

# Loss of Rights through Silence in Trade Name Abandonment Lawsuits and the Alternative Remedies under Trademark Law

## I. Introduction

Under Article 18 of the Turkish Commercial Code No. 6102 ("TCC"), a merchant is required to choose a trade name that complies with the law and, pursuant to Article 39, must conduct transactions relating to their commercial enterprise under this trade name and sign documents and other papers related to the business under this name. The rules that both natural and legal person merchants must follow in the selection of trade names are detailed in Articles 39 and subsequent of the TCC, as well as in the Communiqué on Trade Names and the Commercial Registry Regulation.

In practice, trade names selected and registered in accordance with the aforementioned legislative provisions occasionally infringe upon another merchant's trade name. In such cases, the rightful owner can initiate a lawsuit under TCC Article 52 to determine the infringement, seek prohibition of its use; if the trade name has been registered, request its lawful alteration or removal; eliminate the resultant material situation; destroy the vehicles and goods involved if necessary; and claim material and moral damages based on the degree of fault. Despite no specific provision in the legislation, attention must be paid to the five-year statute of limitations established by established Turkish Cassation Court jurisprudence in cases requesting the abandonment of a trade name.

This paper discusses the time limitation accepted in the abandonment of trade name lawsuits under the aforementioned Cassation Court jurisprudence, and the alternative legal remedies available to trademark owners in such circumstances.

## I. Loss of Rights through Silence as per Cassation Court Jurisprudence

The Cassation Court defines periods leading to the expiration of a right due to the owner's failure to exercise it within a certain timeframe as statutes of limitations. The fundamental difference between the statute of limitations and lapse of time is that the former can be

considered by the judge at any stage of the lawsuit and does not require invocation by the parties.

Although no specific statute of limitations is provided for the lawsuits filed for the abandonment of a trade name, the established Cassation Court jurisprudence applies, by analogy, the "loss of rights through silence" from Article 25 of the Industrial Property Law No. 6769, which governs lawsuits seeking the nullification of a brand.

The rationale and legal basis for this jurisprudence are detailed in the decision of the General Assembly of the Cassation Court, File No. 2021/456, Decision No. 2021/776, dated June 17, 2021:

*"Loss of rights through silence occurs when the former right holder, despite being aware of the commercial name and sign being used in good faith by another, fails to sue for a prolonged period, thereby forfeiting their right to protect the commercial name and sign. This principle is rooted in Article 2 of the Turkish Civil Code (TCC), which mandates: 'Everyone must comply with the rules of honesty while exercising their rights and fulfilling their obligations. The legal order does not protect the blatant misuse of a right.' Accordingly, this article encompasses two fundamental principles: rights must be exercised in accordance with the rules of honesty, and blatant misuse of rights will not be protected by the legal system.*

*The principle of loss of rights through silence is also applicable in cases involving trade names. Indeed, if the same or similar commercial name and sign are used by another in their trade name, the previous right holder can file a lawsuit to demand the abandonment or alteration of this name. However, allowing the previous right holder unlimited opportunity to exercise this right can lead to unjust results, as the new merchant, having registered and started using the trade name in good faith and having invested time and money under this name, should not be unduly penalized for the previous right holder's prolonged silence, which could be construed as an abuse of the right to sue. Furthermore, if the previous right holder, aware of an ongoing infringement, remains silent for an extended period before suing, this could be considered an abuse of rights.*

*If the right holder has not exercised their right for a significant period without just cause, creating the impression that they will no longer use the right, they should no longer be able to exercise this right. Therefore, if the previous right holder, required to*

*act under Article 2 of the TCC, remains silent, it should be recognized that they have lost their right to sue or prohibit the continued use of the trade name against the person who later registered it in good faith (Yasaman, Hamdi/ Yusufoglu, Fülürya: Trademark Law, Istanbul, 2004, p. 856).*

*In cases of loss of rights through silence, the right does not generally expire; instead, the right holder must tolerate the continued use of the trade name by those who have remained silent. This is because the trader, by consciously choosing not to exercise a right for an extended period, does not lose the right arising from the trade name; it is merely implied that they have granted tacit consent to the ongoing use/registration due to their prolonged silence.*

*For the loss of rights through silence to be applicable, the previous right holder must have been aware that the same or a similar commercial name and sign were registered as a trade name or used by others, and yet chose to remain silent. However, given that trade names must be registered in the commercial registry and the positive effect of such registration, it cannot be claimed that a registered and announced trade name is unknown. Nonetheless, if the previous right holder's prolonged silence is based on a force majeure or an objective impossibility and this can be proven in court, the loss of rights through silence will not apply. For the loss of rights through silence to be discussed, it is essential that the person who later registered the trade name acted in good faith. If the person who later registered the trade name did so with bad intent, the loss of rights through silence cannot be invoked, and the previous right holder can demand the abandonment of the trade name at any time, regardless of the duration."*

