

Overview of IP in Business Transactions in Turkey (2015)

1 Jul 2015

Overview of main IPRs

1. What are the main IPRs in your jurisdiction? How are they protected?

Patents

Under Turkish law, IP rights are regulated by "Decree Laws" (issued by the Cabinet of Ministers) as opposed to "Laws" (issued by the General Assembly). For patents, Decree Law No. 551 pertaining to the Protection of Patent Rights (Patent Decree Law) applies. Inventions which are novel, involve an inventive step, and which are applicable to industry can be protected by patents (Article 5, Patent Decree Law).

The following cannot be protected by patents because by their nature they cannot be described as an "invention":

- Discoveries, scientific theories, mathematical methods.
- Plans, methods, schemes/rules for performing mental acts, for conducting business/trading activity, and for playing games.
- Literary and artistic works, scientific works, creations having an aesthetic characteristic, computer programs.
- Methods for collecting, arranging, offering/presenting and transmitting information/data, which involve no technical aspect.
- Methods of diagnosis, therapy, and surgery applying to humans or animals.

However, Turkish law allows products, compositions, and processes regarding these products or compositions used in connection with human or animal health to be patented.

Turkish law excludes patent protection for:

- Inventions whose subject matter is contrary to the public order or generally accepted morality.
- Plant and animal varieties/species, or processes for breeding/plant or animal varieties/species, which are based mainly on biological grounds.

Patent protection is acquired through registration with the Turkish Patent Institute.

Turkish law outlines two patent registration systems, with different patent protection terms:

- **Without substantive examination.** Seven years protection from the application's filing date.
- **With substantive examination.** 20 years protection from the application's filing date.

Patent registration cannot be renewed in Turkey.

Utility models

Inventions which are novel and are capable of industrial application can be registered as utility models (*Article 154, Decree Law No. 551 pertaining to the Protection of Patent Rights (Patent Decree Law)*). Protection for a utility model is acquired through registration with the Turkish Patent Institute.

In general, the scope of protection for utility models is the same as for patents. However, the protection term for a utility model registration is ten years from the application date.

Utility model registrations cannot be renewed in Turkey.

Trade marks

A sign is accepted as a trade mark provided it can be graphically represented and is capable of distinguishing an entity's goods or services from those belonging to others (*Article 5, Trade mark Decree Law No. 556 (Trade mark Decree Law)*). Provided the following are distinctive, they can be accepted as a trade mark under Turkish law:

- Words.
- Letters, numerals, and combinations thereof.
- Device marks, logos.
- Three dimensional device marks (the shape of goods or their packaging).
- Slogans (provided it is distinctive itself, or contains a distinctive word/device mark).

Although not mentioned in the Trade mark Decree Law, the Turkish Patent Institute accepts trade mark applications for:

- Single colours and colour combinations.
- Sound marks (musical notations specified by key and rhythm).
- Motion marks.
- Guarantee marks.
- Collective marks.

Only registered trade marks can benefit from the protections outlined in the Trade mark Decree Law. However, exceptions exist which allow an unregistered trade mark holder to use their unregistered rights as the basis of an opposition (or lawsuit), and thus benefit from the Trade mark Decree Law.

These exceptions allow an unregistered trade mark holder to challenge a third party application/registration if the:

- Unregistered trade mark was in use in Turkey before the application date of the third party application/registration.
- Unregistered trade mark holder has a relationship with the third party application/registration holder and has not given its consent to the application.
- Unregistered trade mark holder can prove the third party application/registration holder is aware of its unregistered trade mark.

- Third party application/registration is an exact copy of a highly distinctive unregistered trade mark. If this similarity cannot be considered a coincidence, the Turkish Patent Institute will accept oppositions filed by an unregistered trade mark holder (even if the sign has never been used in Turkey).

Unregistered trade marks can still apply unfair competition rules to prevent infringement. In a possible action, the plaintiff must prove that it is the holder of the unregistered trade mark and show prior use.

Applications for trade mark registration must be made to the Turkish Patent Institute.

Trade mark registrations last ten years, starting from the application date. The trade mark can be renewed indefinitely, for further ten-year periods.

Copyright

An intellectual or artistic work must meet two requirements to be protected under the Turkish Copyright Law No. 5846 on Intellectual and Artistic Works (Copyright Law):

- Possess the author's individuality.
- Fall into one of the following categories:
 - scientific and literary works (Article 2, Copyright Law);
 - musical works (Article 3, Copyright Law);
 - works of fine art (Article 4, Copyright Law); or
 - films (Article 5, Copyright Law).

