

A Case-Law Study on Justification of Non-Use of a Trademark

Authors: Gönenç Gürkaynak, Esq. and Tolga Uluay, ELIG Gürkaynak Attorneys-at-Law

1. *Introduction*

Despite annulment of Article 14 of the Decree No. 556 by the Turkish Constitutional Court has created a lacuna about the legal ground of the use obligation of trademarks; the proprietor always had the obligation for using its trademark in Turkish and international Trademark Law. In a nutshell a trademark that has not been genuinely used in Turkey for at least continuous 5 years, the trademark can be requested to be cancelled due to non-use of the trademark, unless there is a justification for non-use of the trademark. This article studies the justifications that can be shown for non-use of a trademark in consideration of the current case-law.

2. *The Notion of “Use of Trademark” under the Current Legislation and Due Evidence of Use*

The main function of a trademark is to address the commercial entity of the products or services bearing the trademark. Therefore, the driving force of having a trademark registered for the proprietor is to use the trademark. Accordingly the proprietors are expected to use their trademark on the goods and services within the scope of the trademark.

The trademarks that are not subject to “genuine use”¹ in Turkey can be requested to be removed from the trademark registry through a request filed before competent courts. As per Article 9 of the Turkish Industrial Property Code No. 6769 (“*IPC*”), in short, *(i)* the trademark should be used; *(ii)* the use should be genuine; and *(iii)* the genuine use should be conducted in Turkey.

The notion of use of trademark refers to commercial use. In other words, the trademark can be considered to be used if the said uses aim to gain a profit and to create or protect a market share out of it.² In parallel to this, performing serious efforts to protect the trademark against trademark

¹ CJEU, C-40/01, *Ansul BV v. Ajax Brandbeveiliging*. See; Cam, Esen. "Avrupa Birliği Hukuku Uyarınca Markanın “Gerçek Kullanım” Problemi." *Journal of Commerce and Intellectual Property* 2.2 (2016): 27-41., p.29

² Çolak, U., 2018, *Türk Marka Hukuku*, On İki Levha Yayıncılık, 4. Edition, Istanbul, p.972

infringements has not been considered as “trademark use” by the Court of Appeals (“CoA”), under its decision numbered 2007/4588 E. 2008/13024 K. and dated November 18, 2008.

The proprietors are given 5 years of grace period from the registration of trademark to the trademark registry as per Article 9 of the IPC, with a view to allow making necessary arrangements for genuine use, for instance R&D or creating supply chain.

The magnitude of use is also another issue in determination whether the trademark has or has not been used in the context of the obligation for trademark use. In general, use of a trademark should be genuine enough to meet the obligation. Since the concept of “genuine use” has been introduced to the IPC recently in January 2017, there are not much comprehensive precedents in Turkish Trademark Law on what the genuine use is. But it could be said that symbolic use of the trademark is not considered genuine. In fact, symbolic use of the trademark, for instance in the last three months of fifth year of non-use, is considered as an attempt to prevent the risk of facing removal of the trademark.

Also the magnitude of use should be efficient enough to create or protect the market share. The sufficiency use can differ depending on the goods and services. For instance, the sale of 500 wafers is not deemed sufficient for trademark use, while the sale of 10 luxury private jets is deemed sufficient.

Similarly, the CoA has made a similar assessment about on the magnitude of use that can be considered as genuine use, and concluded - with its decision numbered 2014/2295 E. 2014/8122 K. and dated April 30, 2014 - that 2 (two) invoices do not suffice submitted to prove the genuine use as it cannot be considered sufficient to create a market share.

The final main element of use is the “location” of the use, which should be Turkey as per Article 9 of the IPC, but the use does not necessarily have to in the whole country. From this aspect, the use of a trademark outside of Turkey will not be fulfilling the obligation. However, this is assessed with such a strict approach. As long as the goods and services can be provided in Turkey, the CoA accepts that the trademark is being used on Turkey. The SKY decision of CoA - numbered 2009/3437 E. 2011/2191 K. and dated March 03, 2011 - is a case where the world famous SKY is being evaluated in respect of the location that its services are provided. The CoA concludes that,

considering the present technology, the television channels do not have to have physical organizations and equipment to provide television broadcast in a place. Accordingly, since the broadcast can be watched by more than 600.000 people on its websites online from Turkey, it is evident that the services rendered within the scope of the SKY trademark exist - and thus the trademark is being used - in Turkey.

