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A Comparative Law Perspective of the Protection of Unregistered Industrial Products Under Turkish Unfair Competition Law **

I. Introduction

According to doctrine, patent protection is based on the contract theory acted out between innovators and the State.[1] According to this theory, the innovator offers his innovation to the use and knowledge of the general public.[2] In return, the State provides the innovator with an exclusive right (patent protection) for a specific peripd of time. When the period of protection has expired, the innovation enters the public domain. The innovator shall not receive the benefits of patent protection unless he goes public with his innovation. As an alternative to patent protection, the innovator may keep his innovation secret and may benefit from trade secret protection for an indefinite period of time, as long as it is technically possible.

Legislators protect innovation against competition for a limited period of time by granting exclusive rights to the innovator. As a matter of fact, legislators are aware that by protecting innovations, competition in the market in relation to the product group that corresponds to the subject of the innovation, will be restricted for a *certain period of time* or may even be distorted, depending on the product. The reasons for tolerating this outcome can be briefly expressed as such: (i) to revvard and promote innovators by supporting novelty and innovation; and (ii), to further the expansion of technical knovvledge, and in so doing advance competition in the national economy in the long term. In other words, legislators strike a balance between the promotion of innovation and free competition. In order to achieve this balance, the duration of patent protection - as a matter of course - has to be limited to a specific time period.

Apart from this, in patent law, the principles of *territoriality* and *registration* are applied. According to these principles, an innovation is only protected in the country(s) where it is registered. The situation in the countries where

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1 ANTONY D'AMATO & DORİS ETSELLE LONG, "International Intellectual Property Law", 358 (Kluvver, London 1997).

2 It is one of the grounds for granting a compulsory licence when a patent is not used or discontinued to be used for three years (Turkish Patent Decree Law Art. 99).

there is no registration implies that the innovation is contributed to public domain. Therefore, anyone can and may use the innovation freely when there is no registration. The above-mentioned situation concerning innova- tions is, in principle, also applicable to other industrial products, including industrial designs,[3] new plant varieties and integrated circuit topographies.[4]

It should be noted that economic and/or legal analyses of the patent system in particular or the intellectual property (hereinafter IP) system in general goes beyond the scope of this article.[5] The cumulation of IP rights and accordingly the topics such as the one-size-fits-all or one-right systems are, for the same reason, not included within the context of this article.[6] In this study the relationship between IP and unfair competition will be addressed, and the borders of protection areas of both sides will be concretized. Although the economy of the IP system goes beyond the extent of this study, the philosophy of IP protection will be mentioned, especially in the process of specifying the scope of protection. This paper will focus on the implemen- tation of unfair competition regulations and the protection of unregistered industrial products vvithin the Turkish jurisdiction in the light of compara- tive law. Within this context, primarily the Turkish industrial property legislation and unfair competition provisions will be briefly mentioned. Follovving this section, the situation in comparative law will be examined, and in the light of this information, the criteria of protection sought by the Turkish Supreme Court of Justice (hereinafter the Supreme Court) will be elaborated through the related cases and they will be critiqued in detail. As stated above, neither the cumulation of IP rights nor the one-right system is encompassed by this study. Nevertheless, it is sincerely desired that this study

3 Special regulations in relation to unregistered designs are reserved. Varying from the refer- red EU Iaw, according to Turkish law unregistered designs are not protected under special provisions.

4 Although the subject of this article is about unregistered industrial products, the verdicts of the Turkish Supreme Court of Justice concern unregistered innovations and designs. To our knowledge, there are no cases or verdicts of the Supreme Court on unregistered integrated semiconductor circuits or new plant varieties. Albeit, it can be stated that the Supreme Court would reach similar decisions in cases of those topics.

5 There are several studies on this subject. For detailed information please refer to FRİTZ MACHLUP & EDİTH PENROSE, "The Patent Controversy in the Nineteenth Century", 10 Journal of Economic History 1 *et seq.* (1950); FRİTZ MACHLUP, "An Economic Review of the Patent System", US Government Printing Office Washington 1958, also available online at http://mises.org/etexts/patentsystem.pdf (last visited 18 February 2012); EDMUND KİTCH, "The Nature and Function of the Patent System", 2 Journal of Law and Ecönomics, 266 *et seq.* (1977); WİLLİAM LANDES &C RİCHARD POSNER, "The Economic Structure of Intellectual Property Law", (Harvard University Press, Cambridge MA 2003); ALEXANDER PEUKERT, "Intellectual Property as an End it Itself", 2 EIPR 67 *et seq.* (2011).

6 A study prepared during the conferences conducted by ARTIP in 2008 and 2009 focuses on this subject. In this study, the economic and legal aspects of the patent system were analys- ed. For detailed information please refer to ANETTE KUR &C VYTAUTAS MİZARAS (eds.), "The Structure of Intellectual Property Law - Can One Size Fit Ali?", (Edvvard Elgar, UK **2011).**

contribute to dıscussions related to the new structuring of IP rights. The basic starting point will be the specification of the protection model frame- work in Turkey as the projection of that framework serves as an accurate example of the dimensions of the current disorder with respect to the protection model.

II. General Information on Industrial Property and Unfair Competition Regulations in Turkish Law

Turkish Law belongs to the continental law system. The Civil Code and the Obligation Code dated 1926 were adopted from Svvitzerland and the Com- mercial Code dated 1956 was for the most part adopted from German law.[7]In the process of establishing IP legislation, primarily European Union (here- inafter EU) legislation and the related international agreements have served as an example.[8] Non-commercial unfair competition cases are regulated in Art. 48 of the Obligation Code. The source of this regulation is the Swiss Civil Code. Commercial unfair competition cases are embodied in Art. 56 et seq. of the Commercial Code. The source of this regulation is again the Swiss Unfair Competition Code dated 1943. Since the use of industrial products is mainly commercial, in practice such is referred to the related articles in the Commercial Code.[9] According to Art. 56 of the Commercial Code, unfair competition is defined as the abuse of economic competition in any manner by means of deceitful acts or other acts incompatible with good faith. This regulation is in har- mony with the Art. 10[b,s] of the

Paris Convention on industrial rights.[10]Along with this general definition in Art. 57 of the Commercial Code, some actions are enumerated as the examples of unfair competition. In Art. 57(5) unfair competition is described as

7 ADNAN GÜRİZ, "Source of Turkish Law", 1 *et seq.; See also* TUĞRUL ANSAY & DON VALLACE, "Introduction to Turkish Law", 8-9 (Kluvver, The Hague 2005).

8 For detailed information please refer to HAMDİ PİNAR, "Verfahrensrechtliche Regelungen im türkischen Patent- und Markenrecht", 1999 GRUR Int. 120 *et seq.;* SAMİ KARAHAN, CAHİT SULUK, TAHİR SARAÇ & TEMEL NAL, "Fikri Mülkiyet Hukukunun Esaslari?" 21-22 (Seçkin, Ankara 2009).

9 For detailed information please refer to HAMDİ PİNAR, "Das Recht der Werbung in der Tiirkei im Vergleich zum deutschen und europaeischen Recht", 5 *et seq.* (Peter Lang, Frankfurt am Main 2002).

10 Iıı German law the phrase "*gute Sitten*" (honest practice) has been replaced by the phrase "*unlauterkeit*" (unfairness) by *das Gesezt gegen den unlauteren Wettbewerbs (UWG),* dated 2004. The reasoning behind this amendment was the opinion that the phrase "honest practice" preferred in Art. 10[bıs] of the Paris Convention is actually an "empty formula" and in addition to this there is no definition for the word "honest". Please refer to FRAUKE HENNİNG-BODEWİG, "A New Act Against Unfair Competition in Germany", 4 IIC 425 fn. 18 (2005). The same terminology has been followved during the drafting process of the new Turkish Commercial Code, No. 6102, *see* Art. 54.

