

Trademark Damages in Turkey

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In Turkish trademark law it is a general rule that the effect of a trademark cancellation (invalidation) takes effect retrospectively.

This means cancellation of a trademark results in the removal of the trademark from the registry as if it had never been in force (except where the grounds for cancellation occurred after the application date).

In contrast, Decree-law no: 556 protects registrations granted by the Turkish Patent Institute (TPI), stating that even if the trademark is cancelled and this cancellation has a retrospective effect, use of a registered trademark by the trademark owner does not constitute trademark infringement and therefore the owner does not have to pay compensation for this use.

However, Article 44/2 of Law no: 556 provides an exception to this rule. This exception states that the retrospective effects of cancellation do not harm any claims for compensation regarding damages caused by the acts of the trademark owner who registered the trademark in bad faith.

Although Law no: 556 provides this bad-faith exception, in practice, determining a cancelled trademark owner's bad faith is a matter of interpretation. In recent years, the Appeal Court has accepted compensation claims from actual rights holders that were asserted together with the cancellation of the trademark.

This landmark decision was rendered in a case where a Chinese motorcycle manufacturer, the actual rights holder of the trademark, sought cancellation of a trademark that was registered in Turkey to one of the manufacturer's previous customers.

After purchasing products from the manufacturer the Turkish purchaser registered the trademark in its own name. The purchaser brought an action against the manufacturer (the actual rights holder) and seized motorcycles at customs that were destined for the manufacturer's Turkish distributor. Therefore, the manufacturer requested damages alongside the cancellation of the trademark.

The First Instance Court accepted the bad faith of the Turkish purchaser's application on the basis that it had a commercial relationship with the actual trademark owner and invoked its rights against the actual rights holder despite this knowledge. The Appeal Court affirmed the First Instance Court's decision.

The court cancelled the trademark registration and awarded damages to cover the material (such as freight, container fees, loss of sale orders from Turkey), as well as moral loss, which the actual rights owner suffered.

Although Law no: 556 gives the right to claim compensation from the owner of a cancelled trademark, the courts were reluctant to accept the existence of bad faith 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.

However, considering previous bad examples in Turkey, it is very important for the Appeal Court to affirm decisions of the First Instance Court that oblige the trademark owner to pay damages to the actual rights holder. 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 to bad-faith applicants thinking twice about misusing a trademark.

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