Each category includes numerous clauses providing sub-categories under each area. However, the examples are not an exhaustive list.

In general, legal literature and case law do not require a high level of individuality for copyright. However, consensus exists that an intellectual or artistic creation must be fixed in a tangible form in order to be protected by the Copyright Law.

The author has both moral and financial rights to their work. Financial rights include the author's right to:

- Reproduce the work.
- Adapt and translate the work.
- Distribute the work.
- Perform the work.
- Communicate to the public by all means (including cable and satellite).
- Broadcast.

Moral rights include the author's right to:

- Disclose the work.
- Claim authorship of the work.
- Object to modification of the work.

The author's moral rights cannot be assigned or waived.

According to the Copyright Law, copyright automatically arises with the work's creation. Copyright is not subject to any other formality, ceremony or registration. Nevertheless, mandatory and optional recording and registration systems exist for some copyright types (Article 13, Copyright Law).

Mandatory record and registration applies to:

- Musical works.
- Cinematographic works.
- Computer games.

A voluntary record and registration system applies for:

- Scientific and literary works.
- Musical works (created but not re-produced for distribution yet).
- Works of fine art.
- Computer programs and databases.

Copyright protection runs for the lifetime of the author, plus 70 years after the author's death.

Design rights

A design is defined as the entirety of various features, such as lines, colour, texture, shape, sound, elasticity, material, or other characteristics perceived by the human senses of the appearance of the whole or part of a product or its ornamentation (*Article 3, Industrial Design Decree Law No. 554 (Industrial Design Decree Law)*).

An industrial design must be both novel and individual to be protected under the Industrial Design Decree Law.

Industrial designs receive protection for five years from the application date. The protection period can be extended up to a maximum of 25 years through renewal every five years.

No specific regulations apply to unregistered designs. However, the holder of an unregistered design can request protection through unfair competition regulations. To do this, the right holder must prove:

- The unregistered design is novel and possesses individual character.
- The design itself does not derive from a technical function, which does not leave the designer any freedom in the design characteristics and elements.
- He or she is the unregistered design's genuine owner.

Trade secrets and confidential information

It is not possible to register trade secrets or know-how in Turkey. A draft law on trade secrets, client secrets and banking secrets exists, but this has not been enacted yet.

Despite no regulation specifically applying to registration of trade secrets and know-how, several provisions in Turkish legislation mention "trade secrets", in compliance with international treaties. Moreover, Article 39.2 of the WTO TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) referring to "undisclosed information" is directly applicable in Turkey as well.

The Turkish Commercial Code specifically addresses disclosure of business secrets. Accordingly, illegally disclosing business and trade secrets is described as an act of unfair competition. Business secrets are deemed to be wider than trade secrets since business secrets also include information regarding the business and know-how.

Remedies applicable to unfair competition also apply to violations of trade secrets and know-how. According to the unfair competition rules, a right holder can ask the court for:

- Violations to be determined, stopped, and prevented.
- Preliminary injunctions.
- Restoration of the material status/facts, which were impacted by the unfair competition.
- Compensation for material and moral damages occurring due to the violations.

If a contractual relationship exists between the parties and an unfair violation of know-how or trade secrets occurs, the party whose rights are violated has competing rights based on the contract and the Turkish Commercial Code's unfair competition provisions. However, the violated party can only choose one of these rights as the basis of their claim.

Geographical indications

Decree Law No. 555 on the Protection of Geographical Indications (Geographical Indications Decree Law) defines geographical signs as those that indicate the origin of a product which possesses a specific quality, reputation or other characteristics attributable to that place, area, region, or country of origin. No specific protection term is included in the Geographical Indications Decree Law.

Two criteria must be satisfied:

- The quality or characteristics of the product are essentially or exclusively due to the inherent natural and human factors of that geographical area.
- The product's production, processing, or preparation occurs within the geographical area.

The following entities can apply for registration:

- Natural or legal persons who produce the product.
- Consumer associations.
- Public institutions related with the product or the geographical region.

The following cannot be registered as a geographical indicator:

- Generic names.
- Names of plant varieties, animal breeds or similar names, if misleading.
- Names contrary to public order and general principles of morality.

Integrated circuit topographies

The Law on Protection of Integrated Circuit Topographies No. 5147 addresses registration of integrated circuit topographies with the Turkish Patent Institute.

An integrated circuit topography application involves a series of images which indicate the three dimensional cycle of the layer forming the integrated circuit. Each image indicates the surface of the production of the

integrated circuit in full, or in part, at any stage.

