

Q298

Parody (and freedom of expression) as a defense to trade mark infringement

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1. National/Regional Group or Independent Member (**in English**): *

Hungarian Group

2. Contributor's name: *(name cannot be edited after the report submission)* *

Gusztáv BACHER

3. Contributor's email: *

gusztav.bacher@szecskay.com

4. Other Contributors / Authors:

György BAKSAY-NAGY; Dóra GEYER-HIRT; Bálint HALÁSZ; Enikő KARSAY; Anna MAGYAR; Fruzsina NAGY

I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

5. **1)** Does your law or case law recognise parody or freedom of expression as a defence to trade mark infringement. YES or NO. Please comment, addressing, in particular, if such defence is:

☒ a) Yes

☐ b) No

☐ c) Statutory

☒ d) Judicially developed,

☐ e) Based on general principles such as honest practices or constitutional rights?

6. 1) (continued) Please comment

Such defence is judicially developed, based on the general element of the assessment of trademark infringement that the trademark holder cannot prohibit the use of a sign identical to the trademark if such use does not jeopardise any of the trademark's functions (see: CJEU C-236/08-C-238/08., Google).

The leading case is the "Superman" judgement from 2018 (Metropolitan Court of Budapest, 3.P.23.174/2018/26).

The claimant was the copyright holder of the comic books featuring the action hero Superman. The claimant was also the proprietor of a figurative trademark consisting of the "S" sign displayed within a shield-shaped emblem as depicted in the Superman representation. The defendant, on the front cover of the political-business weekly magazine "HVG" published a graphic work in connection with a political article which constitutes an adaptation of the Superman depiction, as the connection between the original character and the representation appearing on the cover is evident; the cover makes use of the defining elements of the Superman character.

The claimant initiated a lawsuit for copyright infringement and trademark infringement. Since Hungarian copyright law did not yet recognize the parody exception at that time, the court found copyright infringement.

The court rejected the trademark infringement claim. In the present case, the use of the Superman depiction on the front cover is clearly illustrative, intended to express an idea, and falls entirely outside the scope of commercial (source-identifying) use. The court had no doubt that the reasonably well-informed, reasonably observant and circumspect (average) consumer (Case C-342/97, Lloyd Schuhfabrik Meyer, para. 26) perceives it in this manner. Even if the sign, due to visual and conceptual similarities, undoubtedly evokes in this consumer the "S" mark protected by the trademark in question, and even possibly the claimant as the proprietor, the context of use precludes any confusion on their part that the magazine in question is a product of the claimant, or that the claimant is responsible for its quality. The average consumer can safely distinguish between the title of the magazine, as the actual identifier of the product's origin, and the magazine's front cover, as a sign illustratively conveying the content of the publication. The average consumer considers the title of the magazine to be that which expresses the commercial origin of the product, and does not interpret the graphic depiction on the front cover as such; it merely evokes the image of the Superman character and the ideas intended to be communicated through its adaptation. Thus, it can be excluded that the identifying, distinctive, or informative function of the trademark in question could be harmed by the actual use of the sign. Therefore, the court dismissed the trademark infringement action.

In legal disputes, the court must take constitutional rights into account (i.e., freedom of expression). According to Article I (3) of the Fundamental Law, a fundamental right may be restricted for the enforcement of another fundamental right or for the protection of some constitutional value, to the extent absolutely necessary, proportionally to the aim to be achieved, and with respect for the essential content of the fundamental right. This test for the restriction of a fundamental right primarily obliges the legislator, but at the same time, it also formulates a constitutional requirement for courts, as law enforcement bodies. From this requirement – also with regard to Article 28 of the Fundamental Law – courts have the obligation that if they interpret a legal provision restricting the exercise of a fundamental right, they must confine the restriction of the fundamental right in question to the level of intervention that is necessary and proportionate, within the interpretive margin permitted by law (see: Decision of the Constitutional Court, No. 3/2015).

7. 2) Does your law or case law define or characterise "parody" in the framework of trademark infringement?

☐ Yes

☒ No

8. 2) (continued) Please explain, indicating how "parody" is understood (e.g. must it be humorous, critical, or transformative?) and by whom (legislature, courts, or doctrine).

The Trademark Act (Act XI of 1997 on the Protection of Trade Marks and Geographical Indications) does not contain any reference to parody.

