

## Question Q214

National Group: Hungary

Title: **Protection against the dilution of a trademark**

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### Questions

#### I. Analysis of current law and case law

1. *Do the laws of your country provide for protection against dilution of a trademark? If so, which laws?*

Act No. XI of 1997 on the Protection of Trademarks and Geographical Indications (hereinafter referred to as 'Trademark Act') does not use the term 'dilution' of a trademark but provides legal consequences for acts resulting in dilution. Sanctions of such acts are rejection of a trademark application, cancellation of a registered trademark, and consequences of a trademark infringement.

Art. 4(1)(c) of the Trademark Act provides a specific protection for registered trademarks having a reputation as follows.

'The following shall not be granted trademark protection

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c) with respect to different goods or services if the sign with later priority is identical with or similar to an earlier trademark having a reputation in the country, where the use without due cause of the later sign would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark.'

The provision of Art. 33(1)(a) of the Trademark Act on grounds for cancellation (invalidation) refers also to the provision quoted above, without repeating it.

Art. 12(2)(c) of the Trademark Act on rights conferred by trademark protection stipulates that 'on the basis of the exclusive right of use, the proprietor shall be entitled to prevent any person not having his consent from using in the course of trade:

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(c) any sign which is identical with, or similar to, the trademark in relation to goods or services which are not identical with, or similar to, those for which the trademark is registered, provided that the trademark has a reputation in the country and that the use of that sign without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the trademark.'

In our understanding the main result of the dilution is that the junior mark is 'detrimental to the distinctive character ... of the earlier trademark.' The provisions of the Trademark Act quoted above have references to this first type of dilution.

The other situation, namely that the junior mark is 'detrimental to ... the repute of the earlier mark', implies a negative effect on the image of the earlier reputed trademark created and maintained by its proprietor. This second type of dilution is also covered by said provisions of the Trademark Act.

**2.** *Is there a legal definition of dilution in your legislation or case law?*

There is no legal definition of dilution in the Trademark Act, and we are not aware of any definition in the case law.

**3.1.** *Which trademarks are afforded protection against dilution? What are the eligibility criteria? (Please only briefly list the eligibility criteria here; more detailed explanations will be required below).*

Any trademark may be afforded protection against dilution that is registered and enjoys reputation in the market. In respect to a Hungarian national trademark the reputation shall exist in the domestic market, while for a Community trademark same shall exist in the Community. There are no further eligibility criteria in Hungary.

**3.2.** *To be eligible for protection against dilution, does a mark need to be distinctive? If so, does the protection depend upon the mark being inherently distinctive or are marks that have acquired distinctiveness through use also protected?*

To be eligible for protection against dilution, the trademark needs to be distinctive. This follows from the provision that only registered trademarks may be protected against dilution. However, the trademark is not supposed to be more distinctive than normally. Accordingly, both inherently distinctive trademarks and trademarks with acquired distinctiveness are eligible for protection if they have a reputation.

**3.3.1.** *To be eligible for protection against dilution, does a mark need to have a reputation or be well-known or famous? If so, when does a mark have a reputation, when is it well-known or when is it famous? Are the factors mentioned in paragraph 15 and 22 above relevant for determining whether a mark has a*

*reputation, is well known or famous? For what point in time does this have to be assessed?*

As stated under item 1, to be eligible for protection against dilution, the trademark shall have a reputation. In the case law a reputed trademark is the same as a famous trademark. The marks well-known in the sense of Art. 6 bis of the Paris Convention constitute a different category. In the case law no degree of knowledge required for reputation has been defined in abstract terms or percentages.

The trademark needs to be reputed when the conflict occurs. In case of a conflicting later trademark application or registration, this date is the date of filing or priority of the later application or registration. In case of trademark infringements the reputation shall exist when the infringing acts are committed.

**3.3.2.** *For a mark to have a reputation or to be considered well known or famous, must it meet a certain knowledge or recognition threshold? If so, what is that threshold? What percentage of population awareness is required? How widespread must the awareness be across the country? If a mark is well known or famous in one country, what effect, if any, does this have with regard to other countries?*

There is not any strictly defined threshold to be met. The awareness with the public concerned shall be widespread, a local use within Hungary is not sufficient. Reputation in other countries only is not enough, since the reputation shall exist in Hungary. Nevertheless, if the goods or services are not present in Hungary and the trademark is reputed in other countries, theoretically it may be reputed in Hungary as well.