To be registered with the Turkish Patent Institute, the integrated circuit topography must meet the originality requirement. Accordingly, the integrated circuit topography must be the result of its creator's own intellectual effort and is not commonplace among creators and manufacturers of integrated topographies at the time of the creation.

Legislative protection does not cover:

- Content contained within the integrated circuit.
- The process period, technical information, or any information on the circuit other than the integrated circuit layout itself.

It is not possible to renew protection of integrated circuit topography in Turkey.

Integrated circuit topographies become public property either:

- Ten years after the date of market launch (if an application is made within two years of the market launch).
- Ten years after the application date (if the integrated circuit topography is not launched at market).

Domain names

The Middle Eastern Technical University registers domain names with the ".tr" extension in Turkey. The Middle Eastern Technical University provides guidelines and information regarding necessary documents for each extension on its website (www.nic.tr). For example, "com.tr", "biz.tr", and "net.tr".

The most common domain extension applied for in Turkey is "com.tr". Applicants must submit either:

- Their registered trade name containing the phrase applied for as the core element.
- A trade mark application for the phrase.

Domain names with the ".tr" extension can be registered for periods of either one or five years and can be renewed indefinitely at the end of each registration period.

Plant varieties

The intellectual property rights of plant breeders have been protected in Turkey since 2004. The plant variety registration proceedings are carried out by the Ministry of Food, Agriculture and Livestock.

To obtain protection, the subject plant variety must be:

- New.
- Distinct.
- Uniform.
- Stable.

Protection for plant varieties lasts 25 years from the date the right is granted. For trees, vines and potatoes, the period is 30 years.

Applications which are deemed to be fully and accurately filed will receive formal and substantive examination and are published in the Plant Variety Bulletin within 30 days. Third parties are entitled to file opposition against the plant variety application.

The opposition examination procedure depends on the opposition grounds. If the opposition claims one of the following, their claim will be examined by the Ministry:

- The plant variety is not novel.
- The applicant is not the genuine owner of the plant variety.
- The name chosen for the plant variety does not meet the necessary regulations.

If the opposition is based on the arguments that the plant variety is not uniform and stable, a technical examination is conducted.

The Ministry's decision can be challenged by initiating a cancellation action within 30 days of being notified of the decision.

For further information about the main IPRs, see [Patents, trade marks, copyright and designs in Turkey](#)

Maintaining IPRs

Search and information facilities

2. What facilities are available to conduct IP searches and obtain IP information on registered P rights?

Patents

Anyone can make an online search through the Turkish Patent Institute's website, <http://online.tpe.gov.tr/EPATENT/servlet/EPPreSearchRequestManager>.

The Turkish Patent Institute also offers official search services (for a fee) which are more reliable than the online search.

Right holders can also choose to work with surveillance companies. Such companies can provide watch services for applications made to the Turkish Patent Institute, as well as conduct market investigations.

Trade marks

See above, *Patents*.

Copyright

No complete database exists, since registration is not required for every work. The existing databases are not publicly available.

Design rights

See above, *Patents*.

Trade secrets and confidential information

No database exists.

Other

The Turkish Patent Institute previously provided an online search system for geographical indication and integrated circuit topographies. However, the system is no longer available.

An availability search can be conducted on the Middle Eastern Technical University's website (www.nic.tr) for domain names with the ".tr" extension.

Maintenance of main IPRs

3. What steps must a business take to maintain the registration and legally protectable status of its main IPRs?

Patents

Patent holders must pay an annual maintenance fee. If the owner does not pay the annual fee within the allowed timeframes, the patent registration will eventually lapse.

Patent owners (or third parties authorised by the patent owner) must actually use the patent. The use requirement must be met within three years following publication of the patent in the Turkish Patent Institute's Bulletin. The three year period is provided to the patent owner to make arrangements to use the patent, assign the patent, or find a third party to whom to grant a licence for the patent. The use requirement can be satisfied by filing a certificate of use (importation documents), filing an offer for licensing, or alternatively by filing a declaration of non-use.

Trade marks

Trade mark registrations must be renewed every ten years by paying the renewal fee. If the renewal is not made within the allowed timeframes, the trade mark registration will lapse. Applicants can register a trade mark regardless of whether it is in use or not.

However, once a trade mark is registered, any third party can initiate a non-use lawsuit seeking cancellation of the registration if either the:

- Trade mark has not been used within five years of the registration date.
- Trade mark's owner has ceased to use the trade mark for five consecutive years during the protection term.