In this decision, the Cassation Court first clarified the legal basis for loss of rights through silence, then elaborated on the conditions under which this concept can be applied in disputes involving the abandonment of a trade name. The Court ruled that there is no time limit for the previous right holder to demand the abandonment of a subsequent registration in cases of identical or similar use. This stance was considered equitable given the investments made by the subsequent registration holder under the trade name over a long period. The necessity of registration and announcement of trade names and the positive effect of registration mean that a previous right holder merchant who remains silent about a trade name claimed to be infringing will likely suffer a loss of rights. The Court's decision to include the following two exceptional circumstances is particularly apt:

1. The first exception is that if the demand for abandonment of the subsequent registration is not made within a reasonable time due to a force majeure or an objective impossibility, and this situation can be proven in court, it is accepted that the previous right holder will not suffer a loss of rights when the specified period expires.
2. The second exception is that if the subsequent registration was made with bad intent. Just as in the cases of nullity of a brand under Article 25 of the Industrial Property Law, it is accepted that in cases involving the abandonment of a trade name, if the subsequent registration holder acted with bad intent, the previous right holder will not suffer a loss of rights through silence. In this scenario, the Cassation Court believes that the previous right holder can demand the abandonment of the trade name registered in bad faith at any time, regardless of duration.

The decisions of the Cassation Court<sup>1</sup> in this regard have consistently followed the same direction, and the relevant sections of the precedent decisions are quoted below:

*"The previous right holder, if they pursue legal action against another party using the commercial name and sign as their trade name without remaining silent, will not suffer a loss of rights through silence. However, it should also be noted that if the previous right holder sends a notice before suing, this is not considered remaining silent. Nevertheless, if the previous right holder only sends notices at certain intervals over a long period without suing or taking any other action to prevent the use of the name, claiming not to have remained silent can be considered an abuse of rights. Therefore, if the previous right holder has sent a notice expressing their desire not to continue the use, they must also demonstrate this intent through legal action within a reasonable time. For the loss of rights through silence to occur, the previous right holder must have remained silent for a certain period about the use of the same or similar trade name.*

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<sup>1</sup> Cassation Court General Assembly on the Unification of Judgments, Decision No. 2017/27, Resolution No. 2020/225, dated February 26, 2020; Cassation Court 11th Civil Chamber, File No. 2013/10901, Decision No. 2014/705, dated January 14, 2014; Cassation Court 11th Civil Chamber, File No. 2008/8718, Decision No. 2010/4163, dated April 13, 2010; Cassation Court 11th Civil Chamber, File No. 2009/7914, Decision No. 2011/7383, dated June 16, 2011; Cassation Court 11th Civil Chamber, File No. 2009/12563, Decision No. 2011/4986, dated April 25, 2011; Cassation Court 11th Civil Chamber, File No. 2007/13020, Decision No. 2009/2054, dated February 23, 2009.

*However, the TCC does not specify how long this period should be before it results in a loss of rights. Nevertheless, the Industrial Property Law No. 6769, which came into effect on January 10, 2017, introduced for the first time in trademark law a provision related to the loss of rights through silence in nullity lawsuits. Article 26/6 of this law states: 'If the owner of a brand has been aware or should have been aware that a later date brand has been used and has remained silent for five consecutive years, unless the later date brand registration was made with bad intent, they cannot claim their brand as a ground for nullity.' Accordingly, for the principle of loss of rights through silence to be applicable in brand nullity lawsuits, a five-year period must have elapsed. However, since there is no specific period set in the legislation for trade names, the characteristics of each specific case must be considered in light of Article 2 of the TCC to determine the period."<sup>2</sup>*

*"Following the trial conducted by the court based on the claims, defense, expert report, and the entire file, it was found that the plaintiff company was registered in the commercial registry in 1963, and the defendant in 1997, that the areas of activity of the parties were similar, and that the parties operating under the same trade name guide word could lead to confusion. However, since the defendant had gained reputation and customer base through use since 1997, and no lawsuit was filed against the defendant regarding the abandonment of the trade name within a reasonable time after the announcement and registration of the defendant's trade name, the abandonment lawsuit filed 16 years later cannot be heard, the plaintiff has suffered a loss of rights through silence regarding the trade name. On the other hand, the defendant's use of the '...' phrase in a dominant and separate manner from the other words of the trade name, the defendant's use of the phrase as a brand without having a registered '...' brand for products and commodities, and the defendant's actual use constituting an infringement of the plaintiff's brand rights led to the partial acceptance of the lawsuit. The court ordered the prevention of such uses, the collection of advertising materials, signs, and commercial documents in which the '...' phrase was used as a brand, the elimination of the infringing situation, and the rejection of the request to remove and abandon the '...' phrase from the defendant's trade name as a guide word. Both the plaintiff's attorney and the defendant's attorney appealed the decision. Based on the information and documents in the lawsuit file and the evidence relied upon in the court's reasoning, there is no procedural or legal error in the discussion and assessment*

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<sup>2</sup> Cassation Court General Assembly on the Unification of Judgments, File No. 2017/27, Decision No. 2020/225, dated February 26, 2020.



