

Amendments to Trademark Decree Law enter into force

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Law 5833, which amends Decree Law 556 on the Protection of Trademarks, entered into force on January 28 2009 upon its publication in the *Official Gazette*. The new law amends Articles 9 and 61 of the Decree Law.

The new law aims to fill the gaps created by the January 5 2008 decision of the Constitutional Court, which annulled certain provisions of the Decree Law and came into force on January 5 2009. Trademark owners have claimed that the delay in enacting the amendments have caused irreparable damage to them. Although the amendments reinforce the protection of trademarks, the new criminal provisions do not act as a sufficient deterrent.

The amendment to Article 9(I)(b) replaced the phrase "the risk of connection" with "the risk of association". Secondly, Article 9(II)(c) was amended to read that "the entry of goods bearing the (infringing) sign into the customs area" can be prevented by the trademark owner. Previously, the article stated only that "importation and exportation" could be prevented. Further, the new Article 9(II)(e) clearly states that "use of the (infringing) sign on the Internet, as a domain name, leading code or keyword, in a way that creates a commercial impact, without a legitimate right or interest" constitutes trademark infringement. Finally, Article 9(I)(c) now clearly provides protection against the dilution of well-known marks.

The new Article 9 thus reinforces the protection of trademarks, although this had already been achieved in practice by the courts. The expression "risk of association" in Article 9(I)(b) is broader than "the risk of connection" and is identical to the phrase used in Article 8(I)(b), which sets forth the relative grounds for opposition and the grounds for cancellation based on an earlier registration or application. The new Article 9(II)(c) was well received by the trademark community, since it can be relied on to prevent the entry of infringing goods into the free trade zones - although the same result was achieved a couple of years ago with respect to transit goods following a decision of the Court of Appeals. However, the requirements set forth in the amended Article 9(II)(e) (in particular, proof of use of the infringing sign "in a way that creates a commercial impact") might be problematic for trademark owners seeking the cancellation of a domain name.

In addition, Articles 61(e) and (f) have been removed. Under the former article, the "participation or assistance in or any form of encouragement or promotion of the acts referred to in subparagraphs (a), (b) and (c)" and "the failure to explain where and how a product bearing the registered trademark or one confusingly similar to it was obtained when found to be in possession thereof" were considered as trademark infringement. However, Article 61(d), which had been annulled by the Constitutional Court, has now been reinstated. Therefore, the "transfer to third parties or broadening of rights acquired under a licensing contract" is again treated as trademark infringement.

Article 61(A), which provides for criminal penalties for trademark infringement, has been completely revamped. The new article now applies only to "the manufacturing, offering for sale and sale of goods or services bearing identical or confusingly similar trademarks". The penalties for infringement have been reduced to:

- a prison term of between one and three years; and
- a fine to be paid to the state.

The new law also introduces an immunity clause: the infringer may avoid punishment if it provides information as to the source of the goods and delivers the goods to the authorities.

However, the late enactment of the criminal provisions has had a negative impact on ongoing criminal cases and prosecutions. Because of the gaps resulting from the decision of the Constitutional Court, the following acts were not considered as trademark infringement between January 5 2009 and January 28 2009:

- " The sale, distribution, putting to commercial use or importation, or holding for such purposes, of goods bearing a trademark that is known or should be known to be an unlawful imitation";
- "Offering the goods, placing them on the market or stocking them for those purposes under the sign, or offering or supplying services under it"; and
- "Use of any sign which, because of its identicalness or similarity to the registered trademark and the identicalness or similarity of the goods or services covered by the registered trademark and sign, creates a risk of confusion on the part of the public, including the risk of association between the trademark and the sign".

As a result of the delay, there is uncertainty as to the conclusion of ongoing criminal cases. Some argue that the cases should be considered under the unfair competition provisions of the Commercial Code, while others claim that the cases should be dismissed since there was no crime. Arguably, the delay in the enactment of the new law has benefited infringers.

Importantly, the phrase "entering the customs areas, importing and exporting" is not included in the new Article 61(A). Accordingly, the only way of stopping the release of counterfeit goods temporarily seized by Customs may be to obtain a preliminary injunction through the civil IP courts (rather than bring criminal proceedings). While the amendments affect ongoing criminal cases, they should have no impact on pending civil cases filed before January 5 2009.

Finally, a draft Trademark Law has recently been introduced to Parliament. This will represent an opportunity to address the shortcomings of the amendments (in particular with regard to the criminal provisions).