

# Compensation Lawsuits That Can Be Filed in Case of Trademark Infringement

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**Abstract:** Trademark infringement, defined as unauthorized interference by third parties with trademark rights, can cause significant harm to enterprises. Beyond economic losses, the reputation and trust associated with the trademark may also suffer substantial damage. Therefore, identifying acts that constitute infringement of registered trademark rights is of critical importance. This enables trademark owners to prevent infringements, penalize infringers, and seek compensation for material and immaterial damages that arise. Pursuant to Article 149 of the Industrial Property Law, the rights holder may file lawsuits under specific conditions for the determination of whether an act constitutes infringement, prevention of potential infringements, cessation of infringing acts, removal of the effects of infringement, and compensation for material and immaterial damages. Under subsection (ç) of the same article, it is explicitly provided that the trademark owner may claim compensation for material and immaterial damages in addition to other remedies. Actions arising from the Industrial Property Law and specific trademark legislation are deemed absolute commercial cases under Article 4/1–(d) of the Turkish Commercial Code, and initiating mediation is a prerequisite before filing a compensation claim. In material compensation claims arising from trademark infringement, the rights holder who has suffered harm due to an unlawful act may seek redress for their losses from those responsible. Material compensation claims are regulated under Articles 150 and 151 of the general provisions of the Industrial Property Law. The compensation for immaterial damages is addressed in Articles 149/1–ç and 150 of the Industrial Property Law, with the primary aim of remedying the adverse consequences caused to the commercial and personal existence of the trademark owner due to the loss of trust. Moreover, if the reputation of the industrial property owner is damaged, the trademark owner may demand compensation for reputational harm under the term "reputational compensation."

**Keywords:** Trademark, Trademark Infringement, Compensation Claims, Industrial Property Law

**JEL Classification:** K11, M21

## 1. Trademark Infringement in Turkish Trademark Law

Acts constituting trademark infringement are regulated under Article 29 of the Industrial Property Law and defined by reference to Article 7 (Aslan Düzgün, 2018). Accordingly, the unauthorized use of a trademark by a person who does not have the right to use it, in situations regulated by the Industrial Property Law, constitutes trademark infringement. Similarly, Article 9 of Decree-Law No. 556 enumerates the scope of rights arising from trademark registration and, under Article 61/1-a, the unauthorized use of a trademark in the manner specified in Article 9 is classified among the acts constituting infringement (Çağlar, 2007).

Under the Industrial Property Law, the scope of trademark rights and acts constituting infringement have been expanded. Article 7, titled "Scope and Exceptions of Rights Arising from Trademark Registration," lists the acts that a trademark owner may prohibit, as previously regulated under Articles 9 and 12 of Decree-Law No. 556. Article 29, in turn, regulates the acts considered as trademark infringement (Çolak, 2023). In this context, the provisions "e) use of the sign as a trade name or business name" and "f) use of the sign in comparative advertising in an unlawful manner" have been added to the law. Thus, the unauthorized use of a trademark as a trade name or business name by a third party and its use in comparative advertising are deemed to constitute trademark infringement (Suluk, 2018).

Trademark infringement is fundamentally a tort liability (Uzunallı, 2012). Therefore, the conditions for compensation arising from trademark infringement align with the conditions required for tort liability. Article 49 of the Turkish Code of Obligations states: "A person who causes harm to another through a fault-based and unlawful act is obliged to remedy this harm." While trademark infringement essentially constitutes a tort, not all conditions outlined in Article 49 for tort liability need to be met in cases of trademark infringement (Çolak, 2023). The elements of tort liability are an unlawful act, fault, damage, and causation (Akıncı, 2017). It should be noted that, except for exceptional circumstances, fault on the part of the infringer is not required for an act to be deemed trademark infringement. Additionally, there is no requirement for a competitive relationship to exist between the trademark owner and the infringer. The exceptional circumstance where fault is required is regulated in Article 29/c of the Industrial Property Law and Article 61/c of Decree-Law No. 556. Article 29/c of the Industrial Property Law states: "Selling, distributing, putting into commercial circulation by any means, subjecting to import or export procedures, keeping in possession for commercial purposes, or making a proposal to contract concerning products bearing the trademark