> *trying to create confusion* with the goods and products of the work, the activity or the commercial undertaking of another person or having recourse the measures likely to create this confusion, particularly using names, titles, marks, signs and simiiar distinctive means legally used by another person, or seliing or keeping for a reason other than personal needs, goods giving place to confusion, deliberately or unintentionally. [emphasis added]

In Turkish Law, manufacture and trade secrets are also not regulated under a special statute. It should be mentioned that there is no special statute in Turkish Law with respect to know-how.[1a] This area is regulated in Art. 55/1 (b)(3) of the new Commercial Code. According to the Art. 57(7) "deducing the employees, agents or other assistants and getting them to divulge or obtain the trading or manufacturing secrets of their employer or of his agents" is considered to constitute unfair competition.

The 1956 Commercial Code is no longer in force. The Turkish Parliament enacted the new Turkish Commercial Code, No. 6102 on 13 January 2011.[11] This Code recently entered into force on 1 July 2012. It can be understood from the new wording of the unfair competition articles that the legislator aimed to cover a larger area with respect to unfair competition.[12]The section from Art. 54 to Art. 63 of the new Commercial Code regulating unfair competition law was mainly adapted from the 1986 Swiss Unfair Competition Code. It must be mentioned here that the new Commercial Code does not necessarily change the fundamentals of the principles of unfair competition regulations. Therefore ali of the mentioned decisions of the Supreme Court are stili vailid.

On the other hand, Turkish IP protection goes back to Ottomans. In 1850, the first regulations on copyright and in 1872 first regulations in trademarks came into existence. The first code on patents was enacted in 1879. Ali of the Acts were adapted from French IP legislation. The codification process also continued after 1923 when the Turkish Republic was founded.

In recent years, Turkey has undertaken crucial reforms in the area of IP law, motivated by the effects of globalization. 1995 was a milestone in this context. Resulting from commitments deriving both from WTO/TRIPS and the 1/95 EU-Turkey Association Council Decision,[13] Turkey has entered a rapid phase of harmonization of its laws with EU law and international

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11 In Art. 4 of the Biock Exemption Communique on Technology Transfer Agreements, pro- mulgated by the Turkish Competition Authority "know-how" is described as: "a confiden- tial, substantial and identified package of knowledge resulting from experience and testing." *See* Communique No. 2008/2, OJ No. 26765, 23 January 2008. *See also* Com- munique on the Regulation of the Right of Access to the File and Protection of Trade Secrets, Communique No. 2010/3, OJ No. 27556, 18 April 2010.

12 Oj No. 27849, 14 Februay 2011.

13 Thus, in the general preamble it is emphasized that the labour principle is Consolidated and the influence area is expanded. It is acknovvledged as unfair competition "to recourse measures creates confusion to another person's goods, work products, activities or works".

14 OJ L 35/1, 96/142/EC, 13 February 1996, 43.

agreements. As a result of these endeavours a series of laws have entered into force in the areas of both copyright and industrial rights. Consequently, in 1995 and the years thereafter, legislation dating back to the time of Otto- mans has completely changed. Again, in 1995 regulations on designs, utility models and geographical indications were enacted *for tbe first time.* The first regulations on integrated circuit topographies and plant variety protection were implemented in the forthcoming years.

Turkey became a party to some conventions and international agreements in the IP area, such as Paris in 1925 and Bern in 1952. Starting in 1995, Turkey approved other fundamental agreements, namely WTO/TRIPS, PCT, Madrid Protocol, Hague, Rome, WCT and WPPT.

Inventions in Turkey used to be protected by the 1879 Patent Act *(ihtira Beratı Kanunu),* which was adapted from the 1844 French Patent Act. In 1995, the Patent Decree Law No. 551 replaced the 1879 Patent Act.[14] The Turkish Patent Decree Law is adapted mainly from German patent legislation and is in harmony with international agreements such as TRIPS and EPC.[15] With this Decree Law the protection of utility models was acknowl- edged for the first time as well.

After becoming a party to the Paris Convention in 1925, Turkey recognized a legal text on designs for the very first time. However, it took 70 years for Turkey to implement the Convention provisions into domestic law. The subject was regulated in 1995 under the industrial Design Decree Law No. 554. The Design Decree Law of 1995 was adapted from the EU Design Draft Directive and Draft Regulation of 1993.[16] The scope of protection according to the mentioned Decree Law only refers to registered designs; it is accepted that unregistered designs shall be protected under the general provisions (Art. 1). As a matter of fact, the term general provisions refers mainly to unfair competition regulations.

Briefly, Turkish IP and unfair competition laws are not dissimiiar to Euro- pean laws. Moreover, it can be easily said that there is a kind of kindred relationship amongst these laws, since the branches of law are mainly adapted from Western jurisdictions, just as with other areas of law. Yet, the interpretation and implementation of these regulations has led to different results.

15 OJ No. 22326, 27 June 1995

16 The 2000 version of the EPC has also entered into force in Turkey as with the other coun- tries. *See* O] No. 26465, 17 March 2007. The studies on the Draft Patent Code that in- cludes the amendments to be in line with the EPC 2000 are ongoing. It is not expected that this Draft will become law in short term.

17 Proposal for a European Parliament and Council Directive on the Legal Protection of Designs (93/C 345/09) COM (93) 344 final-COD 464, 3 December 1993 - OJEC C-345/14, 23.12.1993, 14 *et seq.;* Proposal for a Regulation on Community Design, COM (1993) 342 Final, 3. December 1993 - OJEC C-29/20, 31.1.1994, 20 *et seq.*

III. The Protection of Unregistered industrial Products Under Comparative Law

National regulations and the implementations in relation to unregistered products differ depending on the legal traditions of the countries. International agreements such as Paris or TRIPS do not include the subject.[17]Harmonisation has not yet been

completed on the EU level.[18] Consequently, the issue of whether or not the protection of unregistered products or the products of vvhich the duration of protection has expired, by means of unfair competition regulations, is handled according to the laws of each Member State.[19]

In the United States[20] (hereinafter US) and United Kingdom[21] (hereinafter UK), both of which belong to the common law tradition, it is accepted that a slavish imitation of a product, both functionally and visually, that is not registered or where the protection period has expired, may be produced. According to the common law point of view, imitation of a product that has no IP protection is the *lifeblood of a competitive economy*.[22] The slavish imitation would increase competition and force prices to drop.[23] Therefore, the imitation of products without protection creates an environment in favour of consumers. Market nevvcomers should be entitled to seli "me-too" products, as they enter into the market, as long as there is no IP protection.

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18 Art. 10[bis] of the Paris Convention may indicate that confidential information may be pro- tected. Hovvever, it is not possible to state that this interpretation includes slavish imitation, as the vvording of the regulation is very general. According to Art. 39/1 of TRIPS undisclosed information will be protected. *See* ESTELLE DERCLAYE & MATTİHAS LEİSTNER, "Intellectual Property Overlaps - A European Perspective" 21-23 (Hart Publishing, Ox- ford 2011).

19 There are two directives on unfair competition, but the subject of unregistered products is not deemed to be in the content of any of them. *See* Directive 2005/29/CE of the European Parliament and of the Council of 11 May 2005 Concerning Unfair Business to Con- sumer Commercial Practices in the Internal Market (2005) OJ L149/22. It is explicitly stated in the explanatory memorandum that slavish imitation is beyond the scope of the directives. *See* COM (2003) 356 final, 10, para. 40. Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 Concerning Misleading and Comparative Advertising (2006) OJ L376/21.

