

ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Provisional Measures or Preliminary Evidence

Obtaining Information and Evidences in Infringement Actions

Legal Provisions and Practice in Hungary

In IP right enforcement cases it is usually an essential question how the right-holder can obtain information and evidences, based on which he can define and support his claims. This problem may influence even the decision on the appropriate way of enforcement.

For starting a civil action the plaintiff – typically the right-holder – has to name the defendant and to provide at least its address, and he is the party primarily bearing the burden of proof during the proceedings as well.

Criminal actions can be started even against "unknown person" – the investigating authority shall expose the relevant facts, first of all try to find and contact the suspect persons and collect evidences – but even in that case the right-holder needs some adequate information based on which an effective criminal charge can be filed with the investigating authority.

This presentation will focus on the enforcement of intellectual property rights by way of civil actions, and in particular on the legal provisions of obtaining information and evidences to support the right-holders' claims. The well-known international documents, namely the TRIPS Agreement of 1994 and the Enforcement Directive of the European Parliament and of the Council of 2004 ("EU Directive") comprise provisions relating to the subject question in detail, and we may state that our national law has been made fully conform with those provisions. The last comprehensive modification of the Hungarian IP law to comply with the provisions of the EU Directive was done in 2005 – effective as of 1 January 2006 –, and has related to, besides the law of execution, the copyright, patent, trademark and all the other special intellectual property acts.

The antecedents of an IP enforcement action are typically that the right-holder becomes aware of an act of alleged infringement of his intellectual property right, for example by meeting infringing products on the market, finding suspect information on the Internet, receiving that kind of information from his local partner, distributor or IP attorney, receiving a notification from the local customs authorities or other investigating bodies etc. In some cases it is also possible to buy or to take some samples and to collect documents or other kind of evidences for the purpose of demonstration. Such initial information and evidences are sometimes suitable for starting a legal action, but it is more typical that those are not fully sufficient to exactly define and to support all legal claims.

Let's overview by references to the Trademark Act what kind of claims and opportunities the right-holder has for obtaining information and preserving evidences under the Hungarian IP law.

In an infringement action the right-holder (or its authorized subsidiary, recorded licensee etc.) may demand that

- the infringer provide information on third persons involved in the production and distribution of the infringing goods and services, and on relevant business relationships;

(Trademark Act, § 27.2.c – TRIPS, Art. 47, EU Directive, Art. 8: "Right of Information")

i/ The above information shall comprise in particular following data:

- names and addresses of the manufacturers, distributors, suppliers and previous holders of the infringing goods and services, as well as the intended or actual wholesalers and retailers thereof *and*
- information on the quantities manufactured, distributed, received or ordered of the infringing products, as well as the price paid or obtained therefor.

(Trademark Act, § 27.7 – EU Directive, Art. 8.2)

ii/ The provision of above information can be also claimed against any third person who was found

- in possession of the infringing goods on a commercial scale
- using the infringing services on a commercial scale
- providing services used in infringing activities on a commercial scale *or*
- indicated by any of the above-referred persons as being involved in the manufacture or distribution of the infringing goods or services

(Trademark Act, § 27.5 – EU Directive, Art. 8.1)

iii/ Definition of 'commercial scale': intention for direct or indirect economic or commercial advantage (consumers of good faith excluded)

- seizure of infringing goods as well as implements and materials used in the production and/or distribution thereof, or delivering those to a particular person;

If such goods and articles are not in the possession of the infringer, seizure is also applicable against the owner of those, provided that he has been aware of the trademark infringement or should have been aware thereof with due diligence.

(Trademark Act §§95.2f, 95.9 – TRIPS Art. 50.1.b, EU Directive, Art. 7.1)

The above listed opportunities are **objective claims** which means that any of those can be demanded on a basis of objective responsibility, that is irrespectively of any imputation of the defendant or any other affected party. Even a bona fide possessor of the infringing good or a person involved in the infringing activities in good faith can be obliged to present the claimed information and documents.

The claim of seizure, as an important institution not only for preventing an infringement but also for preserving evidences, is an objective-based claim as well, so it can also be ordered even against a "bona fide infringer". Nevertheless, those 'third persons' listed above are not to be obliged to suffer a seizure but on the basis of general civil responsibility.