In 2021, the amendment of the Copyright Act (Act LXXVI of 1999 on Copyright) introduced the parody exemption, as a free use:

Section 34/A (1) A work may be used by anyone

a) for the purpose of criticism or review, with the indication of the source and the author designated therein, or

b) for the purpose of caricature, parody, or pastiche, by evoking the work and expressing humour or mockery.

(2) During the use under paragraph (1), the use of elements of the original work may only occur to the extent justified by the purpose.

The legislative explanatory memorandum referred to Article 17(7) of the CDSM Directive, Article 5(3)(d) and (k) of the InfoSoc Directive, and the decision in Case C-201/13, Deckmyn. According to this memorandum, when assessing whether a use constitutes a parody, it must be considered whether the original work has been evoked and whether it expresses humour or mockery. The commercial nature does not preclude free use.

9. **3)** Do any of the following aspects impact whether a parody of a trade mark may or may not be considered a trade mark infringement

- ☒ a) The parody constitutes an expression of humour or mockery;
- ☒ b) The parody has a critical intent;
- ☒ c) The parody is noticeably different from the original trademark;
- ☒ d) The parody is not directed at the original mark (i.e. targeting at society or other aspects unrelated to the original work);
- ☒ e) The parody is non-commercial and purely artistic;
- ☒ f) The parody is non-commercial and used to draw attention to political or social message;
- ☒ g) The parody is directed at the original mark, and is used to criticize, disparage or discredit the original trade mark, or otherwise affect its reputation;
- ☒ h) The parody is used "in the course of trade" and is used to sell competing, similar and/or related goods or services;
- ☒ i) The parody is used "in the course of trade" and is used to sell non-competing and unrelated goods or services;
- ☒ j) whether the parody involves monetisation (e.g. sales or advertising revenue);
- ☒ k) Whether the trademark being parodied is considered to be well-known or famous;
- ☐ l) Other

10. **3) (continued)** Please explain

- a) The parody based on humour or mockery can be evoked as a defence if this use does not jeopardize the trademark functions.
- b) The parody with critical intent can be evoked as a defence if such use does not jeopardize the trademark functions. If such use constitutes comparative advertising (i.e., including a direct or indirect reference to a competitor), the use shall comply with the requirements of fair business practice, in particular, it cannot denigrate the competitor or its product.
- c) If the use of the trademark constitutes 'comparative advertising' (any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor), section 12(3) b) of the Trademark Act requires that such use shall comply with the provisions of the Act LVI of 1996 on the prohibition of unfair market practices and of the restriction of competition (this is the implementation of EU Directive 2006/114/EC concerning misleading and comparative advertising). Thus, such use is permitted when the following conditions are met:
 - it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;
 - it does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor;
 - it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name;
 - it does not create confusion among traders, between the advertiser and a competitor or between the advertiser's trade marks, trade names, other distinguishing marks, goods or services and those of a competitor.
- d) If the parody is noticeably different from the original trade mark, the parody nature can be evoked as a defence if such use does not jeopardize the trademark functions.
- e) The decisive factor is whether such use jeopardize the trademark functions.
- f) In principle, such use does not jeopardize the trademark functions.
- g) There is no such case in Hungary. Similar case in pending at CJEU (C-298/23) for preliminary ruling.
- h) Such use would constitute an infringement.
- i) Such use would constitute an infringement if there is any risk of confusion, including association. In light of the parody nature, it can be assumed that the parody evokes the trademark; otherwise the use would not be reasonable as a parody. In case of well-known trademarks, the Hungarian Group believes that special attention shall be paid to an inherent risk of association, taking unfair advantage and dilution.
- j) The decisive factor is whether such use jeopardize the trademark functions.
- k) The decisive factor is whether such use jeopardize the trademark functions. In our view, parody is generally used with well-known or famous trademarks; since the parody (humour, joke) "works" with such trademarks which the public knows.

11. **3) (continued)** Please use the additional space below if needed

No answer provided.

12. **4)** Does the function in which the trade mark is used have an impact on liability — in particular, does liability depend on whether such use constitutes use in the function of indicating the origin of goods or services?

☒ Yes

☐ No

13. **4) (continued)** Please explain

If the trademark's functions (i.e., identification and distinguishing the commercial origin, informing the public and advertising function) are not impaired, infringement cannot be established.