20 Derclaye 8c Leistner, *SUPRA* NOTE 18, AT 2 AND 114.

21 For the decisions of US Supreme Court please *see Sears, Roebuck & Co. v. Stiffel Com- pany*, No. 108, 376 U.S. 225 (1964), S. LEXIS 2365; *Bonito Boats, Inc. v. Tbunder Craft Boats, Inc.*, 489 U.S. 141 (1989); *National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 41 U.S.P.Q.2d (BNA) 1585 (2d Cir. 1997). Trade marks are not elaborated in this study. Therefore the US "dilution principle" with respect to well-known trade marks beyond the scope of this study.

22 UK High Court - Chancery Division, *Hodgkinson & Corby v. Ward s Mobility Services* [1995] FSR 169.

23 Please refer to the Supreme Court decision *Bonito Boats* at *supra* note 21.

24 English Court of Appeal, *L'Oreal v. Bellerue* (2007) EWCA, Civ 968.

Contrary to the common law system, Frenclı case-law interprets the "labour principle" in a very broad manner.[24] Within this context, the concept of "parasitic competition" has been developed in Frenclı law, and very tough protection is preponderant against such competition. Due to this principle, slavish imitation is deemed as unfair competition.[25] In addition, it should be pointed out that the decisions of French courts on this issue are inconsistent.[26]

Some continental law countries are located in the middle of these two extremes.[27] For instance, according to the Art. 11 of the Spanish Unfair Competition Code, one is free in principle to imitate an unprotected product; however, if this type of use causes confusion with respect to another's product or supports takirig wrongful advantage of another's reputation, then it is accepted that such use constitutes unfair competition.

Again, as a rule, in German law, frçedom of imitation *(Nachahtnungsfrei- heit)* has been acknowledged. Germany allows the protection of unregistered products under unfair competition law under certain circumstances. According to the new Act Against Unfair Competition dated 2004 (*Gesetz gegen unlauteren Wettbewerb - UWG)* that replaced the former German Unfair Competition Law dated 1909, the examples mentioned below are considered unfair competition:

(i) where such might mislead customers and cause confusion in the market place as to the commercial origin of those goods or services, Sec. 4(9)(a);
(ii) in cases where the original manufacturer's reputation is unfairly exploited or impaired, Sec. 4(9)(b); or
(iıi) where the necessary knowledge or required documents for the produc- tion of the imitation or replica have been obtained by dishonest means, Sec. 4(9)(c).
   a) the related product must be original with respect to the aspect of competitiveness; where three conditions mentioned below have oc- curred then it is considered to be unfair competition:
      aa) there must be a product,
      bb) the product must be well known at a certain level within the commercial market place,
      cc) there has to be likelihood of confusion,

25 Paris Court of Appeal 14 June 2006 Propr. Industr. 2006, comm. 81 (ANSGAR OHLY, "Free Access, Including Freedom to imitate, as a Legal Principle - A Forgotten Concept?", in: ANETTE KUR & VYTAUTAS MİZARAS (eds.), "The Structure of Intellectual Property Law - Can One Size Fit Ali?" 99 (directly quoted from fn. 5) (Edward Elgar, UK 2011). The same study by Ohly was also published in 41 IIC 506-524 (2010).

26 Derclaye & Leistner, *SUPRA* NOTE 18, AT 160.

27 Derclaye 8c Leistner, *SUPRA* NOTE 18, AT 163-164 AND 178-179.

28 For further information please refer to OHLY, *supra* note 25, at 100 and 108. Ohly expres- ses that in three circumstances the European courts do not allow imitation. These three circumstances are: (i) deception of the consumer, (ii) to use and abuse the image of an- other person, and (iii) slavish imitation. *See* OHLY, *supra* note 25, at 104.

b) the product must possess a positive image and an intention of benefit- ing from the commercial reputation must be present,

c) the product has to be shown to the imitator during the contract negotiations.

Where one of these three cases is present, the unregistered product is pro- tected under unfair competition regulations according to the current German Act.

It is possible to reach the conclusion that common law countries take different approaches than continental law countries. The first approach can be summarized as the rule of freedom of competition in the field provided there is no IP protection. The second approach sets forth limits to the imitation of unprotected products by applying unfair competition rules. Where the common law approach is clear, it is possible to say that the scope is not as

specified in continental law countries. Therefore, the court decisions of such related countries vary according to the circumstances of each case. As will be discussed below, in Turkey, which is also a part of continental law tradition, the confusion is at its highest levels.

IV. Unfair Competition Protection Provided to Unregistered industrial Products Througb Turkish Case-Latv

A. In General

As explained above, although Turkish industrial property legislation with respect to patents is in accordance with modern patent systems, the case-law acknowledges that unregistered inventions and designs may be further pro- tected under unfair competition regulations. The basis of this point of view is Art. 57 of the Commercial Code (Art. 55 of the new Commercial Code). Again, Art. 56 of the Code (Art. 54 of the new Commercial Code) states that the underlining principle in this respect is the "labour principle" and derives from the definition of unfair competition. In Supreme Court decisions it is also emphasized that there is no protection duration if protection is sought through unfair competition rules.

No changes are observed in the decisions of Supreme Court today when compared to Court decisions handed down before 1995, which were based on the "labour principle". In other words, the modern IP legislation implemented in Turkey after 1995 did not affect the opinion of the Supreme Court.

In its older decisions (before 1995), the Supreme Court accepted that unregistered inventions and designs are protected under unfair competition provisions. In one of

these decisions, the Supreme Court stated that:[28] "... It does not prevent the manufacturer to rely upon the unfair competition

29 llth Chamber of the Turkish Supreme Court, 28 December 1990, Case No. 8343, Deci- sion No. 8476, in: GÖNEN ERİŞ, "Türk Ticaret Kanunu: Ticari İşletme ve Şirketler", V.I, 1084-1085 (Seçkin, Ankara 2004).

protection, provided by the Turkish Commercial Code, for the steam press even in the case where there is no patent registration obtained according to the Patent Act (İhtira Berat Kanunu) ..." In another decision, in relation to the characteristics of an unregistered invention and design, the Court sta- ted[29] "... As the 'Climaks' labelled stove manufactured by the defendant is similar in the degree of identification to the 'Delonghi' labelled stove manufactured by the plaintiff with respect to *outlook, design and teehnieal system,* the act of the defendant shall be recognized as unfair competition ..." [emphasis added]

It is clear that the above-mentioned decisions of the Supreme Court, which were handed down before the Patent and industrial Design Decree Laws of 1995 entered into force, are not in harmony with the modern patent system. However the Supreme Court maintained and stili upholds the same opinion. In a case regarding patents that are registered in the US but hold no registration in Turkey, the specialised IP court made this incisive judgement:[30]

> . . . it is mentioned that the product of the plaintiff is subjected to five patents registered in the US, the plaintiff has no design registration or a patent certificate by the Turkish Patent Institute (hereinafter TPI) for the labelling machines, thus it is not possible to mention the infringement of the rights derived from the patent certificate, valid only in US, in Turkey; furthermore it is not possible to demand the protection of this invention or the product in Turkey under unfair competition regulations; the opposite thinking would result in granting protection to an invention or a product, for which no cost has been paid in Turkey or has no validation as such; this issue vvould be against the purpose that restricts the duration of the patent certificate and offer the invention to the service of the public after the end of a 20-year period of time and
>
> provide everybody to benefit from this invention and also it vvould be against the regulation codified in the Art. 133/2 of the (Patent) Decree Law No. 551; besides it is also not possible to apply the general law clauses in the presence of special lavv regulations on the matter...