*of the evidence, and therefore, the appeals of the plaintiff's attorney and the defendant's attorney are unfounded."*<sup>3</sup>

*"The lawsuit concerns the request to remove the T. word from the trade name of T. C. Apparel Ltd. Co. owned by the defendant and to change the defendant's trade name. The T. phrase in the plaintiff's trade name and the T. phrase in the defendant company's trade name are similar to a degree of identity. The plaintiff company was established on 1.7.1993, while the defendant company was established much earlier, on 27.12.1983, and registered its trade name on that date and announced it on 29.12.1983. Considering the founder partner A. O.'s previous use, the plaintiff company relies on a use dating back to 1970. Thus, the right of priority in use undoubtedly belongs to the plaintiff company. However, given that the defendant company used the T. word in its trade name since 1993 and approximately 12 years passed until the lawsuit date of 4.10.2005, the plaintiff company, being registered in the same commercial registry and operating in the textile sector in Istanbul, has remained silent during this period. Therefore, this period is sufficient to cause a loss of rights through silence, and the court should have decided to dismiss the lawsuit by accepting that the plaintiff company lost its right to sue under Article 2 of the MK, instead of accepting the lawsuit for the reasons stated in writing."*<sup>4</sup>

## **II. Legal Protection Available to Right Holders When Trade Names Are Used as Brands**

As explained above, in light of the Cassation Court's adoption of a non-statutory time limitation through precedent, right holders in lawsuits for the abandonment of infringing trade names suffer a loss of rights once the statute of limitations has expired. However, it should be noted that merchants often use the phrases included in their trade names as brands in their commercial transactions, and in such cases, another legal protection avenue available is lawsuits for brand infringement and unfair competition based on brand use, where the principle of "loss of rights through silence" does not apply.

Indeed, in the decision of the 11th Civil Chamber of the Cassation Court, File No. 2013/10901, Decision No. 2014/705, dated January 14, 2014, although the plaintiff suffered a loss of rights regarding the trade name after 16 years, the defendant's use of the phrase included in the trade name as an unregistered brand constituted an infringement of the

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<sup>3</sup> Cassation Court 11th Civil Chamber, File No. 2013/10901, Decision No. 2014/705, dated January 14, 2014.

<sup>4</sup> Cassation Court 11th Civil Chamber, File No. 2008/8718, Decision No. 2010/4163, dated April 13, 2010.

plaintiff's brand rights and unfair competition against the plaintiff, leading to the court's decision to prohibit such brand uses:

*"Following the trial conducted by the court based on the claims, defense, expert report, and the entire file, it was found that the plaintiff company was registered in the commercial registry in 1963, and the defendant in 1997, that the areas of activity of the parties were similar, and that the parties operating under the same trade name guide word could lead to confusion. However, since the defendant had gained reputation and customer base through use since 1997, and no lawsuit was filed against the defendant regarding the abandonment of the trade name within a reasonable time after the announcement and registration of the defendant's trade name, the abandonment lawsuit filed 16 years later cannot be heard, the plaintiff has suffered a loss of rights through silence regarding the trade name. On the other hand, the defendant's use of the '...' phrase in a dominant and separate manner from the other words of the trade name, the defendant's use of the phrase as a brand without having a registered '...' brand for products and commodities, and the defendant's actual use constituting an infringement of the plaintiff's brand rights led to the partial acceptance of the lawsuit. The court ordered the prevention of such uses, the collection of advertising materials, signs, and commercial documents in which the '...' phrase was used as a brand, the elimination of the infringing situation, and the rejection of the request to remove and abandon the '...' phrase from the defendant's trade name as a guide word."*

### **III. Conclusion**

Under TCC Article 52, a type of lawsuit that can be initiated by individuals whose trade names have been infringed is the lawsuit for the abandonment of a trade name, where the Cassation Court has adopted a non-statutory time limitation through precedent. While a merchant's failure to exercise their right to sue knowingly and intentionally for a certain period does not result in the loss of the right arising from the trade name, it is accepted that the right holder has tacitly consented to the ongoing use/registration due to their prolonged silence.

However, it is crucial to note that while the "loss of rights through silence" period is set at 5 years in brand nullity lawsuits under Article 25 of the Industrial Property Law, in trade name abandonment lawsuits, the Cassation Court evaluates whether the statute of

limitations has expired based on the "honesty rule" regulated in Article 2 of the Turkish Civil Code and the characteristics of each specific case.

When a trade name is also used as an unregistered brand, depending on the circumstances of the specific case, this can constitute an infringement of the right holder's brand rights and/or unfair competition, and in such cases, the loss of rights through silence cannot be discussed, and the prohibition of these uses can be demanded under trademark law, independent of the loss of the right to demand the removal from the trade registry through silence.

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**Disclaimer:** This article is intended to provide the reader with a general overview of its subject. Each individual case should be assessed based on its circumstances.