14. **5)** Is the parodic nature of the use, including the specific type of parody (e.g. commercial, artistic, political or satirical), taken into account as a relevant factor in the assessment of the likelihood of confusion?

☐ Yes

☒ No

15. **5) (continued)** Please explain

If the trademark's functions are not impaired, it is not necessary to assess the likelihood of confusion. On the other hand, in case of use as a "trademark", and likelihood of confusion, the parody nature does not exclude the infringement.

16. **6)** Does your law address conflicts between parody and the protection of well-known, reputed or famous trade marks?

☐ Yes

☒ No

17. **6) (continued)** Please explain in particular, does your jurisdiction recognize a statutory fair-use exemption, apply a "due cause" balancing test, or afford stricter protection to reputation?

There is no case-law.

18. **7)** Does your law or case law allow a trade mark parody to be registered as a trade mark?

☒ Yes

☐ No

19. **7) (continued)** Please explain, also addressing how local practice deals with such applications.

For the application for a sign which constitutes parody of an earlier trademark, in principle, the same standards are applicable as for any applications. Nevertheless, due to the relative grounds of refusal, we consider the chances of such registration low.

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

Current Law

20. **8)** Could your Group's current law or practice relating to parody defences to trade mark infringement be improved?

☐ Yes

☒ No

21. **8) (continued)** Please explain

The current legislation (on trademark law and comparative advertising) and the general principles of jurisprudence on trademark infringement (assessing the impairment to trademark functions; the requirement of use as a trademark) provides an appropriate framework to assess parody defences. Furthermore, the court shall take into consideration the constitutional right of freedom of expression.

22. **9)** In your Group's view, what policy objective (such as free speech, or another objective) would a defence of parody promote and help accomplish? Does the policy objective drive the types of expression that should be allowed under a parody defence? YES / NO. Please explain.

☒ Yes

☐ No

23. **9) (continued)** Please explain

The defence of parody shall ensure the freedom of expression. This basic right shall prevail if the use of the trademark in the parody is outside the scope of commercial use and does not impair the trademark's functions, in particular, if the consumer does not consider that sign as an element of any commercial communication.

24. **10)** Are there any policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

☐ Yes

☒ No

25. **10. (continued)** Please explain

No answer provided.

III) Proposals for harmonisation

26. **11)** Do you believe that there should be harmonisation in relation to exceptions and defences to trade mark infringement based on parody? *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.*

☒ Yes

☐ No

27. **11) (continued)** Please explain

Parody shall be accepted as a defence to trade mark infringement subject to balancing the different interests of the rightsholder and the public, and the harmonisation shall fit into the structure of trademark law and fundamental right of freedom of expression. The trademark law defines the scope of exclusive rights, limiting the exclusivity to use within the course of trade and in the function of the trademark. In addition to this limitation defined within the trademark law, the constitutional law also ensures the freedom of expression. Nevertheless, the freedom of expression, as fundamental right, can be restricted for the protection of other fundamental rights, if such a limitation meets the test of necessity and proportionality (i.e., protection of a third party's reputation).

28. **12)** Should different standards apply when assessing whether a parody infringes a trade mark, depending on the nature of the parody (e.g. commercial use, artistic expression, brand criticism, or political parody)?

☒ Yes

☐ No

29. **12) (continued)** Please explain

The decisive factor should be whether such parody jeopardises the trademark's functions. In case of commercial use and brand criticism, the parody is likely to affect the trademark's functions. On the other side, artistic expression is subject to freedom of expression, however, subject to general limitations of freedom of expression (i.e., protection of third party's reputation).

30. **13)** Should there exist exceptions or limitations to trade mark protection for the purpose of parody or freedom of expression?

☒ Yes

☐ No

31. **13) (continued)** Please explain

However, such exception or limitation cannot be general, but should be evaluated on a case-by-case basis.

