

Exploiting the Principle of Exhaustion

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Sometimes traders obtain branded goods removed from their original packaging. Before sale to consumers, the branded product is repackaged and either the original trademark or other trademarks are put on the new packaging. This is an issue frequently faced by trademark owners in Turkey, and unfortunately court practice has not been established.

Repackaged original products cannot be easily named as counterfeit, and require special attention compared with mere trademark infringement actions, since the counter party has some strong defences, such as parallel imports and exhaustion of trademark rights, to avoid trademark claims.

According to article 61 of the Decree Law No. 556 on the Protection of Trademarks, the following shall be considered infringement:

- a) A violation of article 9;
- b) The use of the same or confusingly similar trademark without the consent of its proprietor;
- c) Where the party was aware or should have been aware that a mark is plagiarised, or sells, distributes, puts to commercial use, imports or keeps in possession goods carrying the infringed trademark for these purposes;
- d) The transfer to third parties or expansion of rights acquired by a licensing contract;
- e) The participation in, assistance with, or encouragement or facilitation of the acts referred to in subparagraphs (a), (b) and (c); and
- f) Abstaining from explaining where and how the product carrying the registered or confusingly similar trademark was obtained when found in possession.

Therefore, article 61 should be considered in connection with article 9, which sets forth that affixing the trademark to the goods or its packaging may be prohibited by the trademark owner. It has been widely accepted that a product with its packaging enjoys trademark protection as a whole. Therefore, removing the product from its original packaging and affixing the trademark on the new packaging is considered infringement.

Case study

The 11th Civil Chamber of the Court of Appeal upheld in a decision (numbered 2011/11025 E. and 2013/12797 K.) on June 18 the first instance court's ruling that affixing the trademark to the packaging without the permission of the trademark owner constitutes trademark infringement. It refused the defence of the defendant that the products sold within the counterfeit packaging are original and bought from abroad.

In light of the above, it is clear that the (re)packaging of original products is an act of counterfeiting and constitutes trademark infringement.

Although this is the case, defendants may manipulate judges by using the exhaustion of rights principle, arguing that since the products are original, the trademark owner's rights have exhausted and therefore the sale of original products cannot be prevented.

In accordance with article 13 of the Trademark Decree Law, it is stated that the acts related to a product bearing a registered trademark shall not constitute infringement where such acts have occurred after the product has been put on the market in Turkey by the proprietor or with its consent. Therefore, in Turkey the national exhaustion principle is accepted.

Accordingly, after the first authorised sale of the marked product in Turkey, the trademark proprietor cannot forbid further sales, exportation from or re-importation to Turkey of these products. The law expressly accepts the national exhaustion principle of "after the product has been put on the market in Turkey".

Against the defendant's parallel import arguments, the plaintiff may also bring forward article 13/2 of the Trademark Decree Law, which sets forth an exception to the exhaustion principle. Accordingly, the proprietor has the right, even within the provision of the first paragraph, to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

The reason for this exception derives from a trademark's function of distinguishing one establishment's goods and services from another's. Such a function also guarantees that the quality of goods has not been changed at any step without the trademark owner's consent.

Repackaging an original product may also be considered as changing the product, so there is an exception to the exhaustion of rights principle. Consequently, the trademark owner is entitled to prevent the repackaging of original goods based on infringement claims by pursuing either criminal or civil actions.

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