Copyright

No specific requirements apply to maintain copyrights.

Design rights

Industrial designs are protected for five years from the application date. The protection period can be extended up to 25 years by renewing the registration every five years and paying the associated renewal

fees.

Trade secrets and confidential information

No specific requirements apply to maintain trade secrets and confidential information.

Other

The steps applicable to maintain the registration and legally protectable status of geographical indications, integrated circuit topographies and domain names is as follows:

- Geographical indications. No specific protection term is set forth in the relevant regulation. Therefore, no maintenance or renewal fees apply.
- Integrated circuit topographies. It is not possible to renew protection of integrated circuit topography. During the protection period, no annual payments apply.
- Domain names. Domain names with the ".tr" extension can be registered for terms of either one or five years. Registration can be renewed at the end of the registration term by paying the relevant renewal fee.

Monitoring infringement

4. What steps can a business take to avoid infringing another party's IPRs and to monitor whether another party is infringing its IPRs?

To monitor infringements of IPRs by third parties, the following are recommended:

- Periodic review of competitors' products and advertising.
- Periodic database searches (see Question 2).
- Use of professional monitoring services.

Exploiting IPRs

5. What are the main steps in conducting an IP audit in your jurisdiction to determine the content of an IP portfolio?

The main steps in an IP audit are as follows:

- Identification and classification of registered and unregistered IPRs (including applications), which the company owns, licenses, and/or uses.
- Examination and verification of the IPRs, including:
 - gathering and reviewing documents related to those IPRs;
 - conducting registry searches; and
 - examining pending or potential conflicts, licences or other agreements.

Assignment

Scope of assignment

6. On what basis can the main IPRs be assigned?

Patents

Registered patents and patent applications can be assigned. The terms of the assignment agreement can be freely determined by the parties. However, partial assignment is not allowed and the assignment must include the whole Turkish territory.

Trade marks

Trade mark registrations or applications can be transferred either partially or as a whole to third parties. Assignment must include the whole Turkish territory. Assignment of trade mark registrations or applications include assignment of related assets and liabilities.

Copyright

The author is only entitled to assign his/her financial rights; moral rights cannot be assigned. However, the author can grant a licence to third parties to use moral rights.

Design rights

The owner of a design can freely assign its rights. However, partial assignment is only available if the registration contains multiple designs and the owner wishes to assign some of the designs covered by the registration. The assignment must include the whole Turkish territory.

Trade secrets and confidential information

Assignment of trade secrets and confidential information is possible. However, no specific regulations apply. Therefore, such assignment agreements are governed by the general rules applicable to contract law.

Other

It is not possible to assign geographical indications, nor integrated design topographies.

According to regulation it is possible to assign domain names. However, the necessary systems and institutions to enable this have not come into effect yet. Therefore, for now domain names with the ".com.tr" extension can be assigned only if the domain name application is based on a trade mark registration or application and the relevant trade mark registration or application is assigned.

Formalities for assignment

7. What formalities are required to assign each of the main IPRs?

Assignment agreements for IPRs must be made in writing and be signed by both parties. It is not obligatory to execute the agreement before a Public Notary. However, it is advisable to do so in order to prevent future conflicts.

Main terms for assignments

8. What main terms should be included in an assignment of IPRs?

The following terms must be included in an IPR assignment agreement:

- Names and addresses for the assignor and assignee.
- Strict definition of the IPRs being assigned (including registration numbers and so on).
- Scope of the assignment (in whole or in part).
- A clause which explicitly states that the IPRs are being assigned by the assignor and the assignment is accepted by the assignee.
- A clause which outlines the assignor's undertaking that:
 - no registrations or applications exist for the same or similar IPR;
 - the assignor is entitled to assign the IPR; and
 - third parties do not hold any prior rights to the IPR and if such a prior right exists, the assignor undertakes to compensate the assignee's damages in case of an action filed by the third parties
 - Price, due date, method of payment and costs (such as registration fees) for the assignment.
 - Specific assignor obligations to hand over all relevant documents relating to the IPR and assist in recording the assignment in the register.
 - Effective date.
 - Governing law and jurisdiction provisions.
 - Severability.

Where an author seeks to assign financial rights, the rights subject to assignment must be explicitly listed, along with the assignment territory and term.

Licensing

Scope of licensing

9. On what basis can the main IPRs be licensed?

Patents

Patents can be licensed in whole or in part, as well as exclusively or non-exclusively. Among other matters, licences can restrict the field, period, and territory of use, provided these do not breach competition law.

