

Review of the Constitutional Court Decision on the Cancellation of Article 42/1(C) of the Decree Law NO. 556, Regarding Nullity of Trademarks based on Nonuse

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Introduction

The Constitutional Court, with its recent decision of April 9th, 2014, numbered 2013/147 E. and 2014/75 K., cancelled Article 42/1(c) of the Decree Law on Protection of Trademarks No. 556 (“Decree Law”), upon request of İstanbul 4th Civil Court for Intellectual and Industrial Property Rights. Article 42/1(c) of the Decree Law, which is subject to the cancellation of the Constitutional Court, stipulated that a registered trademark should be declared null by the court in case it violates Article 14 of the Decree Law.

Article 14 of the Decree Law reads that if, the registered trademark has not been used within a period of five years without a justifiable reason, or if the use thereof has been suspended for an uninterrupted period of five years, the trademark should be declared null. Therefore, following the Constitutional Court’s decision on cancellation of the relevant provision, the nonuse of a trademark will not lead to the nullity of a trademark and merely the cancellation of a trademark may be requested. In this article, the principle on compulsory use of trademark and the sanction based on the nonuse of a trademark will be examined. Then, the Constitutional Court’s Decision will be evaluated by touching upon its reasons.

1. Compulsory Use of Trademarks under Decree Law

Under Turkish law, the use of a trademark is compulsory. With the principle on compulsory use of a trademark, it is aimed to offer the trademarks to the third parties, in case they are not used and therefore to clean up the trademark records from the non-used trademarks.¹

As mentioned within the Assembly of Civil Chambers’ decision², the right owner’s obligation on the compulsory use of its trademark starts as from the registration date of the trademark, when the registration certificate is given to the right owner. As per Article 14 of the Decree Law, (i) use of the registered trademark in a form differing in elements that do not alter the distinctive character thereof, (ii) use of the trademark on goods or their packaging solely for export purposes, (iii) use of the trademark with the consent of the proprietor and (iv) importation of the goods bearing the trademark are considered as use of a trademark. The circumstances which are deemed a use of the trademark are not limited with the above-mentioned circumstances.

¹ Sekmen, O. “Nullity of Trademarks and Its Legal Consequences” (“Markanın Hükümsüzlüğü ve Hukuki Sonuçları”), 2013, Bilge Yayınevi, Ankara, p.203.

² The Assembly of Civil Chambers’ decision dated 12.12.2007, No. 2007/11-974 E. and 2007/962 K.

Additionally, a trademark may only be considered as used under Decree Law, in the events that (i) it is used in serious way, (ii) in Turkey, (iii) for an uninterrupted period of five years and (iv) for all goods and services in which the relevant trademark is registered.³

1.1. The trademark should be used by the right owner in a serious way.

Article 42/1(c) of the Decree Law stipulates that the use of a trademark should also be serious. The Decree Law does not have any guidance on when a use of a trademark is considered as serious. On the other hand, within the doctrine⁴, it is mentioned that the right owner should create a market for the goods and services in which the trademark is registered, the trademark should provide benefits to the right owner by being used effectively, consistently and in conformity with their functions.

High Court of Appeals for the 11th Circuit's decision of 07.04.2014,⁵ notes that, the commercial books, commercial records and invoices issued by the company in the last previous 5 years as from the lawsuit date should be examined in order to determine whether the right owner used its trademark seriously. This is due to the fact that consumer demands and the market of the goods or services in which the trademark is registered, should be determined upon such examination.

The length of the serious use is not important. Even the trademark is used seriously for a short time of period, the trademark should be considered as used.⁶ Nevertheless, as per Article 42/1(c), which has already been cancelled, the court could not take into consideration the use made during the three months prior to the initiation date of the lawsuit.

1.2. The trademark should be used in Turkey

As a result of the territoriality principle, it is accepted on the doctrine that the trademark is deemed used if it is used in all over Turkey or in some region of Turkey.⁷ The High Court of Appeals' for the 11th Circuit, in its decision of 03.03.2011⁸, decided that TV contents broadcasted in Turkey though Internet websites are considered as used in Turkey.

1.3. The Trademark Should Be Used For An Uninterrupted Period of Five Years

The use of the trademark may be interrupted in case there is a valid reason. The circumstances which may be deemed a valid reason are not mentioned within the Decree Law. On that note, Article 19/1 of The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), to which Turkey is a signatory country, should be taken into account along with

³ Sekmen, O. "Nullity of Trademarks and Its Legal Consequences" ("Markanın Hükümsüzlüğü ve Hukuki Sonuçları"), 2013, Bilge Yayınevi, Ankara, p.211.

⁴ Tekinalp Ü., "Intellectual Property Law" ("Fikri Mülkiyet Hukuku"), 2012, Vedat Yayınevi, İstanbul, p. 460.