**3.3.3.** *What is the relevant population in determining the knowledge, recognition or fame of the mark, the general public at large or the relevant sector of public? Is recognition or fame in a limited product market ('niche market') sufficient?*

While the practice of the European Court of Justice suggests the relevant sector of public ('The public amongst which the earlier trade mark must have acquired a reputation is the public that is concerned by that trade mark, that is to say, depending on the product or service marketed, either the public at large, or a more specialised public, for example traders in a specific sector.' – ECJ, Case C-375/97 General Motors, paragraph 24), according to the Hungarian case law reputation in a limited product market seems to be mostly not sufficient. In order to establish reputation of a trademark in Hungary a reputation should be proven for the general public at large. One should notice, however, that the related case law is quite limited and in lack of any clear guideline set by the Courts until now, for some niche products having a rather specific limited market an ultimate lower percentage of consumers of the general public, among which reputation is detected, might be acceptable making a trademark reputable.

**3.4.** *To be eligible for protection against dilution, is it required that the mark has been used in, or that the mark has been registered or that an application for*

*registration of the mark has been filed in the country where protection is being sought?*

Theoretically, to be eligible for protection against dilution there is no need for a registered trademark to be used in Hungary. However, typically there is indeed a local use attached to such protection.

In Hungary, trademark protection shall be obtained by registration with retroactive effect to the filing date of the respective application. Hence, a trademark application concerning a mark already reputed in Hungary may be referred to when seeking protection against dilution, however, the proceedings will be stayed until the registration of that mark.

**3.5.** *Are there any other criteria a mark must comply with to be eligible for protection against dilution?*

There are no other criteria than those in the provisions referred to in item 1.

**3.6.** *Is eligibility for protection against dilution a matter of law or an issue of fact? Who bears the burden of proof regarding the eligibility criteria? How does one prove that a mark meets the eligibility criteria? Are sales and advertising figures sufficient or is survey evidence required? Which evidential standard must this proof satisfy?*

According to the case law, the issue whether a trademark has a reputation or not, is a matter of law. The party relying on reputation bears also the burden of proof. There is no limitation on the kind of proofs that may be used in Hungary, but the reliability of evidences may be different and they are weighed in the relevant proceedings by the Hungarian Patent Office or the Court. Sales and advertising figures are probably not enough evidence and it is recommended to file results of a market survey or opinion poll, although same is not mandatory.

**3.7.** *Is there any registry of eligible marks in your country? If so, what is the evidentiary value of registration? Can it be challenged in litigation?*

There is no such registry in Hungary.

**4.** *Does your law require the existence of a 'mental association' or 'link' between the earlier trademark and the later trademark?*

The existence of a 'mental association' or 'link' is required.

*If so, in which circumstances does a 'mental association' or 'link' between the earlier trademark and the later trademark exist?*

A 'mental association' or 'link' surely exists in the case when likelihood of confusion can be established due to a significant degree of similarity. The question of likelihood of

confusion shall be evaluated in each case by a global assessment of each relevant factor.

*Are the factors mentioned in paragraph 27 and 28 above relevant for assessing the existence of such a 'mental association' or 'link'?*

Yes, the factors mentioned in paragraph 27 and probably also those in paragraph 28 of the Working Guidelines are relevant for assessing the existence of such a 'mental association' or 'link'.

*Are there other factors to take into account?*

The question of image transfer may be mentioned.

The Metropolitan Court of Budapest has established in a decision issued in trademark infringement proceedings that it was an 'image transfer' when the consumers might suppose on the basis of the activity of the defendant (infringer) that the services provided by the defendant were provided with the knowledge and the consent of the plaintiff (trademark owner), or the services at issue might have been provided by the plaintiff.

*Is the assessment of a link a question of fact (so something that can be established by market surveys), or is it a question of law to be established by the courts or authorities on the basis of such factors?*

We think, it is a question of law.

- 5. Does such 'mental association' or 'link' between the earlier trademark and the later trademark automatically result in detriment to the earlier trademark's repute or distinctive character?*

A 'mental association' or 'link' does not automatically result in the detriment to the earlier trademark's repute or distinctive character.

*Or does detriment have to be proved over and above the existence of a 'mental association' or 'link'?*

Yes. A detriment has to be proven, the mere existence of 'mental association' or 'link' is not sufficient.