In addition, it should also be noted that, according to Article 9/2-(b), there is an exception made for the trademarks that are exclusively used for export business and under the exception, such uses are considered as proper trademark use by the IPC.

The uses in compliance with the elements explained above are required to be proved before the Court as well. In relation to this, due evidence of trademark use is considered as any material that could attest to the use of the trademark. It should however be kept in mind that the evidence submitted as proof of use must contain the date, trademark, location of use, the goods and services bearing the subject trademark. Thus, brochures, advertisements materials, calendars bearing the trademark with advertisement purposes would be considered as weak evidences, though can be regarded as circumstantial evidence.

As a recent example on due evidence, the Supermac's vs. McDonald's decision³ on the trademark "BIG MAC" should be addressed here as well. The case is a non-use action filed against McDonald's for its trademark "BIG MAC", with the claim that the trademark has not been genuinely used for 5 years. McDonald's has argued that the trademark has been duly used and submitted (i) several affidavits stating the sales of the sandwiches bearing the subject trademark have reach millions, (ii) brochures and printouts of advertising posters, (iii) printouts from several McDonald's websites, (iv) a printout from en.wikipedia.org as proof of use. The EUIPO however asserts that the evidence is insufficient to establish genuine use of the trade mark since the affidavits, despite having probative value, are only statements given by one of the parties while the rest of the evidences originate from McDonald's. As to the websites, it is hold that the presence of the subject trademark has an impact on showing the use of the trademark but having the trademark on a website is not by itself sufficient to prove use of the trademark. As regards to the brochures and printouts of advertising posters, it is stated that those materials are not enough to show whether any product have actually been sold. Finally, EUIPO explains that the printout

³ EUIPO, Cancellation No 14 788 C, January 11, 2019

from Wikipedia website is also not reliable since the content of the website is created and changed by people. As a result, the world famous fast food trademark “BIG MAC” has been cancelled due to non-use because of a failure on proof of use.

In the same vein, the CoA rules - with its decision numbered 2013/12512 E. 2014/1977 K. and dated February 05, 2014 - that the photos submitted by the defendant as proof of use do not provide any information about the date and also no additional evidence was provided to attest to the dates on which the photos have been taken. The CoA adds that the invoices are also inadmissible since they do not refer to the trademark in question. This decision gives an insight about the nature and content of evidence that is deemed to be capable of proving the use and which qualifications the evidence must have to that end.

On the other hand, evidence that is not found to be sufficient for proving the use could be found sufficient when it comes to different goods and services. Indeed, another recent precedent of CoA General Assembly of Civil Chambers, numbered E. 2014/11-106 K. 2016/67 and dated January 22, 2016, holds that brochures and printouts of advertising posters are sufficient to show genuine use of the trademark on “*construction services*” and it is not imperative that the trademark is used on the real estate that is being constructed too.

In general, invoices, sales contracts, commercial records attesting to the commercial transactions about the trademark in question are considered as solid evidence since they can show the use made for commercial profit and with market share motivation, surely provided that these contain the kind of information stated above.

The foregoing represent the main elements of proper trademark use and due evidence that could refute non-use claims. Lack of these elements might cause the trademark to be cancelled upon a non-use action but there are also justifications for non-use, which would prevent cancellation. Below we explore the issues that do and do not justify non-use in light of the case law.

