables the authorities and the public to determine the clear and precise subject matter of the protection.

Signs shall be recorded through using any widely accessible technology (e.g.: MP3, MP4 format) in a way that the representation is clear, accurate, complete in itself, easily accessible, easily accessible, intelligible, durable and objective.

As a result of the widening of the sphere of appropriate representation forms, it becomes possible to register new types of trademarks (e.g.: motion display, position sign, multimedia display and pattern).

2. Absolute grounds for refusal

It remains the requirement for the registration as a trademark that a sign be capable of distinguishing goods or services from the goods or services of others. The modified text of the Act, however, contains numerous clarifications with regard to the list of signs devoid of distinctive character.

The new text specifies some prior rights that exclude the registration of signs. This specification does not create new grounds for refusal, but rather provides a more detailed list of the already existing ones (e.g.: geographical indications based on the Act, the European Union legislation and international treaties have been placed into three separate Subsections).

3. Relative grounds for refusal

The new text contains numerous minor clarifications concerning the relative grounds for refusal (i.e. conflicts with third parties' various rights having earlier priority).

- The legislator regulates the conditions for establishing priority much more in detail than previously. This change will, hopefully, assist in deciding such conflicts easier.
- When applying for new trademarks, it is no longer necessary to investigate when and why the protection of previously terminated trademarks ceased to exist. This is because it does not any more qualify as a ground for refusal if a sign is identical with or similar to a trademark (in relation to identical or similar goods or services), the protection of which has been terminated but which ceased to exist within less than two years prior to the date of application (unless the protection ceased in connection with the failure to use the trademark). Therefore, it seems that, from now on, previously terminated trademarks do not form an obstacle to registration at all.

The reasoning to Bill T/1659 currently modifying the Act explained the end to the ex-post protection of trademarks that terminated within less than two years among others with the fact that, before the amendment of the Act, right holders had one and a half years to renew trademark protection. *„If, in spite of this, a right holder »allows to perish« his/her trademark, there is no reason for him/her, through »extending« certain rights connected with the protection of the so-ceased trademark, to preclude the registration of new applications sought to be entered into the market or to request for the ex-post revocation of new trademarks applied for following the termination of protection based on his/her »old« trademark.*

We do not deem this explanation valid in so far as, pursuant to the Act's amended text, the timeframe open for trademark renewal was shortened significantly, by one third. The shortening of this timeframe and the annulment of the two-years-long retrospective protection happened in parallel.

- It is a novelty among the relative grounds for refusal, that the right holder of a designation of origin or of a geographical indication may prohibit the usage of a sign applied for – with some simplification – provided that the application for the designation of origin or geographical indication had already been submitted and the designation of origin or geographical indication is registered subsequently.

The amended text of the Act excludes that the holder of the right having earlier priority make a statement of consent to the use of the sign in this case. Accordingly, the applicant for the sign would ask for such consent in vain.

We find this change surprising because, until now, the right holder could give consent without exception in case of any relative grounds for refusal. With regard also to this, it is not clear why the legislator regulated the above-mentioned ground for refusal among the relative and not among the absolute grounds for refusal (e.g.: with validity subject to the registration of the application having earlier priority).

4. The scope of trademark protection

The novelties regarding the scope of the exclusive use right of the right holder are also worth mentioning.

- The new text of the Act expressly declares that the right holder may exercise his/her rights without prejudice to any rights acquired by others before the date of filing or the date of priority of the trademark.
- It has already been possible to proceed against the use of unauthorized trademark use only if it happened within the scope of its economic activities. The legislator now supplemented this by adding that the possibility of taking action relates to usage in connection with goods or services.
- The amended text of the Act now expressly states that the confusion between conflicting marks may be established – in case of the identity or similarity of the conflicting marks and the identity or similarity of the goods or services covered by them – also if consumers are likely to associate between the sign and the earlier trademark.
- The manners of infringing conduct included in an exemplary list against which the right holder may take action in connection with an infringing sign that were until now *“forbidden”*, now *“may be prohibited”*. We assume that the legislator intended to express that, as a last resort, the court is entitled to decide through discretion exactly what conduct the infringer should be banned from.

One such newly-defined conducts is *“using the sign in comparative advertising in a manner that is contrary to the Act on the Prohibition of Unfair Trading Practices and Unfair Competition”*. It seems that the legislator “wrapped” a competition law provision into a trademark law provision. It is not clear whether, in such case, the right holder shall refer to either one or to both of these provisions if he/she considers that the conduct specified in them has materialized.

- It is also a novelty that the right holder may proceed against certain conducts even if there is only a risk that the packaging, labels, tags, security or authenticity features or devices, or any other means to which the trademark is affixed, could be used, within the scope of economic activities, in relation to goods or services in a manner that would infringe the rights of the proprietor of a trademark. For example, offering for sale a packaging to which the trademark is affixed would constitute such conduct.

5. New manners of defence in trademark infringement law suits – odd-one-out

Although embedded among the sanctions of trademark infringement, the legislator actually introduced procedural provisions in connection with the issue of “non-use as defence in infringement actions” and “intervening right of the proprietor of a later registered trademark as a defence in infringement actions”.

This amendment of the Act sought to comply with Articles 17 and 18 of the Directive. Notwithstanding this, it is unclear why the legislator did not include these procedural rules into the already existing procedural law chapter of the Act relevant to law suits.

In addition to the above, the amendment of the Act also introduced numerous procedural novelties. These will be covered in further articles in the upcoming weeks.

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