Under legislation, unless otherwise agreed in the licence agreement, a licensee cannot transfer rights arising from the licence or grant a sub-licence. However, the right to sub-licence can be granted to the licensee contractually. Partial license of patents is not permitted.

Trade marks

The rules regarding patent licensing also apply to trade marks. However, for trade marks it is possible to grant a licence for only some of the goods or services covered by the trade mark registration (partial assignment).

Copyright

Authors can license both financial and moral rights, wholly or partially, as well as on an exclusive or non-exclusive basis.

Under legislation, unless otherwise agreed in the licence agreement, a licensee cannot transfer rights arising from the licence or grant a sub-licence. However, the right to sub-licence can be granted to the licensee contractually.

Design rights

Design licences can be exclusive or non-exclusive. Such licences can be limited in respect of place, time or content. Unless the design registration covers multiple designs, it is not possible to partially license design rights.

Trade secrets and confidential information

Licensing of trade secrets and confidential information is possible, although no specific regulation applies. Therefore, such licence agreements are governed by general rules applicable to contract law.

Other

Geographical indications cannot be licensed. However, in the following circumstances, the geographical indication can be used without a licence agreement:

- At least one of the operations is performed within the territory, area, or geographical region stated in the registration of the geographical indication.
- The product has the characteristics described within the registration.

Licences for integrated design topographies can be either exclusive or non-exclusive, as well as limited in respect to place, time, or content.

It is possible to allow a third party to use a domain name by sharing the required domain management information with a third party. There are no specific legislative provisions addressing such circumstances though; it is a technical rather than legal issue.

Formalities for licensing

10. What are the formalities to license each of the main IPRs?

Licence agreements must be in writing. It is not obligatory to execute agreements before a Public Notary, although this is advisable in order to prevent future conflicts.

For licensing of registered rights, parties can choose to register the licence agreement with the Turkish Patent Institute. Registration is not required for the agreement to be valid. However, if the licence agreement is not recorded in the registry, licensees cannot enforce the licence agreement against bona-fide third parties. For example, if the owner of an intellectual property right registers the licence agreement with the Turkish Patent Institute, then transfers its right to a third party, the licensee cannot claim its right against the bona-fide third party who acquires the intellectual property rights.

Main terms for licences

11. What main terms should be included in an IP licence?

The following terms must be included in a licence agreement:

- Names and addresses of the licensor and licensee.
- Strict definition of the IPRs (including registration numbers and so on).
- A clause, which explicitly states that the IPRs are being licensed by the licensor and that the transaction is accepted by the licensee.
- Scope of the licence (in whole or in part; exclusive or non-exclusive; territorial restrictions).
- A clause addressing rights or restrictions on sub-licensing.
- Provisions outlining warranties and liabilities.
- Royalties.
- Obligations to record the licence.
- Effective date.
- Governing law and jurisdiction provisions.
- Severability.

Where an author seeks to licence financial or moral rights, the licensed rights must be explicitly listed, along with the territory and term.

Taking security

12. What are the key issues in taking security over the main IPRs?

It is possible to take a security interest over an IPR and register this interest with the Turkish Patent Institute. Securities are usually taken over trade marks. A registered IPR can be given as security, independently of the commercial undertaking which owns the right.

Establishing securities over IPRs can be difficult due to:

- Valuation.
- Determining the rank of creditors where multiple pledges exist over an IPR.
- Enforceability against third parties who take over a secured IPR.

13. What are the main security interests taken over IPRs?

Of all the available securities, the most commonly used are pledges in relation to IPRs. Pledges must be in writing and subject to the general rules of the Turkish Civil Code.

A pledge must be registered with the Turkish Patent Institute to be enforceable against third parties. The written agreement or official documents proving a security exists (or notarised copies) must be submitted to the Turkish Patent Institute. If these documents are not written in Turkish, translations must be submitted.

M&A

Due diligence

14. What IPR-related due diligence is commonly carried out in both a share sale or merger and an asset sale?

IPR-related due diligence for both share and asset sales involves a thorough analysis of the IPR's current status, strengths, weaknesses, and potential risks. Analysis includes:

- Identification and classification of registered and unregistered IPRs (including applications) which the company owns, licenses, and/or uses.
- Examination and verification of the IPRs, including:
 - Gathering and reviewing documents related to those IPRs;
 - Conducting registry searches; and
 - Examining pending or potential conflicts, licences, or other agreements.