used in an infringing manner, when the person knows or should have known that the trademark or its indistinguishably similar version was imitated by its use," constitutes trademark infringement, and fault is required for this act to be established. Similarly, Article 61/c of Decree-Law No. 556 provides: "Selling, distributing, placing into commercial circulation by any means, placing in the customs zone, subjecting to a customs-approved transaction or use, or keeping for commercial purposes products bearing the trademark used in an infringing manner, when the person knows or should have known that the trademark or its indistinguishably similar version was imitated by its use," constitutes trademark infringement. Both provisions stipulate that the person who sells, distributes, places into commercial circulation, subjects to import or export procedures, keeps for commercial purposes, or makes a proposal to contract concerning products bearing the trademark used in an infringing manner, knowing or having to know that the trademark or its indistinguishably similar version was imitated, is deemed to have committed the act of trademark infringement with fault.

For an act to constitute trademark infringement, an unlawful act as regulated under the Industrial Property Law must first have occurred, and none of the grounds for justification in the specific case should be present. Article 63 of the Turkish Code of Obligations, which governs grounds for justification, states: "An act is not considered unlawful if it is performed with the consent of the harmed party, in the pursuit of a superior private or public interest, in legitimate self-defense, in cases where timely intervention by competent public authorities is not possible, to protect one's rights by one's own means, or in situations of necessity." Since trademark infringement fundamentally constitutes tort liability, this article should also be considered in cases of trademark infringement.

Article 29(1) of the Industrial Property Law specifies acts that constitute trademark infringement as follows:

- a) Using the trademark in the forms specified in Article 7 without the trademark owner's consent.
- b) Imitating the trademark by using it or its indistinguishably similar version without the trademark owner's consent.
- c) Selling, distributing, placing into commercial circulation by any means, subjecting to import or export procedures, keeping for commercial purposes, or proposing to contract concerning products bearing the infringing trademark when the person knows or should have known that the trademark or its indistinguishably similar version was imitated.

- d) Unauthorized expansion of rights granted through a license by the trademark owner or transferring such rights to third parties.

This provision refers to Article 7 of the Industrial Property Law, thereby expanding the scope of acts constituting trademark infringement. Article 7 outlines the registration principle in its first paragraph, the circumstances covered under protection in its second paragraph, and the conditions that constitute trademark infringement in its third paragraph. The acts listed in the text of Article 29 are exhaustive, and their scope cannot be extended through interpretation (Noyan, 2003).

## **2. Compensation Claims in Cases of Trademark Infringement**

The claims that can be asserted by the rights holder in cases of trademark infringement are regulated under Article 149 of the Industrial Property Law. According to Article 149/1-(ç), it is stipulated that the trademark owner may demand compensation for material and immaterial damages in addition to other claims. The right of the trademark owner to file a compensation claim is not limited to this article alone; under Article 150/1 of the Industrial Property Law, individuals who commit acts constituting trademark infringement are obliged to compensate the damages incurred by the rights holder. Article 151/1 of the same law states: "The damages suffered by the rights holder include actual losses and lost profits." Accordingly, the material damages incurred by the trademark owner due to trademark infringement encompass actual losses and lost profits.

The liability for compensation regulated under Articles 150 and 151 of the Industrial Property Law generally corresponds to tort liability under the Turkish Code of Obligations. According to Article 49 of the Turkish Code of Obligations, "A person who, through an unlawful act and with fault, causes harm to another is obliged to remedy the harm." For tort liability to be established, the following conditions must be met: the existence of an unlawful act, harm resulting from this act, a causal link between the act and the harm, and fault on the part of the person committing the act (Eren, 2009). These conditions are evidently required in compensation claims filed due to infringement of industrial property rights.

However, in compensation claims filed due to trademark infringement, a distinction is made between individuals who produce counterfeit goods, introduce them into commercial circulation, and sustain this circulation, and those who use such goods in the course of their own commercial activities through consumption (Çolak, 2023).

