

## **Bad Faith in Trade Mark Cases – Hungarian Legal Provisions and Practice**

As agreed by the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) at its twentieth session, the Hungarian Patent Office (hereinafter referred to as: HPO) prepared the following working document in connection with grounds of trade mark application refusal. Considering the numerous Hungarian legal provisions, the working paper covers only “bad faith” as one of the difficult to judge absolute grounds for refusal. It is highly appreciated that the SCT has kept the issue of grounds for refusal on its agenda and we have the opportunity to initiate a discussion on the subject of “bad faith” trade mark application, whereby it would be possible to obtain more information about the legislation and practice of other Members of the SCT.

### 1. The Legal Background in Hungary

Two aspects of the “bad faith” concept can be differentiated in the Hungarian legal system: a substantial and a procedural one. Bad faith as a substantive legal concept is dealt with in the Hungarian Civil Code, Act IV of 1959, according to Article 4(1) of which

*“In the course of exercising civil rights and fulfilling obligations, all parties shall act in the manner required by good faith and fairness, and they shall be obliged to cooperate with one another.”*

Under Paragraph (4) of the same Article

*“Unless this Act prescribes stricter requirements, it shall be necessary to proceed in civil relations in a manner that can generally be expected in the particular situation. No person shall be entitled to refer to his own actionable conduct in order to obtain advantages. Whosoever has not proceeded in a manner that can generally be expected in the particular situation shall be entitled to refer to the other party's actionable conduct.”*

The procedural legal concept of bad faith is provided for in the Act CXL of 2004 on the general rules of the procedures and services of administrative authorities – which is applicable on a subsidiary basis in trade mark procedures where the Trade Mark Act does not contain specific provision – Article 6 of which provides for the following:

*“(1) In administrative proceedings the clients are required to act in good faith.  
(2) Clients may not engage in conduct aimed to mislead the authorities, nor to delay the decision-making process or the enforcement procedure. The good faith of clients in the proceedings shall be presumed, and the burden of proof for bad faith lies with the authorities.”*

As it can be seen from the provisions quoted above, exercising rights in good faith is a crucial principle of the Hungarian legal system. Although previously Hungarian trade mark law did not enable trade mark applications to be refused on the ground of the applicant's bad faith, there was the possibility of requesting cancellation in accordance with Article 3(1) b) of the Act IX of 1969 on trade marks (i.e. the Trade Mark Act preceding the one in force at present), which set forth that *“a sign shall be excluded from trade mark protection, if its use is contrary to an act or socially accepted moral rule”*. In accordance with that Article, any person could request cancellation of an infringing trade mark, whereas trade mark applications could not be refused on the ground of bad faith.

Bad faith as a ground for refusal was introduced into the Hungarian trade mark law by the Trade Mark Act, which entered into force on 1 July 1997. [Act XI of 1997 on the Protection of Trademarks and Geographical Indications](#) approaches bad faith – similar to the Hungarian Civil Code – from the substantial legal angle. According to Article 3(1)c), “ *a sign may not be granted trade mark protection, if its registration was applied for in bad faith*”.

As trade mark applications filed in bad faith constitute an absolute ground for refusal, the Hungarian Patent Office carries out an *ex officio* substantial examination also with regard to that particular ground for refusal. Whereas, bad faith is a special element, as the HPO generally needs further information in order to be able to determine that the application was filed in bad faith. That is the reason why in most of the cases bad faith trade mark applications are only detected and refused if an observation is filed by a third party. Any person may submit an observation, there is no need to prove legal interest in the case. Furthermore, if a sign is registered in spite of the trade mark applicant’s malicious intent, a cancellation can still be submitted on that ground by any person.

## 2. The HPO’s Practice for Establishing Bad Faith in Trade Mark Cases

Since the Act on the general rules of the procedures and services of administrative authorities sets forth that the good faith of clients in the proceedings is to be presumed, the *ex officio* examination of bad faith trade mark applications seems a little contradictory. However, taking a closer look at the subject, the two principles do not exclude each other. The HPO must carry out the substantive examination also with regard to the trade mark applicant’s state of mind. In order to apply Article 3(1)c) of the Trade Mark Act, the bad faith of the trade mark applicant must either be proved by the HPO, or – in the case of an observation – by the person submitting the observation, where both direct and indirect evidence may be accepted.

The relevant part of the ‘Guidelines to Trade Mark Proceedings’, which summarizes the HPO’s practice, is based on the civil law provisions, as it states that in the course of exercising civil rights and fulfilling obligations, all parties have to act in the manner required by good faith and fairness, and they are obliged to co-operate with one another. The Hungarian Civil Code lays down the requirement of acting in good faith as a general principle. The person acting in bad faith infringes that principle.

The trade mark applicant’s bad faith materializes in the act of filing a trade mark application, the real objective of which is to enable the possibility of abusing trade mark protection: using the trade mark for a purpose which is incompatible with the aim of the legal institution.

The trade mark applicant’s ‘*male fides*’ intent is difficult to prove. In the course of providing proof for that, a relevant aspect may be whether the applicant is aware at the time of filing the trade mark application that the sign is linked to a third person, and basically intends to materialize the abuse against that very person, e.g. by preventing him from acquiring rights in good faith further on. A relevant aspect may be whether the parties had business relations with each other prior to the filing of the trade mark application, and whether they pursue business activities in the same market segment. Taking into account these factors, it is possible that the trade mark application qualifies as malicious only with regard to a part of the goods and services, in the relevant market of which the other person is interested.