The referred Art. 133/2 of the Patent Decree Law No. 551 by the specialised court states that: "T^e *subject matter of a patent right having terminated* shall become *public property* as from the moment when the ground for termination materializes." [emphasis added]

The Supreme Court reversed this judgement in 2008 on the grounds mentioned,[31] which are considered to be very inaccurate from our point of view:

30 llth Chamber of the Turkish Supreme Court, 26 February 1996, Case No. 1996/769, Decision No. 1996/1151 (not published). *See also* llth Chamber of the Turkish Supreme Court, 26 February 1996, Case No. 1996/770, Decision No. 1996/1167, in: CAHİT SULUK & ALİ ORHAN, "Uygulamalı Fikri Mülkiyet Hukuku, V.III: Tasarımlar", 919 (Seçkin, Ankara 2008).

31 istanbul 2nd Civil Court of Intellectual and industrial Property Rights, 18 April 2006, Case No. 2004/893, Decision No. 2006/120 (not published).

32 llth Chamber of the Turkish Supreme Court, 4 March 2008, Case No. 2006/11131, Decision No. 2008/2607 (not published).

> . . . There is no article in the Decree Law No. 551, which regulates patents and utility models, indicating that the inventions, which are not registered in Turkey, would not be protected. In the presence of the Art. 56 et seq. of the Turkish Commercial Code, the first grounding of the court cannot be deemed as a justifiable ground. [emphasis added]

In another Supreme Court decision[32] in 2007 regarding a case filed by Rolex against Arpaş, Rolex (the plaintiff) claimed confusion. The defendant, on the other hand, argued that the features in question are not new and lack individual character since most of the well-known manufacturers use the same features on their watches, and moreover, confusion is unlikely concerning the vvatches with different labels (Rolex and Arpaş) since it is nine to 20 times more expensive to buy a Rolex. The first instance court accepted the case and the claim for unfair competition on the ground that:

> . . . Wristlet parts of the vvatches in dispute are similar and *the locking mechanisms of the metallic link have a similar mechanism;* they are decorated with similar hooked knurled frames. Moreover, two of the vvatches manufac- tured by the defendant are similar to that of the plaintiff as to their design, vvristlet type, sections in the dial, and size and background frame of the dial glass ... [emphasis added]

The Supreme Court affirmed the decision.

In a decision dated 2006, the Supreme Court explicitly and decisively accepted that unregistered products shall be protected under unfair competition provisions:[33]

> . . . As the plaintiff's claim is based on prevention of unfair competition stated in Art. 56 of the Turkish Commercial Code, the conditions do not comprise to refer to Patent Decree Law No. 551 and industrial Design Decree Law No. 554 in this dispute. Alternator and related parts in dispute were developed and produced by US-based C.E. Neihoff Corporation. According to the sales, distribution and installation agreement dated 15 June 1995 and also the license agreement betvveen the parties dated 1 June 1996, plaintiff Tepaş Ltd. Şti manufactures aforesaid products in Turkey as a sole agent since 1995. An expert witness report dated 23 October 2002 states that alternators, manufac- tured imitatively by the defendant, are the subjects of unfair competition of plaintiff's products. It cannot be proven that the defendant has developed and manufactured its products beforehand and there is also no proof that the defendant has a right, which must be protected by law. Furthermore, it is concluded that the condition of suitability provision stating that the products produced and delivered vvithin the scope of tender must be in accordance with the technical specification issued by Maksam Makine San. ve Tic. A.Ş. cannot eliminate the defendant's responsibility to avoid unfair competition with respect to the characteristics, which do not necessitate technical requirement and are also not available for everyone ...

33 llth Chamber of the Turkish Supreme Court, 20 September 2007, Case No. 2006/2930, Decision No. 2007/11564 (not published).

34 llth Chamber of the Turkish Supreme Court, 31 January 2006, Case No. 2004/14198, Decision No. 2006/917, in: SULUK & ORHAN, *supra* note 30, at 877-879.

According to the Supreme Court, if the products are similar in some ways and different in others, the presence of unfair competition should only be accepted with respect to the similar characteristics:[34]

> . . . Although the stoves are not identical as a whole, there is an obvious similarity between them in respect of fan and coil units. It is true that fan and coil units are located on the top because of technical requirements. Hovvever, the production of these units similarly in the level of identification by the defendant constitutes an unfair competition in the meaning of Art. 57/5 of the Turkish Commercial Code. Since the similarities in the other units are because of the technical requirements and actually there is no system similarity be- tween them, it should be accepted that there is no unfair competition for the units excepts fan and coil.

As is clear from these decisions, according to the Supreme Court, unregistered products shall be protected under unfair competition provisions according to the labour principle.

B. Determining the Principles of Protection

As can be understood from the aforementioned decisions, according to the Supreme Court, the utilization of an unregistered invention or a design by third parties shall constitute unfair competition. Hovvever, both in the doc- trine and in the Supreme Court's rulings various opinions on protection criteria are presented. It is not easy to arrive at solid principles by compiling these opinions. Nonetheless, we will attempt to determine some principles in the light of these various decisions. Since the Supreme Court did not consider a differentiation between unregistered innovations and designs in the decisions, we prefer to analyse the decisions with respect to both subjects in the course of determining the principles.

1. Determining Right Ovvnership in the Product

In order to rely upon unfair competition provisions on the grounds of an imitation of an unregistered industrial property, the product has to be devel- oped by the plaintiff. If the product is not developed by the plaintiff in an unfair competition case, then the case will be dismissed. In fact, the Supreme Court has dismissed an unfair competition case filed with respect to a design on exactly the same ground.[35]

There is no industrial right on an unregistered industrial product. For in- stance, in contrast to EU regulations, according to Turkish law the protection of unregistered designs is not acknovvledged. Nevertheless, the Supreme

35 llth Chamber of the Turkish Supreme Court, 1 March 1995, Case No. 1994/7381, Decision No. 1995/1771, in: SULUK 8C ORHAN, *supra* note 30, at 912-913. *See also* llth Chamber of the Turkish Supreme Court, 28 February 1995, Case No. 1994/7383, Decision No. 1995/1754, in: SULUK & ORHAN, *supra* note 30, at 913-914.

36 llth Chamber of the Turkish Supreme Court, 14 November 2002, Case No. 2002/8869, Decision No. 2002/10383, in: SULUK 8C ORHAN, *supra* note 30, at 809.

Court adds the issues of paramount right and right ownership into the dispute in relation to unregistered products:[37]

> . . . It is held to reverse the verdict in favour of the plaintiff, since the decision has to be held according to the conclusion deduced by the expert witnesses on the points of whether or not there is a similarity betvveen the products of the both parties; if there is a similarity, vvhether or not the similarity is derived from the technical requirements and if there iş a similarity, *which party has a paramount right.*
>
> The local court, which was obedient in the reversing decision of Supreme Court held as a result of the examination that the ovens produced by the plaintiff and by the defendant are similar in the degree of identification with respect to appearance, units, *technical and in principle and moreover these similarities are not because of technical requirement, the favoured right is on the plaintiff, who started manufacturing prior and transferred the tecfrnology from abroad*. Therefore the acts of the defendant constitute an unfair competition and shall be precluded ... [emphasis added]

As it is understood from this decision, the Supreme Court has come to the conclusion that the rights derived from licence agreements signed in relation to the product may be claimed against third parties in dispute, since the Supreme Court is of the opinion of granting *a paramount right* to the owner of the unregistered industrial product. As a result, the owner of the unregistered industrial product and/or licensee will be endovved vvith rights, which has the same power of registered rights.