⁵ High Court of Appeals for the 11th Circuit decision of 07.04.2014, numbered 2013/18730 E. and 2014/6732 K.

⁶ Karakan S., Suluk, C., Saraç T., Nal, T. "Principles of the Intellectual Property Law" ("Fikri Mülkiyet Hukukunun Esasları"), 2007, Seçkin Yayınevi, Ankara, p. 154.

⁷ Meran N. "Trademark Rights and Their Protection" ("Marka Hakları ve Korunması"), 2008, Seçkin, Ankara, p. 263.

⁸ High Court of Appeals' for the 11th Circuit, in its decision of 03.03.2011, numbered 2009/3437 E. and 2011/2191 K.

the High Court of Appeals' precedents. As per the relevant article, circumstances arising independently of the will of the right owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, are recognized as valid reasons for nonuse.⁹ In Turkey, as per High Court of Appeals' precedents¹⁰, the bankruptcy of a company, seizure of the goods bearing the registered trademark, or expropriation are not deemed valid reasons.

1.4. The Trademark Should Be Used For All Goods And Services In Which The Relevant Trademark Is Registered

The right owner should use the trademark in registered goods and services for which the trademark is registered and protected. If the right owner uses his/her trademark only for some groups of goods and services for which it is registered, the condition of usage will be considered as fulfilled only in respect of those goods or services. As noted by the High Court of Appeals for the 11th Circuit's decision, dated 07.04.2014, numbered 2013/18730 E. and 2014/6732 K., the nullity of the trademark for a part of the goods and services in which the trademark is not used may be requested.

2. Sanction of the Non-Use of A Trademark before the Cancellation of Article 42/1(c) of the Decree Law

As per Article 42/1(c) of the Decree Law which is recently cancelled by the Constitutional Court; it was stipulated that a registered trademark should be declared null by the court in case it violates Article 14 of the Decree Law.

As mentioned within Article 44 of the Decree Law, the final decision declaring nullity have retroactive effects and a trademark which is recognized as null is deemed as if it has never been registered, while a cancellation of a trademark has proactive effects. Nevertheless, in Turkey, before the Constitutional Court's decision, the sanction of the non-use of a trademark was being null, in contraction of the Bylaw on European Union Community Trademark and TRIPS which stipulate that the trademark should be cancelled in case of nonuse. In fact, in doctrine, it was argued that, the sanction for a nonuse of trademark should be the cancellation as mentioned within the wording of Article 14 of the Decree Law, which regulates the use of trademark.¹¹ This is due to the fact that the nonuse of a trademark is not a reason for being null since such reason does not exist at the date of the trademark's registration. Therefore, a trademark which is lawfully registered should not be deemed as it has never been registered and not be suffering rage of nullity's retrospective effects.

In practice, the recent High Court of Appeals' decisions were in line with the doctrine and European Union legislation. In the decisions of the High Court of Appeal's 11th Circuit dated

⁹ Please see: http://www.wto.org/english/tratop_e/trips_e/t_agm3_e.htm

¹⁰ High Court of Appeals' for the 11th Circuit's decision (i) dated 09.04.2001 and numbered 2001/844 E. and 2001/3429 K., (ii) dated 29.11.2010 numbered 2009/56669 E. and 2010/12171 K. and (iii) dated 08.02.2002, numbered 2002/1709 E. and 2002/2064 K.

¹¹ Kaya, A., "Marka Hukuku" ("Trademark Law"), 2006, Arıkan, İstanbul, p. 344.

09.01.2009 and 01.03.2013¹², it was mentioned that in case a trademark is deemed unused under Article 14 of the Decree Law, the trademark should not be recognized as null from the registration date but should be cancelled as of the date when the lawsuit is initiated.

3. The Constitutional Court's Decision on the Cancellation of Article 42/1(c) of the Decree Law, Regarding Nullity of Trademarks Based on Nonuse of the Right Owner

3.1. Background of the Decision

On the dispute subject to the lawsuit, the plaintiff requested the cessation of the infringement, monetary and moral damages of its trademark along with the nullity of the trademark registered in the name of the defendant, numbered 20.03/20195. On the counter-lawsuit, the defendant requested the nullity of the plaintiff's trademark numbered 99/022976 due to nonuse. The court of first instance decided for the nullity of both trademarks based on the nonuse. The relevant decision is appealed and the High Court of Appeals reversed the decision of the court of first instance given with respect to the nullity of the trademark numbered 20.03/20195 based on insufficient examination and approved the court of first instance decision regarding the nullity of the trademark numbered 99/022976. It is stated within the High Court of Appeals that the trademark of 99/022976 is null as from its registration date, retrospectively.

3.2. The Arguments of İstanbul 4th Civil Court for Intellectual and Industrial Property Right and the Decision of the Constitutional Court

İstanbul 4th Civil Courts for Intellectual and Industrial Property Rights applied to the Constitutional Court for the cancellation of Article 42/1(c) on the grounds that the relevant article violates Articles 2, 35 and 91 of the Turkish Constitution.