### **2.1. Mandatory Mediation as a Prerequisite for Filing Compensation Claims**

According to Article 5/A/1 of the Turkish Commercial Code, mediation is a mandatory prerequisite for filing lawsuits concerning monetary claims or compensation demands in commercial disputes. Cases arising from the Industrial Property Law and specific trademark legislation are deemed absolute commercial cases under Article 4/1–(d) of the Turkish Commercial Code. Therefore, mediation must be initiated as a prerequisite before filing compensation claims arising from trademark infringement.

If claims for the cessation and removal of infringement are combined with compensation claims in a lawsuit filed due to trademark infringement, only the compensation claim is subject to mandatory mediation. The other claims are not within the scope of mandatory mediation and can be directly filed in court (Uzunalli, 2021). Pursuant to Article 5/A/2 of the Turkish Commercial Code, the mediator must conclude the application within six weeks from the date of appointment. This period may be extended by up to two additional weeks in compelling circumstances.

### **2.2. Material Compensation Lawsuit**

In a material compensation lawsuit, which by nature is an action for performance, the right holder who suffers damage as a result of an unlawful act may claim compensation from those responsible for the unlawful act. Compensation claims for trademark infringement are regulated under Articles 150 and 151 in the general provisions section of the Industrial Property Law. According to the general provisions, the trademark owner whose right is infringed may request compensation for actual damage and lost profits.

During the period of Decree–Law No. 556, compensation claims were regulated under Articles 62/1–(b) and 64. While Article 150/1 of the Industrial Property Law identifies “those who commit acts considered as infringement of industrial property rights” as liable for compensation, Article 64/1 of Decree–Law No. 556 specified that “those who produce, sell, distribute, or otherwise bring into the trade arena a product imitating the trademark without the owner’s permission, or who import or possess such product for commercial purposes, are obligated to rectify the unlawfulness and compensate for the damage caused.” As can be seen, the Industrial Property Law broadly defines those responsible for compensation and does not limit claims for material damages to the production, sale, distribution, or other commercialization of counterfeit products, nor to their importation or commercial possession, or to specific instances of counterfeit use (Çağlar, Sınai Mülkiyet Kanununun Marka Hukuku Alanında Getirdiği Önemli Yenilikler, 2017).

The compensation lawsuit regulated under Articles 149/1-ç and 150/1 of the Industrial Property Law is fundamentally a tort-based action (Kaya, 2024). Under Article 50 of the Turkish Code of Obligations, the claimant must prove both the damage suffered and the fault of the infringer. A trademark owner whose right is infringed by one of the unlawful acts listed in Article 29 of the Industrial Property Law may claim compensation for material damage if the damage, a causal link between the damage and the act, and the element of fault are established. In determining fault, the specific circumstances of the case are considered. Additionally, traders are expected to act prudently under Article 18/2 of the Turkish Commercial Code.

In a compensation lawsuit, the plaintiff may claim both actual damages and lost profits arising from trademark infringement. Actual damage refers to the direct loss suffered by the trademark owner, such as a decrease in assets or an increase in liabilities (Oğuzman & Öz, 2021). Examples of actual damage include the inability to sell products due to the unlawful acts, additional payments to employees during this process, and legal expenses incurred as a result of the trademark infringement.

Lost profits, on the other hand, refer to the probable increase in assets under objective market conditions that the trademark owner could have obtained but was deprived of due to the infringer's actions (Kaya, 2024). The trademark owner may claim the determination and payment of profits they would have gained by using the trademark themselves or through authorized parties, had the infringement not occurred (Gönen, 2011). Examples include the inability to enter the market effectively, failure to receive returns on investments, and similar scenarios caused by unlawful acts (Kaya, 2024).

The principles of claiming and proving lost profits differ from those of actual damages and are separately regulated under Article 151 of the Industrial Property Law. Accordingly, lost profits may be calculated, at the discretion of the harmed trademark owner, based on:

- The potential income the owner could have earned if there had been no competition from the infringer,
- The net profit earned by the infringer,
- The license fee the infringer would have paid if they had used the trademark lawfully under a licensing agreement.

These calculation methods are exhaustive, and the claimant has the right to choose among them. The trademark owner must specify which method they choose when

making their claim for lost profits. If no method is specified, the court will request the claimant to make a choice before proceeding to a substantive decision.