It is however a very important procedural aspect that according to the Hungarian law of civil proceedings the court cannot bring up an obligation against any person but if he is a party in the proceeding. Consequently, the plaintiff has to call said third party into the action (co-defendant) or to modify his action.

Some further significant details and provisions, among others procedural opportunities relating to the *right of information* and to *preserving evidences* are provided in a separate part of the Trademark Act (§§ 95.2-14). Let's overview how the above-referred measures for the enforcement of the right of information and of preserving evidences can be effectively claimed in an appropriate stage of an infringement action or even prior to starting a substantive legal proceeding on the merits of the case. The procedures provided by the general provisions of civil proceedings and by the special provisions of the intellectual property laws, respectively, are as follows.

A/ Provisional Measures

According to Section 156 of the Code of Civil Proceedings (CPC) the court may order by provisional measures, under specified conditions, fulfilment of any of the claims presented in the substantive legal action, which means that in principle any of the above listed legal consequences can be claimed through provisional measures.

The general preconditions for provisional measures are:

- Necessity for
 - averting of imminent danger
 - retaining unchanged a status subject to the lawsuit *and/or*
 - need of legal protection of special appreciation – *In respect of this precondition the special IP laws provide a presumption, applicable within a restricted term of 6 months or 60 days, respectively, to support the right-holder's request for provisional measures. According to the presumption said condition shall be considered as grounded if the applicant has proved that the referred IP right is protected and he is the owner or authorized licensee thereof.*

(Trademark Act, § 95.2 – TRIPS, Art. 50.3, EU Directive 9.3).

- Proportionality – *the claimed measures shall not be inadequate, i. e. the disadvantages caused to the defendant shall not exceed the available advantages at the plaintiff's side*
- Substantiating the relevant facts – *facts supporting the legal basis of the request shall be substantiated in a sufficient extent*
- Provision of security (discretionary) – *provisional measures may be subject to providing adequate security by the applicant for the compensation of any casual prejudice suffered by the defendant, if the measures are revoked or prove not grounded.*

Based on the general regulation of CPC provisional measures are available without the opposite party having been heard – "inaudita altera parte" – under following conditions:

- in case of extreme urgency *or*
- if the affected party missed the concerning deadline set by the court.

According to special IP law provisions where any delay is likely to cause irreparable harm, it shall be considered as a case of "extreme urgency".

(Trademark Act, § 95.12 – TRIPS, 50.2, EU Directive, Art.9.4)

Based on the general regulation of CPC the request for provisional measures cannot be filed prior to filing the substantive legal action on the merits of the case. The special IP laws however provide the opportunity of filing a request for provisional measures even prior to starting an infringement action. In such cases however the infringement action shall be started within 15 days from the date of the notice on the court decision of provisional measures. In case of missing the deadline the court shall revoke its decision of provisional measures upon the request of the affected party. (Trademark Act, §§ 95.4, 95.8 – TRIPS, 50.6, EU Directive, Art. 9.5)

As mentioned above, the substantive claims of the right-holder can be requested by way of preliminary measures. Nevertheless, measures resulting in irreparable consequences (e. g. destruction of the alleged infringing goods) are usually refused because such measures would not meet the requirement of "proportionality."

The right-holders' requests for preliminary measures for seizure of the alleged infringing goods are usually approved – provided of course that all the rest of the preconditions for provisional measures are met and the execution thereof is also likely to be realizable –, since such injunctions are, in most cases, needed to prevent the infringer from selling the infringing goods or from hiding them away. In several cases however, where plaintiffs requested, typically beside seizure, that the defendants provide information and/or documents, the court refused that claim by stating that such a provisional measure would result in non-restitutable consequences, and therefore the requirement of "proportionality" has not been met.

B/ Preliminary Evidence

According to Section 207 of the Code of Civil Procedure preliminary evidence shall be ordered by the court upon request of the interested party under following conditions:

- there is a risk of evidence being not applicable or hardly applicable – *there seems to be likely that in course of the proceedings of the substantive action or in course of a later stage thereof, respectively, the claimed evidence could not be successfully effected or the proposed demonstration of evidence would be obviously more problematic*
- the interested party is responsible for the shortage of a res and/or
- preliminary evidence is made available by special law;

furthermore

- the conditions of ordering preliminary evidence and of the supporting facts thereof shall be sufficiently substantiated.