- 6. Are the same factors taken into consideration to assess the existence of detriment as those already discussed for the link? Are there additional ones?*

In assessing the 'link' first of all the conflicting trademarks shall be taken into consideration. This factor may also be taken into consideration in assessing the existence of detriment. However, there are other factors, e.g. the nature of the goods or services, market presence and penetration, advertising, time frame of circulation, etc. which may also be important in assessing detriment.

- 7. Must actual dilution be proved or is a showing of likelihood of dilution sufficient?*

Likelihood of dilution i.e. likelihood of detriment is sufficient.

*Whose burden of proof is it?*

The burden of proof is on the owner of the earlier trademark who refers to its reputation.

*How does one prove dilution or likelihood of dilution?*

Dilution or likelihood of dilution may be proven by opinion polls, market surveys, invoices, promotional documents, sales data, turnover, publications, awards (e.g. Best Global Brands).

*Does detriment require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely? If so, what is a change in the economic behaviour of the average consumer?*

We are not aware of any Hungarian case law in this respect.

*Is reduced willingness to buy goods sold under the earlier mark a change in the economic behaviour?*

We think so. However, we are not aware of any Hungarian case law in this respect.

*How do you prove a change in the economic behaviour of the average consumer or likelihood of such change in behaviour?*

We are not aware of any Hungarian case law in this respect.

**8.** *What is the extent of protection afforded to marks which are eligible for dilution protection?*

The trademark protection extends beyond the list of goods and/or services of the earlier trademark having a reputation. The scope of protection shall be decided in each case according to its facts, among others the difference between the goods and/or services.

*May the owner of the earlier trademark object*

- *to the registration of a later trademark?*

Yes, the owner of the earlier trademark having a reputation may object to the registration of the later mark.

- *to the actual use of a later trademark?*

Yes, the owner of the earlier trademark having a reputation may object to the actual use of the later trademark.

- *in respect of dissimilar goods only or also in respect of similar goods?*

According to the literal meaning of Art. 4(1)(c) of the Trademark Act only with respect to dissimilar goods or services (see item 1). Pursuant to the case law of the European Court of Justice, both in respect of dissimilar goods and identical or similar goods.

## 9. *What are the legal remedies?*

In the case of trademark infringement the trademark proprietor, according to the circumstances of the case, may demand:

- a) a court ruling establishing that trademark infringement has occurred;
- b) the cease of the trademark infringement or threat of infringement and prohibition of the infringer from further infringement;
- c) that the infringer provides information on parties taking part in the manufacture of and trade in goods or in the supply of services which infringe on the trademark, as well as on business relationships established for the distribution of such goods;
- d) satisfaction from the infringer by way of a declaration or by other appropriate means and, if necessary, that such satisfaction shall be made public by the infringer or at his expense;
- e) restitution of the economic gains achieved by the infringement of the trademark;
- f) the seizure of those assets and materials used exclusively or primarily in the infringement of the trademark, as well as of the goods infringing on the trademark or their packaging, or demand that they are delivered to a particular person, recalled and definitively withdrawn from commercial circulation, or destroyed;
- g) compensation for damages in accordance with the provisions of civil liability according to the Civil Code.

*May the owner of the earlier trademark file an opposition and/or a cancellation action?*

Yes, both opposition and cancellation proceedings can be initiated against the later mark.

*May he ask for injunctive relief or preliminary injunctive relief?*

In trademark infringement proceedings, both injunctive relief and preliminary injunction can be requested.

*Does your trademark office refuse the registration of a later trademark on grounds of likelihood of dilution?*

The Trademark Act does not indicate expressly the question of likelihood as dilution as a ground for refusal of the registration of a later mark. Nevertheless, the provision of Art. 4(1)(c) of the Trademark Act refers to the case where the ground for refusal is an earlier trademark having a reputation. This relative ground for refusal is not applied by the Patent Office *ex officio*, but only upon an opposition of the proprietor of the earlier trademark having a reputation.

## **II. Proposals for adoption of uniform rules**

1. *Which trademarks should be eligible for protection against dilution? What should the eligibility criteria be? Should recognition or fame in a limited product market ("niche market") be sufficient?*

We think trademarks that are known to a large part of the general public at least for some specific goods or services shall be eligible for protection against dilution. A

protection beyond the goods or services for which the reputed trademark has been registered seems to be justified only by such general knowledge.

2. *Should it be a criteria for being eligible for dilution protection that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country?*

The Hungarian Group is of the opinion that a prior use shall not be a prerequisite. Nevertheless, in most cases it is hardly possible that a trademark can reach a reputed status without having been used. We think the registration in the country shall be a criteria for eligibility. The extended protection for famous trademarks shall be regarded as exceptional in the context of the trademark law. It would not be justified to ensure this extended protection for marks that are not even registered or applied for, subject to registration of the latter.