32. **14)** Should any of the following aspects impact whether a parody defence for trademark infringement should be available

- ☒ a) The parody constitutes an expression of humour or mockery;
- ☒ b) The parody has a critical intent;
- ☒ c) The parody is noticeably different from the original trademark;
- ☒ d) The parody is not directed at the original mark (i.e. targeting at society or other aspects unrelated to the original mark);
- ☒ e) The parody is non-commercial and purely artistic;
- ☒ f) The parody is non-commercial and used to draw attention to political or social message;
- ☐ g) The parody is directed at the original mark, and is used to criticize, disparage or discredit the original trade mark, or otherwise affect its reputation;
- ☐ h) The parody is used "in the course of trade" and is used to sell competing, similar and/or related goods or services;
- ☐ i) The parody is used "in the course of trade" and is used to sell non-competing and unrelated goods or services;
- ☐ j) The parody involves monetisation (e.g., sales or advertising revenue);
- ☐ k) The trade mark being parodied is considered to be well-known or famous;
- ☐ l) Other. Please explain.

33. **14) (continued)** Please explain

- a) YES. The parody defence should be available, but the decisive factor is whether the use impairs the trademark's functions.
- b) YES. The parody defence should be available, but the decisive factor is whether the use impairs the trademark's functions.
- c) YES. The parody defence should be available, but the decisive factor is whether the use impairs the trademark's functions.
- d) YES. The parody defence should be available, but the decisive factor is whether the use impairs the trademark's functions.
- e) YES. The non-commercial and purely artistic use does not impair the trademark's functions.
- f) YES. The parody defence should be available, but the decisive factor is whether the use impairs the trademark's functions.
- g) NO. The parody defence should not be available if the use disparages or discredits the original trade mark. However, the criticism, based on objective criteria, may benefit from the parody defence if it does not disparage or discredit the original trade mark. The test should be similar to the use of the trademark in comparative advertising.
- h) NO. In case of use "in the course of trade" and for selling competing, similar and/or related goods or services, the parody defence should not be applicable.
- i) NO.
- j) NO. However, if the monetisation is incidental, this aspect should not exclude the reliance of parody defence.
- k) NO. The well-known nature does not have impact on the application of the parody defence.

34. **15)** Should the function in which the trade mark is used have an impact on liability — in particular, should liability depend on whether such use constitutes use in the function of indicating the origin of goods or services?

- ☒ Yes
- ☐ No

35. **15) (continued)** Please explain

We consider the function in which the trade mark is used decisive for assessing the infringement. If the parody does not contain any indication on the origin of goods or services, or it does not constitute unfair commercial practice (i.e., taking unfair advantage of the reputation of the trademark, for the benefit of another market participant), such use in the parody falls outside the exclusivity right.

36. **16)** Should the availability of a parody defence be subject to the demonstration of the following

- ☒ a) Absence of likelihood of confusion or association as to source, affiliation, sponsorship?
- ☒ b) That the parody does not take unfair advantage of, or cause undue detriment to, the reputation or distinctiveness of the mark?
- ☒ c) That use of the parody is consistent with honest commercial practices?

37. **16) (continued)** Please explain

- a) Such a circumstance is decisive for the parody defence.
- b) Such a circumstance is decisive for the parody defence.
- c) Such circumstance is decisive for the parody defence.

38. **17)** Should well-known, reputed or famous trade marks benefit from additional protection against trade mark parody?

- ☐ Yes
- ☒ No

39. **17) (continued)** Please explain

The availability of a parody defence should be subject to the demonstration of the circumstances listed in Q16 above.

40. **18)** What approach best balances parody and freedom of expression with the protection of well-known, reputed or famous trade marks, should the law provide for:

- ☐ a) a statutory fair-use exemption, under which parody would not constitute trade mark infringement if specific legal conditions are met;
- ☒ b) a "due cause" balancing test, under which parody could justify the use of a trade mark on a case-by-case basis, following a judicial assessment; or
- ☐ c) stricter protection of trade mark reputation in cases involving parody?

41. **18) (continued)** Please explain

Our Working Group prefers a "due cause" balancing test on a case-by-case basis (b).

42. **19)** Should a sign which parodies a third-party's trade mark be allowed to be registered as a trade mark?

No answer provided.

43. **19) (continued)** Please explain, also addressing how TM Offices should deal with the situation.

The general rules of absolute and relative grounds should be applicable to applications containing parody elements as well.

44. **20)** Please comment on any additional issues concerning exceptions and limitations to trade mark protection related to parody you consider relevant to this Study Question.

N/A.

45. **21)** Please indicate which industry sector views provided by in-house counsels are included in your Group's answers to Part III.

The members of the Working Group are attorneys.