A request for providing preliminary evidence can be filed prior to starting the substantive lawsuit on the merits of the case (CPC, 208.1). Nevertheless, according to the special IP law regulation, in such cases the infringement action shall be filed within 15 days from the date of the communication of the decision on preliminary evidence. In case of missing the deadline the court shall, upon request of the affected party, revoke its decision.

(Trademark Act, § 95.11 – EU Directive, Art.7.3).

The provision of preliminary evidence prior to filing of an infringement action shall be also considered grounded if the fact or the risk of an infringement has been substantiated in a due extent. (Trademark Act, § 95. 10)

Inaudita altera parte procedure of providing preliminary evidence is applicable in case of urgency. Based on the special IP law provisions where

- any delay is likely to cause irreparable harm *or*
- there is a demonstrable risk of evidence being destroyed,

it shall be considered as a "case of urgency" (Trademark Act, § 95.12 – EU Directive, Art.7.1).

Preliminary evidence can be applied for even against 'unknown opposite party,' provided that the relevant facts – and all the above preconditions – have been substantiated (CPC, Section 208.3).

C/ Further special provisions

Notwithstanding above-mentioned procedures the IP laws provide following further special provisions of obtaining information and evidences:

- the party having substantiated its statements to a reasonable extent may request the court to oblige the opposite party
 - to present documents and other material evidences in its possession and/or enable an official review thereof *and*
 - to communicate bank, financial and commercial information and/or to present respective documents being in its possession.

(Trademark Act, § 95.9 – TRIPS, Art. 43.1)

- under the conditions and for the purpose of ordering protective measures the right-holder may request that the infringer be obliged to present bank, financial or commercial information and documents

(Execution Law, § 187.a; Trademark Act, § 95.5.b)

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As mentioned above, it is a usual situation that information and evidences, obtaining of which from the defendant and/or from third parties is a grounded claim of the right-holder in an enforcement action, are needed already during the action, in an early stage thereof or even prior to starting it. The right-holder can use those information and evidences for the purposes of defining his substantive claims properly and for supporting his claims by appropriate evidences. It is understood that based for example on the information of the origin and the quantity of the infringing goods and of the persons involved in the alleged infringement the right-holder can

- make an adequate decision relating to the persons of the real defendants or co-defendants,
- define properly his financial claims, e. g. his demand for compensation for damages,
- provide information for the court where the goods to be seized can be found,
- obtain documents and samples to be examined for determining their origin and for presenting them as evidences, etc.

The required preliminary provision of information and/or evidences can be claimed by way of the above-mentioned preliminary or intermediate actions. It is a very important question, which is the most adequate alternative in a given case. The examples of the above-referred cases

of provisional measures show that those measures are not always appropriate for obtaining the required order.

In case of requesting the provision of preliminary evidence for obtaining information, documents and/or samples, the court shall not examine if the advantages intended to be reached by the applicant exceed the maybe disadvantages at the opposite party. If the right-holder can substantiate the likelihood or the risk of an infringement and the claimed evidence is adequate and realisable, the court may order preliminary evidence even if the suffering party argues against it based on irreparable consequences of the claimed demonstration. In such cases the court may of course invite the right-holder to provide an adequate security.

In a recent parallel import case where the right-holder had got evidences that the defendant had used to distribute garments of his well-known brand, he claimed – beyond declaration of the infringement and inhibition of the defendant from further injury – reimbursement of unjust enrichment achieved through the infringement, and in this connection he requested an order of preliminary evidence relating to the quantity of the infringing goods imported and sold, and to information relating to the distribution channels and third persons involved in the infringing activities. The actual request was that the defendant shall provide a declaration relating to the origin and the quantity of the parallel imported goods and to support its statement by means of invoices and customs documents. The court approved the request and ordered the provision of preliminary evidence by stating that the required information was necessary to determine the value of the parallel import sold by the defendant, so that the plaintiff can properly define his claim for the restitution of unjust enrichment, and thereby the claimed measure would also support the timely completion of the action.

As a final consequence we may state that the appropriate choice of the legal measures for obtaining information and preserving evidence shall be determined, beside the special conditions of a given case, by the main purpose of the claimed measures. In case that the preconditions of a provisional measure are given and for example seizure of the infringing goods can be reached that way, the right-holder is able to obtain samples of the infringing goods and other relevant information to support his substantive claims, and also serving as evidences. In cases however where the prevention of an infringement is not an actual demand, the provision of preliminary evidence can be the adequate way of action.

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