3. *Should there be a registry of eligible marks? If so, what should the evidentiary value of registration be? Should it be possible to challenge it in litigation?*

The reputed character of a trademark might change in time by acquiring a reputation or losing same, therefore, we do not think that such a registry is useful or necessary.

4. *Should the existence of a 'mental association' or 'link' between the earlier trademark and the later trademark be an independent requirement for a trademark dilution claim?*

We think 'mental association' or 'link' between the earlier trademark having a reputation and the later mark is a useful interpretation of the requirement 'identical with or similar to'.

5. *Should detriment to the distinctive character or reputation of the earlier mark require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely?*

In the practice, it is often quite difficult, even impossible to provide evidences that there is a likelihood of a change in economic behaviour of the average consumer in the field of the goods or services covered by the earlier reputed trademark or by the later trademark.

6. *What should the remedies be for dilution of a mark?*

We think the remedies available for proprietors of other trademarks shall be the remedies also for reputed trademarks.

## Summary

The Hungarian Trademark Act of 1997 does not use the term 'dilution' but from the provisions relating to registered trademarks having a reputation the prohibition of dilution can be concluded. The reputation shall exist in the domestic market. The party relying on reputation bears the burden of proof. Likelihood of 'mental association' or



'link' is required. Likelihood of dilution may be proven by opinion polls, market surveys, invoices, promotional documents, sales data, turnover, publications, awards (e.g. Best Global Brands). Opposition as well as cancellation proceedings can be initiated against a later mark based on an earlier registration for a trademark having a reputation. Legal remedies are the same as provided for infringement of other trademark rights, there are no specific sanctions. For uniform rules the Hungarian Group thinks that trademarks that are known to a large part of the general public at least for some specific goods or services shall be eligible for protection against dilution.

## **Zusammenfassung**

Das Ungarische Markengesetz vom Jahre 1997 verwendet nicht den Ausdruck „Verwässerung“, aber von den gesetzlichen Bestimmungen bezüglich berühmter registrierter Marken kann man das Verwässerungsverbot ableiten. Die Reputation muss im binnenländischen Markt existieren. Die auf die Reputation sich berufende Partei muss die Beweislast tragen. Die Wahrscheinlichkeit der geistigen Assoziation oder Verbindung ist zu beweisen. Die Verwässerungswahrscheinlichkeit kann durch Meinungsumfragen, Marktforschungen, Rechnungen, Promotionsdokumente, Verkaufs- und Umsatzdaten, Publikationen, Preise (z.B. Best Global Brands) bewiesen werden. Widersprüche und Lösungsprozesse können gegen eine spätere Marke aufgrund der früheren Eintragung einer berühmten Marke eingeleitet werden. Die vorhandenen Rechtshilfen sind identisch mit den in Markenverletzungsfällen anwendbaren Rechtsmitteln, und es gibt keine Speziellsanktion in dieser Hinsicht. Unter Berücksichtigung von gleichen Regelungen ist die Ungarische Gruppe der Meinung, dass eine Marke für Rechtsschutz gegen Verwässerung dann geeignet sein soll, wenn die von der Mehrheit der breiten Öffentlichkeit zumindest betreffs bestimmter Waren und Dienstleistungen bekannt ist.

## **Résumé**

La loi sur les marques de 1997 ne parle pas de la « dilution », toutefois on peut y conclure considérant des règles sur les marques enregistrées ayant une réputation. La réputation doit exister au marché national. La partie se référant à la réputation est chargée du fardeau de la preuve. La probabilité de « l'association des idées » ou d'un « lien » (link) est nécessaire. La probabilité de la dilution peut être prouvée par des sondages, des études du marché, des factures, des documents sur la publicité, des documents sur les chiffres d'affaires, des publications, des prix (ex. Best Global Brands). Des oppositions aussi bien que des demandes d'annulation peuvent être déposées se fondant sur une marque antérieure ayant réputation. Des recours contre des atteintes sont les mêmes que généralement prévus il n'y a pas de règles spéciales pour les marques ayant une renommé. En ce qui concerne des règles uniformes le Groupe hongrois pense, que par rapport aux marques connues par une partie considérable du public concerné relatif aux produits ou services spécifiques, la protection contre la dilution doit être accordée.