3. *Precedents on Issues that do not justify Non-Use of Trademark*

The issues justifying non-use of a trademark are, in summary, the circumstances that would make use of trademark impossible in every aspect. In that sense if there is a change that could allow use

of the trademark, the CoA does not see a due justification for non-use. With a view to provide insight as to the events and issues that are not considered to be justifying non-use, below we provide as few precedents that could serve to that end:

- The case has been filed with the claim for cancellation of the “PINAR” trademark due to non-use. The defendant argues that the trademark has declared concordat and ever since, their business volume has been downsizing; the trademark had been seized and the trademark has been allowed to be used by third parties. The first instance court have accepted the case and cancelled the trademark since there was no evidence submitted to the court showing any use of the trademark neither by the proprietor nor the licensees. Also the economic difficulties, such as concordat or seizure, are not regarded as justifications for non-use of the trademark. The decision was appealed by the defendant and approved by the CoA with its decision numbered 2007/10093E. 2008/13302 K. and dated 24.11.2008.
- The plaintiff filed a non-use cancellation action for the trademark “PENGUEN”, arguing that the subject trademark has been used only on the ice-cream goods and not on the other goods and services covered under the scope of the subject trademark. The defendant stated that the proprietor had declared bankruptcy, therefore they were not able to use the trademark and this is a valid justification for non-use. The CoA has been examined the case and concluded in its decision numbered 2001/844 E. 2001/3429 and dated April 09, 2001 that the proprietor do not lose its legal personality by declaring bankruptcy and the trademark right can still be made subject to business transactions by the bankruptcy administration. In light of the foregoing, declaring bankruptcy was not found as a justification for non-use since there were several ways to use it despite the bankruptcy.
- The applicant of the trademark “TERE” has filed an infringement case against the well-known “TEREM-YAĞ” and the defendant made a “non-use defense” against the plaintiff and requested the first instance court to reject the case. Accordingly, the first instance court has hold that the plaintiff has not renewed its trademark “TERE” and the trademark had lapsed in 1988; further, the plaintiff himself went out of business 4 years after the lapse of his trademark, in 1992. Therefore, the expropriation of his factory producing the products bearing the earlier trademark “TERE” in 1986 cannot be considered as justifications for non-use of the trademark. The decision has been appealed by the plaintiff but the decision

was approved by CoA. Later, the plaintiff applied the CoA for a revision of decision and CoA rejected that as well with its decision numbered 2002/1719 E. 2002/2064 K. and dated March 08, 2002.

- The claim in the lawsuit reviewed by the first instance court is cancellation of trademark due to non-use with respect to certain goods and services registered under its scope and revocation of the trademark for the rest of the goods and services due to bad faith. The defendant has argued that several pending legal proceedings that were pursued for protecting the trademark against third party infringements and the intensity of the advertisements made for the trademark to establish its place and ownership in the market has created a challenge for proper use. But the Court ruled that justifications for non-use of a trademark are circumstances that would objectively make it impossible for the proprietor to use the trademark. Accordingly, economic inabilities and challenges, such as not being able to compete with the competitors, are not considered a due justification for non-use of the trademark. The decision has been approved by the CoA in its decision numbered 2015/7331 E. 2016/2600 K. and dated March 09, 2016.
- Finally, in a non-use action filed against the “HAVELLS” trademark, it has been argued the sector changes of the proprietor after the registration of the trademark and the economic crisis in the country affected the business badly and the governmental authorities did not grant the necessary permits for the production of the products that would be bearing the trademark. Ultimately the defense was that it was not possible to make business regarding the products bearing the trademark and requested the Court to acknowledge this defense as justification for non-use. But the Court did not agree with this defense and cancelled the trademark due to non-use. The CoA approved the first instance court decision with its decision numbered 2015/1512 E. 2015/6851 and dated May 13, 2015.

4. A Discussion on “Plain Packaging” from the Perspective of Non-Use of Trademark

Similar to the European Union legislations to protect public health, Turkish Government made an amendment on the present Article 4 of the Law No. 4207 on November 15, 2018. Accordingly, cigarette packaging has to contain warning notes, which should take 85% of the packaging, and monotype calligraphy for the trademarks on same colored packaging. The Law No. 4207 stated

that the details of plain packaging are going to be determined by a regulation to be prepared by the Ministry of Agriculture and Forestry (“*Ministry*”).

