

Compensation Claims Against Bad Faith Trademark Registrations in Turkey

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In Turkish trademark law, generally, a trademark cancellation (invalidation) takes effect retrospectively as if the trademark was never registered at all. However, a right holder may claim compensation for a party's use of a trademark prior to cancellation, provided the right holder can establish that the trademark was registered with the Turkish Patent Institute ("TPI") in bad faith.

The Retrospective Effect of Trademark Cancellations and the "*Bad Faith*" Exception

In Turkish trademark law, if a trademark is canceled, the cancellation takes effect retrospectively. This means that canceling a trademark results in it being removed from the TPI's registry as if it had never been in force (except where the grounds for cancellation occurred after the application date).

The law says that even if a trademark is canceled (with retrospective effect), the prior owner's use of the registered trademark before the cancellation will not constitute trademark infringement. Therefore, the law protects the registration granted by the TPI and the prior owner of the canceled registration is not required to pay compensation for using the trademark prior to cancellation.

However, if the trademark was registered in bad faith, Turkish law outlines an exception to this rule which allows claims for compensation and damages to be made against the prior owner of the canceled registration. Therefore, where bad faith exists, the retrospective effect of trademark cancellation does not prevent claims for compensation and damages.

In Practice, Determining the Existence of Bad Faith is a Matter of Court Interpretation

While Turkish law includes the bad-faith exception and the TPI publishes procedural guidelines, in practice, determining the existence of a canceled trademark owner's bad faith is a matter of interpretation for the courts and these courts are not strictly bound to recognize and observe the TPI guidelines.

Recently, the Appeal Court accepted a compensation claim from the actual right holder in an action which was asserted parallel to defending a trademark cancellation action.

The Regal Raptor Case

This important decision was rendered in a case where the actual right holder of the trademark (a Chinese motorbike manufacturer) sought cancellation of a trademark which was registered in Turkey to one of the manufacturer's previous customer.

The Chinese manufacturer's former customer registered the manufacturer's trademark in Turkey under its own name. The former customer then brought an action in Turkey against the Chinese manufacturer (the actual right holder). The former customer's claim sought to prevent use of the trademark by the Chinese manufacturer and its Turkish distributor. The former customer also seized motorbikes at Turkish Customs which were destined for the manufacturer's new Turkish distributor.

The manufacturer sought damages in a separate action alongside the cancellation of the trademark. The First Instance Court accepted the bad-faith of the former Turkish customer's application. The basis of the Court's decision was that the former Turkish customer previously had a commercial relationship with the actual trademark owner and invoked its rights against the actual right holder despite this knowledge.

The Appeal Court affirmed the First Instance Court's decision. The Appeal Court canceled the trademark registration and awarded the manufacturer damages to cover the material losses (freight, container fee, loss of sale orders from Turkey) as well as the moral loss which the manufacturer suffered.

The Threshold for Courts to Find "Bad Faith" is Quite High

Although Turkish law provides for claiming compensation from the owner of a canceled trademark, the courts are reluctant to accept the existence of bad-faith and tend to protect the registration granted by the TPI. The general idea with this practice is to maintain confidence in registrations granted by the governmental authority.

As the body of judicial decisions on this topic grows, the ability of actual right holders to claim damages against bad faith trademark owners will become clearer and better known. These decisions will force trademark trolls or bad-faith applicants to consider the risk of potentially having to pay compensation to the actual right owner. This may lead the bad-faith applicants thinking twice about misusing a trademark.

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