2. Novelty/Individuality/Originality

The terms "novelty", "individuality" and "originality" have crucial differ- ences within the context of IP law. The Supreme Court, hovvever, uses *novelty* in some decisions, *individuality* in some others and also prefers to use *originality* for some decisions regarding the protection of unregistered products. Moreover in some decisions it can be seen that these terms are used together or instead of each other.[30] The Supreme Court also does not define these terms. When the use of these terms is examined, it is understood that the Supreme Court attçibutes two different meanings to these terms.

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37 11TH CHAMBER OF THE TURKISH SUPREME COURT 9 MAY 1996 CASE NO: 1996/2680 DECİSİON NO: 1996/3230 İN SULUK & ORHAN SUPRA NOTE 30 AT 911-912

38 The doctrine has also experienced this obscurity. As a matter of fact, while the issue regarding designs was being studied, the terms "new" and "original" were used. *See* HAMDİ YASAMAN, "Sınai Resim ve Modeller", V.XII 2-3 BATİDER 96-97 (1984); ÖMER TEOMAN, "Yaşayan Ticaret Hukuku: Hukuki Mütalaalar, Kitap: 1995-1996", V.2 183 (Beta, İstanbul 1997). Another author seeks the conditions listed belovv in order for the identifier ele- ments to be protected under unfair competition legislation: (i) a degree of originality that provides the possibility to differentiate the goods and services; (ii) the assumable presence of a well-known status, starting from the presentation of the identifier elements to the public; and (iii) the presence of a functional relationship aesthetically and technically betvveen the goods and services and the identifier elements. *See* ŞAİBE OKTAY (ÖZDEMİR), "Sınai Haklara İlişkin Lisans Sözleşmeleri ve Rekabet Hukuk Düzenlemelerinin Lisans Sözleşmelerine Uygulanması" 147 (Beta, İstanbul 2002).

First of ali, they imply that the related product is developed by the related person *for the first time.* The second meaning is to explain that the related product is not an imitation. The Supreme Court has sought for an absolute novelty (worldwide) for the unregistered designs in some cases.[39] In some other cases, the Supreme Court found the relative novelty adequate.[40]

The Supreme Court reached the conclusion that a registered design, which is not new or individual, shall be invalidated and the unfair competition claims shall not be regarded with respect to these designs.[41] In another case, the Supreme Court emphasized novelty as a protection criterion.[42]

The Supreme Court decisions that are in favour of the protection of unregistered products under unfair competition provisions were explicitly acknovvl- edged by the General Assembly of Civil Chambers of Supreme Court. How- ever, the General Assembly is of the opinion that the novelty requirement shall not be sought with respect to unregistered products:[43] "... Since the plaintiff does not claim an infringement towards his (registered) industrial design rights, it is not necessary to seek for novelty."[44]

39 llth Chamber of the Turkish Supreme Court, 12 November 2002, Case No. 2002/7938, Decision No. 2002/10327, in: SULUK 8C ORHAN, *supra* note 30, at 839-840; *See* llth Chamber of the Turkish Supreme Court, 16 April 1996, Case No. 1996/1905, Decision No. 1996/2864, in: SULUK & ORHAN, *supra* note 30, at 806; llth Chamber of the Turkish Supreme Court, 13 April 1999, Case No. 1998/8008, Decision No. 1999/2775, in: SULUK 8C ORHAN, *supra* note 30, at 908-909.

40 llth Chamber of the Turkish Supreme Court, 1 June 2004, Case No. 2004/5538, Decision No. 2004/6175, in: SULUK 8C ORHAN, *supra* note 30, at 836-837. Another decision of the Supreme Court has the same wording. *See* llth Chamber of the Turkish Supreme Court, 30 May 2002, Case No. 2002/2440, Decision No, 2002/5406, in: SULUK 8C ORHAN, *supra* note 30, at 837-838.

41 llth Chamber of the Turkish Supreme Court, 3 October 2000, Case No. 2000/4318, Decision No. 2000/7424, in: SULUK 8C ORHAN, *supra* note 30, at 840. There is another decision of the Supreme Court that puts forward the same opinion: llth Chamber of the Turkish Supreme Court, 14 January 2002, Case No. 2001/10647, Decision No. 2002/13, in: SULUK 8C ORHAN, *supra* note 30, at 842-843.

42 llth Chamber of the Turkish Supreme Court, 20 November 1987, Case No. 7269, Decision No. 6440, in: ERİŞ, *supra* note 29, at 1026.

43 General Assembly of Civil Chambers of Supreme Court, 27 April 2005, Case No. 2005/ 11-231, Decision No. 2005/273, in: SULUK 8C ORHAN, *supra* note 30, at 855-857. Con- trary to the decisions above, the verdicts of the General Assembly emphasize that novelty shall not be regarded as a requirement. Although these verdicts seem to contradict each other, in a way they also coincide. They contradict each other where, as in the above- mentioned decisions, absolute or relative novelty is definitely sought. They coincide because verdicts both in the above-mentioned decisions and in the General Assembly require that the product in dispute must be developed by the plaintiff for the first time both in the world and in Turkey.

44 This verdict was not unanimous. Some members of the General Assembly disagreed with the verdict and expressed their dissenting opinions: "The fabrics, vvhich are subjected to the unregistered design in dispute, partake of the different versions of the figure-colour compositions that are known as plaid and have been used in Turkey for more than fifty (Contd. on page 838)

It is crucial to mention that the usage of these terms by the Supreme Court is not consistent. For instance, in one case the Supreme Court even granted protection to an anonymous design:[45]

> In Art. 56 of the Turkish Commercial Code, unfair competition is described as the abuse of commercial competition by deceitful act or any kind of act that does not comply with good faith. In Art. 57 it is determined as examples which actions would be deemed as unfair competition. Hovvever, there is no limitation for the situations that can be deemed as unfair competition. Therefore, the verdict should be held by elaborating, gathering evidence, requesting another report from the expert vvitnesses on the issues of *vvhether or not the anonymous curtain patterned design of the defendant/plaintiff of the counter action was imitated slavishly by the opponent and whether or not the oppo- nent exploited especially from the usage ...* [emphasis added]

Briefly, it can be expressed that neither the Supreme Court rulings'in relation to novelty, individuality and originality are consistent, nor does the Supreme Court seek this condition at ali times. The uncertainty in the case-law results in a lack of ability for the law to be predictable.

3. Whether or Not the Similarity Arises from Technical Requirement

According to the Supreme Court, unregistered industrial designs shali be protected under unfair competition provisions. Nevertheless, there is no unfair competition vvhere the similarity betvveen the parties' products arises from technical requirements.[46] In other vvords, similarity in appearance and

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years, thus they do not possess an original characteristic to the addressed consumer popu- lation. Therefore, as it is understood from the expert witness report, dated 18 November 2000, submitted to the Case No. 1998/2459 heard before the istanbul 2nd Commercial Court of First instance, the related fabric designs do not qualify as new and distinctive and moreover it is not appropriate for the unregistered designs in dispute to be subjected to protection provisions, vvhich are more favoured and different from the Decree Law No. 554 that fills the gaps derived from the application of Art. 57/5 of the Turkish Commerce Code. Consequently, to manufacture unregistered fabric designs by the defendants shall not constitute unfair competition."