To that end the Ministry published the Regulation Pertaining the Procedures and Principles on Manufacturing, Labeling and Supervision of Tobacco (“Regulation”) on March 01, 2019. The Regulation provides that the outer surface of the packaging;

- shall be on the color numbered Pantone Cool Gray 2 C Matte,
- shall contain the trademark with its additional letter capitalized on the front surface of the package
- shall be on monotype font which is “Helvetica” and font size without special symbols such as “&” and without any embossment or gold foil.

This recent amendment prevents many well-known tobacco trademarks to be used due to the obligations connected to “plain packaging”. Therefore, although there is no doubt that sole verbal trademarks will be exempt from this discussion, since only a determined style will be used on the packaging according to the Regulation, it is a conundrum whether the trademarks that contain figurative - or both figurative and verbal - elements will be exposed to non-use actions after 5 years starting with the beginning of plain packaging implementation.

With a view to shed some light into the abovementioned issue, we can make note of the non-use action filed against Bacardi’s BREEZER trademark by KIRBIYIK FREEZER. This action was rejected due to the acknowledgement of Bacardi’s justification of non-use, which focused mainly on the regulative prohibitions on the exportation of the alcoholic drinks at that time. The Court had held that the prohibitions are due and solid justification for non-use. This is a rare example of the issues that could pass as justification for non-use of a trademark and it follows in general terms that regulative prohibition is a due reason justifying non-use.

An additional argumentative topic on this discussion can be made on the issue of whether the trademark uses on each cigarette itself is sufficient. As known, the tobacco trademarks are not only used on the packaging, but also on the cigarettes itself in a small size. Since the trademark uses on the cigarettes are not covered in the Regulation restrictions, those trademark uses might be deemed enough to rebut non-use claims.

5. *Consequences of Non-Use of Trademark*

A trademark that has not been used by the proprietor for 5 continuous years can be made subject to a cancellation action due to non-use and the effect of cancellation was retrospective, before the annulment of the relevant law stipulation. Indeed during the period where Decree no. 556 was in force, the consequence of the non-use was provided as a cause for “revocation”. But upon annulment of the relevant law clause, i.e. Article 42-1(c) of the Decree No. 556, non-use actions were reformed and gained the nature of cancellation actions. Thus the effects of a cancellation due to non-use are prospective.

The Court, in a cancellation action due to non-use, focuses on the matter of trademark use for 5 continuous years preceding the date on which the case is. The decision in such cases the cancellation decision will be effective from the date of decision. Then again as per Article 27/2 of IPC, in case the cancellation conditions have been met on a date earlier than the filing date of the lawsuit, the plaintiff can request the Court to render its decision effective from that earlier date on which the conditions were met.

6. *Conclusion*

Both international agreements, to which Turkey is a party, and national trademark regulation expects the proprietor to use its trademark and attaches sanctions to non-use. Despite the annulment of Article 14 of Decree No. 556, which happened only four days before the effective date of IPC, created a lacuna on regulation-wise, trademark owners are still expected to use their trademark in business transactions with the purpose of gaining profit and creating a market share.

As an exception of this obligation for use of trademark, non-use of the trademark is rendered exempt from repercussions in case of a justification for the non-use event. The justifications for non-use of trademark are different from reasons connected to *force majeure*. These justifications are expected to be borne from circumstances that would objectively make it impossible for one to use the trademark. Indeed, the economic crises, bankruptcy or declaring concordat are not found to be sufficient as a proper justification for non-use. On the other hand, legal prohibitions or obstacles are found to justifying non-use of the trademark.

In broader terms, justification for non-use of trademark must be connected to a circumstance that would objectively make the use of the trademark impossible, regardless the circumstance being of natural, economic or legal nature. Yet, even though the certain circumstance might make the use of trademark challenging or unfeasible for the proprietor, such situations are not found to be sufficient enough to constitute due justification for non-use.

Article contact: Gönenç Gürkaynak, Esq.

Email: gonenc.gurkaynak@elig.com

(First published by Mondaq on June 24, 2019)