

Damages Awarded in Turkey for Registering an Industrial Design in Bad-Faith

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A recent decision ruled that invoking the exercising rights arising from a registration certificate is not always lawful. The Council of Appellate Circuits of the Turkish Court of Appeals awarded damages to a party on the basis of another party registering an industrial design the Turkish Patent Institute (TPI) in bad-faith.

Background

For several years, Party X manufactured and sold PVC pipe clips used in conjunction with rainwater down-pipes. The PVC pipe clips are commonly used in the market. Party Y held an industrial design registration for the same PVC pipe clip with the TPI.

The legal actions leading up to the Council of Appellate Circuits' decision were as follows.

1. Criminal Action

Party Y (which held the industrial design registration) initiated a criminal action against Party X. Party X was convicted of design infringement and the PVC pipe clips in its store were seized, along with related manufacturing machinery. Party X's financial losses further increased when it could no longer fulfill its contractual obligations.

2. Invalidation Action

Party X initiated an invalidation action to vacate Party Y's industrial design registration. Party X claimed that Party Y's design lacked novelty and distinctiveness. Party X claimed that Party Y had filed its application to register the design with the TPI despite knowing that the same product was widely used in the market and existed in many sales catalogs. The Court invalidated Party Y's registered industrial design on the grounds that it was not novel and distinctive.

The Council of Appellate Circuits' Decision

Party X later initiated a civil action claiming monetary and moral damages which it had incurred as a result of Party Y initiating the criminal action.

Party X claimed that Party Y had initiated the criminal action despite knowing the design lacked novelty and distinctiveness and the registration had since been invalidated. Accordingly, Party X claimed that due to being convicted of design infringement in the criminal action, it had suffered both moral and monetary losses.

Party Y argued that although the design registration was later invalidated, at the date when the criminal action and raids took place, it held a valid registration which allowed Party Y to enjoy the associated rights which arise from such registration. Party Y argued that the right to petition was a constitutional right and even if these were later invalidated, the rights arising from a registered design should not give rise to liability to compensate Party X's losses.

The Council of Appellate Circuit upheld a decision that Party Y must compensate Party X's damages. The court reasoned that Party Y had unfairly benefited from the weak points of the TPI's design registration system under which the novelty and the distinctiveness of design applications are not examined.

The Design Decree Law

A general rule exists under Turkish Design Decree Law number 554 that invalidation of design takes effect retrospectively. This means that if a design is canceled, it will be removed from the registry as if it had never been in force. The Design Decree Law also protects registrations granted by the TPI. It states that the retrospective effect of an invalidation decision will not affect decisions regarding infringements of design rights which are reached and enforced before the invalidation. The Design Decree Law provides an exception to this rule though, stating that the retrospective effects of invalidation do not harm claims for damages which have arisen due to the acts of a design owner registering the design in bad-faith (Article 45).

In these circumstances, the Council of Appellate Circuits ruled that Article 45 exception should be carefully examined. The Court said that if it is determined that the design holder registered the design in bad-faith, the design holder should be liable to compensate damages caused by the registration.

Although the Design Decree Law ostensibly gives the right to claim compensation from the owner of an invalidated design, the courts are reluctant to accept that bad-faith exists and tend to protect registrations granted by the TPI. The general idea with this practice is to maintain confidence in registrations granted by the governmental authority.

Considering previous bad examples in Turkey, it is very important for the Council of Appellate Circuits to require the design owner to compensate damages incurred by parties which have used the subsequently invalidated design in bad faith. These decisions will force applicants to think twice about misusing a registered design and inappropriately taking advantage of the TPI's design registration system due to the potential risk of having to pay compensation to parties against which they have used the design in bad-faith.

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