The phrase “through the use of the trademark” in Article 66/2-b of Decree-Law No. 556 was not included in the Industrial Property Law. The methods for calculating lost profits in the Industrial Property Law differ slightly from those in Decree-Law No. 556. For instance, the first method was described as “the income the trademark owner could have obtained by using the trademark” under the Decree-Law, while the Industrial Property Law refers to “the income the right holder could have obtained.” Similarly, the second method described under the Decree-Law as “the income obtained through the use of the trademark” is expressed as “the net income earned by the infringer” in the Industrial Property Law.

When calculating lost profits based on the potential income of the trademark owner, factors such as the plaintiff's commercial records and books and the scale of their commercial activities should be taken into account (Çolak, 2023). The trademark owner should provide information related to their goods and commercial activities, including the number of products sold before, during, and after the infringement (Uzunallı, Marka Hukuku, 2021). An increase in the trademark owner's income during the infringement does not necessarily mean that lost profits do not exist (Uzunallı, Marka Hukuku, 2021).

When calculating lost profits based on the net income earned by the infringer, commercial records are used. The conclusion is reached based on the findings of an expert witness. If the infringer's commercial records are found to be inaccurate, the court will determine the amount of damage based on the ordinary course of events and principles of equity (Yasaman, ve diğerleri, 2021). In calculations based on license fees, the determination of comparable license fees and the specific circumstances of the case should be considered (Çolak, 2023). Factors such as the economic value of the trademark, the validity period of the license during the infringement, the number and types of licenses related to the trademark at the time, and the capacity and economic values of the infringer's business should also be considered.

Regardless of the calculation method chosen for lost profits, factors such as the economic strength of the trademark, the number, types, and duration of licenses related to the trademark at the time of infringement, and the nature and extent of the violation are considered (Kaya, 2024). Unlike Decree-Law No. 556, the rationale for the Industrial Property Law explicitly states that the nature and extent of the infringement should be considered during the calculation.

If one of the calculation methods specified in Article 151/2(a) or (b) of the Industrial Property Law is chosen, the court may decide to add an equitable share to the calculation of lost profits if it determines that the trademark played a decisive role in creating demand for the relevant product. This provision applies only when the methods specified in Article 151/2(a) or (b) are selected and requires that the trademark has a significant influence on the demand for the product. However, under Article 151/4 of the Industrial Property Law, no such addition is possible when the compensation is calculated based on the license fee method.

The burden of proving trademark infringement, actual damages, lost profits, and the amount of damages generally lies with the plaintiff (Aydın, 2017). Article 150/3 of the Industrial Property Law allows the trademark owner to request from the infringer documents related to the use of the trademark for determining the amount of damage. Under this exceptional provision, the person may be required to present documents even against their own interests. However, this provision restricts the request to documents, and the trademark owner cannot demand absolute information beyond documents (Uzunallı, Marka Hukuku, 2021). Documents primarily include commercial records and their supporting evidence, but the request is not limited to these. All documents that may form the basis for the calculation of damages can be requested through the court.

Requests for the presentation of documents may also be made before filing a compensation lawsuit. Furthermore, license holders with the right to sue may also request the presentation of documents. In compensation lawsuits filed due to trademark infringement, if there are multiple infringers, separate compensation claims may arise for each infringer's actions. Each infringer's actions should be considered individually, and compensation should be determined based on the benefit obtained and the degree of fault for each infringer (Kaya, 2024).

### **2.3. Moral Compensation Lawsuit**

Under Articles 149/1-ç and 150 of the Industrial Property Law, which regulate the right to moral compensation in cases of trademark infringement, the trademark owner is entitled to claim compensation for moral damages in addition to material damages. The purpose of moral compensation is to remedy the adverse effects on the commercial and personal well-being of the trademark owner caused by the damage to their reputation and trustworthiness.