In its application, İstanbul 4th Civil Courts for Intellectual and Industrial Property Rights argued below mentioned issues:

- Although it is fair to impose sanction due to the nonuse of a trademark, this sanction should be the cancellation of the trademark, having proactive effects, instead of nullity. It is noted that in international and European Union legislation the sanction of a nonuse of trademark is the cancellation of the trademark, i.e. Article 51 of the Bylaw on European Union Community Trademark No. 207/2009 and Article 12 of Directive on European Union Trademark Community. This is due to the fact that the nonuse of a trademark is not a reason existing on the registration date of the relevant trademark but appears later, when the conditions set forth under Article 14 occur. Furthermore it is pointed out that, a trademark which will be deemed null and non-exist as of the date of the registration should not be subject to an examination on the likelihood of confusion. The right owner's trademark which is ante-date will not be protected as of the date it is deemed null, against to a trademark which is registered later than itself.

¹² High Court of Appeal for 11th Circuit's decisions dated 09.01.2009, numbered 2008/2271 E. and 2009/1685 K. and dated 01.03.2013, numbered 2012/1496 E. and 2013/3805 K.

- The relevant article violates Article 2 of Turkish Constitution which protects the acquired rights and enabling the security of legal transactions by stipulating that Turkish Republic is a state of law.

- It violates Article 35 of Turkish Constitution stipulating the property rights due to the fact that nullity has retroactive effects and the property right of a right owner is damaged for the period until it has been deemed null since it is deemed as if it has never been registered.

- It also violates Article 91 of Turkish Constitution, since the relevant Article 42/1(c) limits the right of property, which is protected under Turkish Constitution, by a decree instead of a law.

In conclusion, the Constitutional Court cancelled Article 42/1(c) of the Decree Law, based on Article 91 of Turkish Constitution and did not go through an examination on Article 2 and Article 35 of Turkish Constitution. The Constitutional Court noted that trademark right is a property right and as per Article 91/1 of the Turkish Constitution, Grand National Assembly of Turkey may empower the Council of Ministers to issue decrees having the force of law with the exception of martial law and states of emergency, the fundamental rights, individual rights and duties included in the first and second chapters and the political rights and duties listed in the fourth chapter of the second part of the Constitution. Therefore since the Decree Law limits the trademark right, which is an individual property right, of the right owner retrospectively being against to Article 91/1 of the Turkish Constitution, Article 42/1(c) is cancelled. It is also mentioned that nullity of a trademark is against to the principle of acquired rights.

3.3. What is Changed?

Article 42/1(c) of the Decree Law is cancelled and therefore the nullity of a trademark based on nonuse should not be any more requested before court. Nevertheless, Article 14 of the Decree Law is still in force and a trademark which is deemed unused under Article 14, should be cancelled upon request. The cancellation of a trademark has proactive effects and therefore a trademark will be considered cancelled as of the court's decision with respect to the cancellation.

The Constitutional Court's decision is indeed in line with High Court of Appeals' precedents, international legislation and doctrine. Nevertheless, the relevant decision falls short since it does not cancel other provisions which should be subject to the cancellation of a trademark instead of the nullity. Under Article 42 (i) where the trademark has become generic for the goods or services through the action of the proprietor of the trademark (ii) where, as a result of the use made by the proprietor or by the person authorized by him/her, there is a likelihood of confusion on the part of the public as to the nature, quality, place of production and geographical origin of the goods or services for which it is registered and (iii) where it is used in violation of Article 59, which regulates the use against technical regulations of the Decree Law, the nullity of a trademark should be requested. However, all those circumstances, as like as Article 42/1(c) which is cancelled, are not based on reasons which were not existed on the date of the registration and occurred in a later date. Therefore those circumstances should only lead to the cancellation of the trademark. Nevertheless, the Constitutional Court did not touch

upon Article 42/1(d), Article 42/1(e), Article 42/1(f), and therefore is insufficient to solve completely the complication.

4. Conclusion

A trademark which is not used in a serious way, in Turkey, for an uninterrupted period of five years in all goods and services to which the trademark is registered, the trademark is considered as nonuse. Before the Constitutional Court's decision subject to our article, the nullity, having the retroactive effects could be requested when the conditions set forth under Article 14 exist and the trademark were deemed null as of its registration date. After the Constitutional Court's decision, in case the trademark is not used by the right owner, only its cancellation, having the proactive effects may be requested. Although the Constitutional Court's decision is based on legal grounds, it is insufficient since it does not address to the other circumstances which should lead to the cancelation of a trademark, instead of the nullity. The cancelation of the trademark should be decided on the circumstances mentioned within Article 42/1(d), Article 42/1(e), Article 42/1(f), since such circumstances occur after the registration of the trademark exist.

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