45 llth Chamber of the Turkish Supreme Court, 20 February 2006, Case No. 2005/1847, Decision No. 2006/1636, in: SULUK &C ORHAN, *supra* note 30, at 831-832. In Turkish law doctrine it is accepted that a product, vvhich has entered the public domain and enjoys vvidespread used can be utilised by everybody. *See* ÜNAL TEKİNALP, "Fikri Mülkiyet Hukuku", 653 (Arıkan Yayınevi, İstanbul 2005); CAHİT SULUK, "Avrupa Birliği ve Türk Hukukunda Tasarımların Kümülâtif Olarak Korunması (Çoklu Koruma)", V.I, 3 FMR, 65 (2001); AHMET KEŞLİ, "Türk Hukukunda Bir Sorun: Tescil Edilmemiş ve Koruma Süresi Dolmuş Endüstriyel Ürünler ve Konuya İlişkin Bir Amerikan Federal Yüksek Mahkemesi Kararının Takdimi", V.II, 2 FMR, 18 (2002); TAHİR SARAÇ, "Patentten Doğan Hakka Tecavüz ve Hakkın Korunması", 39 fn. 46 (Seçkin, Ankara 2003); AYŞE ODMAN BOZTO- SUN, "Haksız Rekabet Hukukunda Emeğin Korunması İlkesinin Yargıtay Kararları Işığında Değerlendirilmesi", in: "Ticaret Hukuku ve Yargıtay Kararları Sempozyumu", V. XXI, 216 (BTHAE Yayınları, 2005).

46 llth Chamber of the Turkish Supreme Court, 24 October 2005, Case No. 2004/12686, Decision No. 2005/10213 - V.I, 2 FMHD 213-214 (2006).

system, vvhere there is no technical requirement for similarity, is unfair competition.[47]

Another decision in the same direetion states:[48]

> . . . It is held for the acceptance of the case on the grounds that there is a similarity betvveen the stoves in dispute to a degree of identification in the elements of appearance, colour, size, design, system used and technical ele- ments, which does not originate from technical requirement...

According to the Supreme Court[31] "... the case, vvhere Malaksöz ve Dekan- tör machines of the defendants are slavish imitation of the plaintiffs' products in respect of design and working systems does constitute unfair competition ..." It is possible to mention more verdicts here, which put forvvard the same opinion of the Supreme Court.

4. Whether or Not the Criteria of Confusion Shall Be Sought

The Supreme Court decisions on confusion show crucial variations from each other. Some of these are completely dissimilar. There are decisions in which the presence of an imitation of an unregistered industrial design is accepted as unfair competition, where confusion is not sought at ali, and there are other decisions to the contrary.

According to the Supreme Court, the decision shall be held by determining vvhether or not consumers pay attention to the elements of label, quality, price or similar other elements in case of similarity. According to the follow- ing decision of the Supreme Court it is not adequate to state that there is unfair competition when there is only (per se) similarity betvveen the products of the parties:[50]

> . . . This case is not about the validity of the patent, but it is about vvhether or not there is an unfair competition according to Art. 56 et seq. of the Commercial Code. In this case the decision should be held according to the conclusion of the expert vvitnesses report on the issues of: vvhether or not there is an explicit similarity betvveen the stoves; vvhether or not the similarity (if there is) arises from technical requirement; if the similarity is not a result of technical requirement, why it is desired for the ideal labelled stove, produced by the defendant to be similar to the Matador labelled stove, produced by the plaintiff; vvhether or not the customers, vvho should possess certain qualifica- tions, such as being a bakery, *tvould buy one of them instead of the other one just because they are similar in shape; in other vvords vvhether they vvould be deceived or not, or despite of this similarity the customers would pay attention*

47 llth Chamber of the Turkish Supreme Court 16 october 200 case no 2000/5107 Decision no 2000/7961 in SULUK&ORHAN supra note 30 at 906-907

48 llth Chamber of the Turkish Supreme Court 1 june 1995 Case No:1995/3472 Decision No. 1995/4507 in SULUK&ORHAN Supra note 30 at 908.

49 llth Chamber of the Turkish Supreme Court, 3 December 1996, Case No. 1996/7985, Decision No. 1996/8508, in: SULUK & ORHAN, *supra* note 30, at 918-919.

50 llth Chamber of the Turkish Supreme Court 14 March 1989 Case No. 1988/5517 Decison No.1989/1602 in SULUK&ORHAN Supra Note 30 at 808

> *to the elements such as label, quality and price and make up their minds according to these features. The settled case-law of our Chamber,* vvhich was expressed in the Case No. 616-897 dated 22 February 1985, *is in this direc- tion as well.* [emphasis added]

In another decision, the Supreme Court has incisively determined:[32]

> *. . . the existence of confusion cannot be accepted in this case* based on the facts that the buyers purchase these goods in dispute by paying attention to their labels depending on their type and qualification; there are different texts and labels on the mentioned goods that are owned by both parties, thus it has to be considered that the buyers differentiate the goods from each other automatically..." [emphasis added]

In one case, the Supreme Court affirmed the decision of a first instance court, vvhich ruled that the innovation and design characteristics of tjı'e product shall be protected under unfair competition provisions on grounds of confusion:[52]

> . . . By the court, it has decided depending on the claims and the defence, evidence and the expert report, the espagnolettes, vvhich have been manufac- tured by the defendant are similar in appearance, design and mechanism to the espagnolettes manufactured by the plaintiff, vvhich vvere manufactured vvithin the scope of knovv-hovv that is provided by the licensor and thus this situation *causes confusion* and shall be deemed as unfair competition ... [emphasis added]

The Supreme Court underhned confusion in another ruling:[53]

> *According to the settled case-law of our Chamber, it is accepted that objective existence of confusion is required,* in order to examine vvhether or not a normal and mid-level buyer vvould be deceived or misled because of the similarity of the imitated product in label and figüre should be taken as parameter. [emphasis added]

Briefly, the Supreme Court emphasized in the above-mentioned decisions that for unfair competition to occur, the act of imitation itself is not enough and the existence of confusion has to be determined.[54] The majority opinion

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51 llth Chamber of the Turkish Supreme Court, 20 October 1992, Case No. 992/4360, Decision No. 992/10104, in: SULUK &: ORHAN, *supra* note 30, at 715-716.

52 llth Chamber of the Turkish Supreme Court 1 May 1995 Case No.1995/3045 Decisions No:1995/3926 İn Suluk & Orhan Supra note 30 at 932-933

53 11t llth Chamber of the Turkish Supreme Court 22 Februay 1985 Case No.1985/616 Decision No.1985/987 İn ODMAN BOZTOSUN Supranote 45 at 218

54 see 11 th Chamber Of the Turkısh Supreme Court 19 Januray 1995 Case No 1994/6093 decision no.1995/186in SULUK&ORHAN supra note 30at 889 11 th chamber of the turkısh supreme court 9 november 2006 case no. 2005/8094 decision no.2006/11480 in SULUK&ORHAN supra note 30 at 890-891 11th chamber of the turkısh supreme court 5 februay 2001, case no. 2000/9855 decision no:2001/859 in SULUK&ORHAN supra note 30 at 982 11th chamber of the turkısh supreme court 16 december 1999 case no. 1999/8502 decisions no.1999/10454 in SULUK&ORHAN supra note 30 at 907-908 11th chamber of the turkısh supreme court 4 october

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in the doctrine is also of the point of view that the existence of confusion is a crucial requirement for unfair competition to arise.[55]