The 11th Civil Chamber of the Turkish Court of Cassation, in its decision dated 11.06.2013 (Case No. 2011/9323, Decision No. 2013/12117), described moral



compensation as follows: "Moral compensation is neither a penalty nor a true indemnity. It is a mechanism to alleviate the emotional distress and repair the psychological harm suffered by the injured party (Çolak, 2023)." Generally, the purpose of moral compensation, as regulated under the Turkish Code of Obligations, is to satisfy the moral needs of individuals whose personal rights have been violated and to deter potential infringers (Kayıhan & Günergök, 2024).

The doctrine offers differing views on the purpose of moral compensation. According to Oğuzman and Öz (Oğuzman & Öz, 2021), moral compensation aims to redress the pain, suffering, and distress caused by unlawful violations of personal rights. Eren (Eren, 2009), on the other hand, argues that moral compensation seeks to address the objective deficiency in an individual's personal existence by monetarily restoring the actual harm.

Pursuant to Article 7/4 of the Industrial Property Law, the applicant of a trademark registration is entitled to initiate compensation lawsuits after the publication of the application in the bulletin, as they are granted the same rights as a registered trademark owner. According to this provision, the applicant may file a moral compensation lawsuit for acts that occur after the publication of the trademark application and that may be prohibited once the trademark registration is finalized. However, the court cannot rule on such lawsuits until the Turkish Patent and Trademark Office (TÜRKPATENT) finalizes the registration and publishes it.

Under Article 58 of the Turkish Code of Obligations, the determination of the amount of moral compensation is at the discretion of the judge. The amount awarded should not lead to the unjust enrichment of the claimant or impose undue economic hardship on the infringer. Instead, it should balance the interests of the parties, taking into account the specific nature of the infringing act, its impact on the violated personal rights, and the social and economic circumstances of the parties.

In the "Mashattan" decision of the 11th Civil Chamber of the Turkish Court of Cassation dated 22.06.2022 (Case No. 2020/7632, Decision No. 2022/5138), the court evaluated a case where a defendant engaged in large-scale real estate brokerage activities was found liable for trademark infringement. The court deemed the moral compensation awarded by the lower court in favor of the trademark owner to be excessive and ruled that a more reasonable amount should be awarded (Çolak, 2023).

#### **2.4. Reputation Compensation**

Pursuant to Article 150/2 of the Industrial Property Law, in cases of trademark infringement, the trademark owner may demand compensation under the name of "reputation compensation" if the reputation of the industrial property right is harmed due to the misuse, improper production, procurement, or inappropriate marketing of the goods or services related to the right. To claim reputation compensation, the trademark must first have been infringed; however, infringement alone is not sufficient—there must also be misuse or improper use of the trademark (Yasaman, Yasaman Marka Hukuku, 2004).

Since trademark infringement involves economic purposes, misuse or improper use within the scope of personal use does not constitute grounds for reputation compensation (Çolak, 2023). Therefore, for reputation compensation to be awarded, it is not enough for the trademark to be unfairly used in a way that creates a likelihood of confusion. Damage to the reputation of the industrial property right is considered a property loss. Reputation compensation aims to remedy losses not covered under loss of earnings, specifically those damages that are not compensated by claims for lost profits (Uzunallı, Marka Hukuku, 2021).

As the exact proof and calculation of reputation compensation are not entirely possible, the judge must use discretion and evaluate concrete facts that suggest the damage has occurred. If the trademark infringement damages not only the reputation of the trademark but also the commercial reputation of the right holder, moral compensation may also be claimed in addition to reputation compensation. In our opinion, since moral compensation concerns the loss of personal rights, reputation compensation, which seeks to remedy the loss of the trademark's reputation, is not considered a form of moral compensation.

### **3. Conclusion**

The compensation for damages arising from trademark infringement is regulated under the general provisions in the first section of the fifth book of the Industrial Property Law. This regulation is not limited solely to trademark infringement but also applies to violations of other intellectual property rights. In cases of intellectual property rights violations, these provisions serve as guidance for determining the compensation that infringers must pay to rights holders.

The Industrial Property Law introduces several innovations. Unlike Decree–Law No. 556, Article 150/1 of the Industrial Property Law provides that compensation claims may be made not only for trademark infringements but also for infringements of all industrial property rights. With this regulation, the scope of compensation has been expanded, and we believe this change will yield positive results in the field of intellectual property law in our jurisdiction.

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