

## **National Tax and Customs Administration of Hungary – Response to the Review of the Free Movement of Goods**

1. What do you see as the advantages and disadvantages of EU action on the free movement of goods? How might the national interest be served by action being taken in this field at a different level (for example, at the WTO), either in addition to or as an alternative to EU action?

*The advantage is the strengthened competitiveness of economic operators. The main disadvantage is that the illegal activities have no obstacle at the internal (national) borders.*

6. Do you think that the EU strikes the right balance between regulating imports and exports and facilitating international trade?

*Yes, we think that there is a right balance between regulation and facilitation.*

11. What future challenges/opportunities do you think will affect the free movement of goods and what impact do you think these might have?

*Approximation of the national VAT regulations should be considered as a future challenge making it possible that the number of offences regarding VAT would decrease.*

8. To what extent are specific national rights provided through EU legislation (e.g. Supplementary Protection Certificates) helpful or unhelpful to your activities as a business and/or as a consumer in the Internal Market?

*Supplementary Protection Certificates help businesses with activities in the fields of medicinal and plant protection products to compensate the reduction of protection period conferred by a patent. As patent protection is reduced in these fields since the exploitation of the new product has to be postponed until authorization for placing the product on the market is received from the health and agricultural authorities, the period of effective protection is insufficient to cover the investment put into the research, development and marketing. Thus the form of this protection proves useful for businesses with a strong innovative activity resulting in new medicinal or plant protection inventions to encourage investment and research in these sectors by compensating the patentees for loss of effective protection period uniformly in the whole territory of the Internal Market. As every IP right, extended protection may occur unhelpful to companies with less innovative activities (such as pharmaceutical companies producing generic medicines) in the aforesaid fields who have to observe exclusive rights for longer periods.*

*By way of stimulating investment in research and development of new medicinal and plant protection products, consumers may access more effective products faster and easier throughout the whole territory of the Internal Market, on the other hand, the price of these products may be higher for the lengthened period the exclusive rights are valid.*

9. To what extent are specific Community-wide rights provided through EU legislation (e.g. Community Trade Mark, Community Design, Geographic Indicators and Community Plant Variety Rights) helpful or unhelpful to your activities as a business and/or as a consumer in the Internal Market?

*In general, the advantages of EU wide protections for businesses are that they can be obtained by only one application (to a single authority through a single registration process, applying a single language procedure) with a result of EU wide protection for a relatively low price (Union protection costs less than the costs of national rights obtained in every single Member State) providing their owners the same exclusive rights in the whole territory of the Internal Market as the national rights confer to their holder in each Member State. Additionally, EU wide rights may be automatically extended to new Member States without any further fees or formalities after enlargement of the EU. Thus to obtain Union protection is cost saving and simple alternative for businesses primarily who trade in or target markets of multiple member states of the EU. Disadvantage of EU-wide IP rights may be that companies, especially SMEs, have to observe large number of IP rights valid in the territory of a Member State in which they operate. As a consumer, no significant impact relating to EU y-wide IP rights may be identified.*

10. To what extent do wider EU rules (e.g. on free movement of goods or services) impact helpfully or unhelpfully on the conduct of your business or your experiences as a consumer in relation to intellectual property rights?

*According to Hungarian national provisions on patents, utility models, topographies and designs, the exclusive right of exploitation conferred by such protections shall not extend to acts concerning a product put on the market in the territory of the European Economic Area by the right holder or with his express consent, except where the right holder has legitimate interests in opposing the further marketing of the product. Similarly, trade mark protection shall not entitle the holder to prohibit the use of the trade mark in relation to goods which have been put on the market in the European Economic Area by him or with his expressed consent, except if the right holder has legitimate reasons to oppose further commercialisation of the goods, in particular where the condition of the goods has been changed or impaired.*

*This means, that due to the free movement of goods (and services) that makes import and export easier in the Internal Market, the above mentioned 'parallel import' became more wide-spread and this way it has stronger impacts on businesses and on their activities to find the best market strategy (e.g. when and where and for what price to market their products).*

*As a result of free movement of goods, consumers may experience lower prices due to bigger competition as a result of parallel import.*