The Supreme Court decisions mentioned above draw attention to the decisions emphasizing confusion, wlıich also indicate that the decisions have stability in that direction. However, further decisions of the Supreme Court can be observed vvhere confusion is not sought at ali, which is not incorrect in our opinion. Follovving this point of view, the Supreme Court considers having similarity to someone else's product, when there is no technical requirement, as unfair competition. For instance, in a case, where the confusion is not mentioned, the court considered the similarity in design and functionality of the parties' goods as unfair competition, even in the case of different labelling.[56]

Lastly, as was referred to in one of the Supreme Court's decisions,[57] confusion actually occurs through introducing means. These are seen either in the form of distinctive names and marks or designs. For the reasons mentioned before, industrial products such as inventions or integrated circuit topogra- phies do not lead to confusion in principle. As to inventions, it is not possible to consider the existence of confusion in particular for features that are not visible to end-users. As a matter of fact, this is also stated in the preamble of Art. *55.* According to the preamble: (i) confusion means appearance (intro- duction, presentation-visual) and audition (similarity in sound); (ii) the confusion caused by inner similarity, electrical circuit or integrated circuit topo- graphies does not lead to confusion. According to the same preamble "it also cannot be seen as necessary cumulative implementation of provisions con- cerning unfair competition in regulations with respect to intellectual property". In some of the Supreme Court's decisions, an opinion is expressed that in the absence of the technical requirement such features will be protected under the provisions of unfair competition. The Supreme Court agrees with the unfair competition claims, since the presence of similarity is considered to be sufficient solely for the occurrence of unfair competition.

(Contd. from page 840)

2004, Case No. 2004/281, Decision No. 2004/9256, in: SULUK & ORHAN, *supra* note 30, at 928-929; llth Chamber of the Turkish Supreme Court, 25 June 2002, Case No. 2002/ 2718, Decision No. 2002/6598, in: SULUK & ORHAN, *supra* note 30, at 886-887.

55 TEOMAN, *supra* note 38, at V.l 10; İ. YİLMAZ ASLAN, "Endüstriyel Tasarım Haklarının Kullanılması Haksız Rekabet ve Rekabet Hukuku İlişkileri: Bir Mahkeme Kararı Üzerine Düşünceler", V.l, 1 FMR 24 (2001); SULUK & ORHAN, *supra* note 30, at 826; KEŞLİ, *supra* note 45, at 17-18. *Contra* FEYZAN HAYAL ŞEHİRALİ, "Türk Hukukunda Tasarımlara Yönelik Uygulamalar", (Not published).

56 l'lth Chamber of the Turkish Supreme Court, 25 November 1997, Case No. 1997/6736, Decision No. 1997/8571, in: SULUK & ORHAN, *supra* note 30, at 914-915; llth Chamber of the Turkish Supreme Court, 3 December 1996, Case No. 1996/7985, Decision No. 1996/8508, ın: SULUK & ORHAN, *supra* note 30, at 918-919.

57 llth Chamber of the Turkish Supreme Court, 22 February 1985, Case No. 1985/616, Decision No. 1985/987, in: ODMAN BOZTOSUN, *supra* note 45, at 218.

IV. Personal Revieiv and Conclusion

Competition has beneficial consequences for society, unless it comes with an aspect of exploitation or abuse of the rights of one party. Competition is a right. However, this right, like any other right, should not be misused. Actions contrary to honest commercial activity constitute unfair competition; unfair competition is a type of business .trick. Unfair competition means abusing the competition right that is granted to the public by law and acting against the rules of law and good faith. Provisions related to unfair competition should be applied by concerning the principle of good faith that is derived from the idea of fairness.

Unfair competition law does not directly protect IP rights. Unfair competition regulations provide an indirect protection against abuse of the competition right and against confusion.

As is known, the cumulative protection principle is acknovvledged with respect to IP rights.[58] Hovvever, in some occasions, grey areas may occur and there may be no available IP right to enforce in a specific case. There are different opinions on vvhether or not protection against unfair competition should be applied to these grey areas. According to one approach these gaps should be filled by unfair competition regulations. Othervvise, parasitic competition would step in, vvhich vvould result in unlawful gain. According to the other approach, areas vvithout any IP protection are free zones for competition, apart from exceptional territories, such as trade secrets or confusion.

Betvveen IP and unfair competition legislation, the relationship of specialized law comes into play - general law.[33] Specialized law is firstly applied in this intercourse. Specialized law prevails över general law in cases where specialized law encompasses its subject matter completely and provides more comprehensive and superior protection. In addition to this, the limitations introduced by specialized law can also not be ruled out by relying on general law. Thus, it is not possible to benefit from a protection provided by a general Iaw where the specialized law vvithholds the protection due to certain restrictions. The blank areas of specialized law can be filled based on general law as long as it is suitable to the specific purpose of the specialized law.[60]

On the other hand, the right owner can rely on the protection provided by unfair competition provisions along with IP legislation, in principle, if the conditions are met. In other vvords, unfair competition provisions shall not be applied secondarily,

along with sui generis regulations, with respect to IP. However, if the conditions are met and if it is required, they will be applied

58 For further information *see* DERCLAYE & LEİSTNER, *supra* note 18, at 1.

59 DİLEK CENGİZ, "Türk Hukukunda İktibas veya İltibas Suretiyle Marka Hakkına Tecavüz", 51-52 (Beta, İstanbul 1995); SABİH ARKAN, "Marka Hukuku, V. II", 225 (AÜHF Yay., Ankara 1998); SARAÇ, *supra* note 45, at 218.

60 CENGİZ, SUPRA note 59 at 52 ; Saraç Supra note 45,at 218.

directly and primarily. However, the principles on which such protection are based are different from each other.[34] The cumulation of these two protection types is perfectly natural because of the difference in protection type attributes.

However, attention should be paid to the relationship of specialized law and general law rules during the application of the principle of cumulative protection. For instance, if the circumstances applying to IP protection have not occurred in a concrete case but confusion remains, then it is appropriate to say that there has been an unfair competition activity. In the application of unfair competition, the crucial point is *how the action is performed*, the imitation action itself is not important.62 It is not proper to specify a sole imitation action as unfair competition (per se) from the labour principle point of view.[35] Othervvise, unfair competition protection would become an alternative to IP protection, which would lead to a situation where IP protection would become useless and meaningless.[36] Within this context, to rely on the protection provided by unfair competition provisions to protect an original qualification, where the protection duration has ended or vvhere the protection does not even exist because of the absence of registration, clearly contradicts the principle of the right being limited in time.[37] The existence of confusion is an exception to this situation.[38] It can easily be expressed that Turkish Supreme Court decisions are handed down vvithout taking the modern patent system and the aforementioned relationship betvveen legisla- tions into consideration.

The Supreme Court has not been able to develop a case-law that is in compliance with general principles of law while adopting unfair competition provisions on the protection of unregistered products.[67] This kind of imple-

61 Tekinalp, *SUPRA* NOTE 45, AT 36; Saraç, *SUPRA* NOTE 45, AT 219, Derclaye & Leistner, *SUPRA* NOTE 18, AT 305.

62 See hans Martın Muller-Laube ''Wettbewerbsrechthicher Schurtz gegen nachahmung und nahbildung gewerblicher Erzegnisse'' 156 ZHR (1992) 481 (directly quoted from ŞEHIRALI, Supra note 55,at 13)

63 *SEE* Odman Boztosun, *SUPRA* NOTE 45, AT 224, *CF*. Şehirali, *SUPRA* NOTE 55, AT 13.

64 *SEE* Odman Boztosun, *SUPRA* NOTE 45, AT 228.

65 Tekinalp, *SUPRA* NOTE 45, AT 36.

66 As a matter of fact, this probability has been regulated explicitly in Art. 22 of the Industrial Design Decree Law. According to this article the protection of a registered "*must- match*" design is limited to three years. Following the expiration of the protection duration the design can be used by everybody, provided that no confusion occurs regarding the origin of the product.

67 As mentioned above must-mach desing are protected fort theree years after registration. However the supreme Court is of the opinion that must-match desing of wich the protection duration has expired, shall enjoy unfair competition protection. The supreme court relies on the laour principle here. For example of this opinion plase see, 11 th Chamber of the Turkısh Surpreme Court 7 june 2007 case no.2006/1112 decision No. 2007/8653 in SULUK&ORHAN supra note 30 at 857 – 860 11th chamber of the Turkısh Supreme Court 1 june 2006, Case No: 2005/4002 Decision No:2006/6561 in

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mentation by the Supreme Court can be interpreted as the fact that the interests of individuals is preferred över the interests of the public. This policy leads to the exploitation of the public. However, Art. 7 TRIPS also states that:

> The protection and enforcement of intellectual property rights should contri- bute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Article 1 of the Patent Decree Law No. 551 and Art. 1 of the industrial Design Decree Law No. 554 were written in accordance with this opinion. But the implementation on the part of the Turkish Supreme Court is preven- tive to achieving this objective goal.

Briefly, the Supreme Court's case-law prior to the Patent Decree Law and industrial Design Decree Law dated 1995 regarding the subject matter was not in harmony with modern patent or design protection. A change of opinion in the Supreme Court's approach was expected based upon *the labour principle,* after the implementation of the

1995 regulations. As a matter of fact, the diligence of those who put effort into developing innovation, *is already protected - under specified conditions - according to the time limits determined in the industrial property law.* In other words, prior- itizing specialized regulations according to the relationship betvveen specialized and general law should have embodied the enforcement of the legislation. But the Supreme Court did not undertake any changes in its previous case-law after the new regulations.

For the reasons mentioned above, in today's Turkey unregistered inventions and designs are protected for an indefinite period of time under the provisions of unfair competition. Therefore - in practice - *unfair competition protection has become an alternative to industrial property rights, tvhich have been regulated by specialized law.* As of today, it can be even stated that unregistered industrial products enjoy a much broader protection deriving from unfair competition regulations than do registered products. Further- more the protection criteria for unregistered products to be protected under unfair competition provisions are very flexible, and there is also no time limit for the protection.

Although there are exceptional areas such as trade secrets, the protection of unregistered industrial products under unfair competition regulations must depend on and be limited to the existence of confusion. The grounds for this opinion are indicated belovv

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> SULUK & ORHAN, *supra* note 30, at 859-860. Earlier decisions of the Supreme Court go in the same direction as well. *See* llth Chamber of the Turkish Supreme Court, 2 July 1996, Case No. 1996/4596, Decision No. 1996/4958, in: SULUK & ORHAN, *supra* note 30, at 924- 925; llth Chamber of the Turkish Supreme Court, 23 June 1997, Case No. 1997/2514, Decision No. 1997/4904, in: SULUK SC ORHAN, *supra* note 30, at 922-923.

Firstly, to acknovvledge an alternative protection method deriving from the labour principle, such as unfair competition protection, would cause IP protection to be dysfunctional and meaningless. This kind of approach would also damage the registration system of industrial products. IP rights and the principles of scope of protection are determined under the related legislation. On the contrary, unfair competition provisions are applied as if they were bag bili provisions. Thus, the courts enforce unfair competition regulations without any prior examination in the presence of a similarity among the parties' products. In other words, open ended and indefinite unfair competition protection undermines the IP system and seriously damages protection. We can reach this conclusion, at least with respect to the implementation in the Turkish jurisdiction.[68]

Secondly, it has to be mentioned that there is a perspective of not leaving any grey areas behind. Hovvever, in the process of trying to achieve this goal, protection against unfair competition is provided along vvith IP protection. This would restrict third parties' areas of free competition and would become a threat against third parties' *legal security.* In most cases, it is not possible to anticipate vvhich path the courts will take, since the courts have handed down decisions on case-by-case basis by setting aside fundamental principles. This fact is valid for countries where law practice is poor. As can be seen in the examples above, today in Turkey the legislative situation has lost its ability to be anticipated vvith respect to unregistered products. Appar- ently legislators were also avvare of these circumstances when they drafted the preamble to Art. 55 of the new Turkish Commercial Code by stating: "cumulative implementation of provisions concerning unfair competition in regulations vvith respect to intellectual property cannot be seen as necessary". We hope that in addition to the rest, this preamble may constitute a baseline for change in the Supreme Court's case-law. Othervvise, it vvill not be possible to create a functional, modern industrial property system in Turkey.

Thirdly, every IP right provides protection that strikes a balance. The protection against unfair competition on the one hand prevents the misuse of competition, on the other hand assures freedom of competition. Therefore, the limits of protection against unfair competition should be determined by

68 1 The attorneys who are avvare of this situation file cases against unfair competition depending on the labour principle, even when there is no patent registration. In an on- going case (istanbul 13th Chamber of the Commercial Court, Case No. 2009/34) the plaintiff, who alleged that his machine was imitated, managed to get an injunction by depending on unfair competition provisions vvith reference to the labour principle. The plaintiff owns a Eur opean patent also registered in Turkey. The plaintiff did not file the case based on his patent on purpo se. The expert report submitted to the court expressed that: "*the rights on the unregistered patents* are protected by general principles of law (unfair competition), just like the protection provided to unregistered trade marks and unregistered industrial designs". [emphasis added] Moreover the expert attorneys recommend to their clients not to register their designs, since their designs are protected by unfair competition rules in a very broad field.

taking into consideration the goal of these principles of unfair competition. My point of view is that this situation is the perfect example of how unstable the compass has become and thus causes the deviation of the present direc- tion in Turkey and in some other continental law countries.

Lastly, it would be accurate to say that there cannot be any subjective protection in a field in which the legislator has not yet regulated and formed an IP right. This field is supposed to be a free zone. Within this zone ali actors should be free to deal as long as there is no misuse of competition by commercial espionage or confusion. As long as there is no confusion, the competition of third parties should not be restricted by unfair competition principles, including the act of slavish imitation.[69] Therefore, vvithin the process of making a choice betvveen filling ali grey areas or freedom of competition, we believe - depending on the cost-benefit analysis - that free competition has more advantages. To say the least, the protection model in Turkey leads to this conclusion.

Opinion

Yin Ham Lee*

UsedSoft GmbH v. Oracle International Corp (Case C-128/11) - Sales of "Used" Software and the Principle of Exhaustion**

Introductiorı

Classically, the sale of software involves the making available by the Copyright holder of a copy of the softvvare in question on a material medium such as a CD-ROM or DVD, ovvnership of which is subsequently transferred to the acquirer together with the grant of a licence entitling the customer to use the softvvare in question. Under this model, the application of the principle

69 Even when there is a *slavish imitation*, with *appropriate labelling,* the confusion may be prevented. For further examples please refer to 2005 BGH GRUR 349-352. In the *Lego* Decision the German Federal Supreme Court dismissed the unfair competition claim on the grounds that the confusion it was already prevented. *See* 2007 GRUR 795. The Supreme Court of Italy *(Corte di Casssazione)* reached the same conclusion in the *Lego* case in Italy. *See* Supreme Court, 28 February 2008, No. 5437 (directly quoted from OHLY, *supra* note 25, at 108

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* *' For the official headnotes to this decision, see this issue of IIC at 858.

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