Warranties/indemnities

15. What IPR-related warranties and/or indemnities are commonly given by the seller to the buyer in both a share sale or merger and an asset sale?

Sellers must fully disclose IPRs during share or asset sales. Sellers must give warranties that:

- The assignor has full power, authority and the requisite legal capacity to own the IPRs.
- Necessary applications have been filed to register the IPRs.
- The assignor is entitled to assign the IPRs without further authorization.
- Third parties do not hold any prior rights over the IPRs.
- No pending or potential conflicts exist for the IPRs.
- There is no action or omission, which has resulted (or may result) in invalidity or unenforceability of the IPRs.
- The IPRs have not been materially breached by any third party.
- No act, action, or transaction which will be performed under the sale or transfer agreement will result in cancellation of the IPRs.

Transfer of IPRs

16. How are the main IPRs transferred in both a share sale or merger and an asset sale?

Share sale or merger

Share transfers only change the target company's shareholding structure. Accordingly, the IPRs owned by the target company will continue to be used and possessed by that company unless the parties agree otherwise.

If the target's legal nature or name is changed due to the share sale, the Turkish Patent Institute's register must be amended accordingly. However, this is not required to validly complete the transaction or transfer the IPRs.

Asset sale

Asset sales include the transfer of related IPRs. Each IPR must be transferred via a separate agreement.

Joint ventures

17. Is it common for companies to set up joint ventures in your jurisdiction to develop projects that heavily involve IPRs?

Joint ventures are a common way for two entities to work together and share resources in order to realize projects which would not be possible acting alone.

Joint venture agreements in Turkey will generally address the following IP-related issues:

- Explicit information about existing IPRs as the joint venture is established.
- Transference of all IPRs to the target company, if they are held by shareholders.
- Ownership of IPRs which are created during the joint venture.
- Conditions for use of IPRs, if they are not transferred to the company.
- Warranties by the IPR owner to the effect that third parties do not hold any prior rights over the IPR.
- Grounds for termination of the joint venture and consequences of such termination.

Competition law

Main provisions and common issues

18. What are the main provisions of your national competition law that can affect the exploitation of the main IPRs?

Competition law principles are primarily outlined by the Law on Protection of Competition No. 4054 (Competition Law). Turkish secondary legislation in this area represents localized versions of European Union legislation. However, there is no single piece of Turkish competition legislation which directly and specifically addresses IPRs. Therefore, depending on the characteristics of each case, exploitation of IPRs in Turkey is subject to the Competition Law, along with the following communiqués and guidelines:

- Block Exemption Communiqué No. 2002/2 on Vertical Agreements (Vertical Agreements Communiqué).
- Block Exemption Communiqué No. 2003/2 on Research and Development Agreements.
- Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements (Technology Transfer Agreements Communiqué).
- Guidelines for Explanation of the Block Exemption Communiqué on Vertical Agreements.
- Guidelines for Horizontal Co-operation Agreements.
- Guidelines for Certain Toll Manufacturing Agreements between Non-Competitors.

The main anti-trust provisions applicable to exploitation of IPRs are regulated under Articles 4 and 6 of the Competition Law. These articles prohibit restrictive agreements, concerted practices and decisions, as well as abuse of dominant positions (see *Questions 19 and 20*). The articles are closely modeled on Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU).

19. What are the most common national competition law issues that arise in the exploitation of the main IPRs?

Issues with vertical competition which can arise from exploitation of IPRs in Turkey include:

- Restrictions on determining sale prices.
- Restrictions on production and sales volumes for contract products.
- Market and customer allocations.

Horizontal agreements (such as agreements between competitors) are subject to stricter scrutiny in Turkey. Therefore, price fixing, market allocation, and output restrictions are all prohibited and undertakings should refrain from such practices.

Exclusions/exemptions

20. What exclusions or exemptions are available for national competition law issues involving the exploitation of the main IPRs?

Two exemption regimes exist under Turkish competition laws:

- Block exemptions, regulated by communiqués (see *Question 18*).
- Individual exemption.

Block exemptions

None of the block exemptions currently in force exclusively regulate IPR-related issues.

Vertical agreements containing provisions regarding assignment or use of IPRs to the buyer will fall within the scope of the Block Exemption Communiqué No. 2002/2 on Vertical Agreements (Vertical Agreements Communiqué) safe-harbour if:

- The provisions do not constitute the agreement's primary object.
- The provisions are directly related to the use, sale, or resale of goods or services by the buyer or its customers.
- Other requirements of the Vertical Agreements Communiqué are met.

If assignment of IPRs is the vertical agreement's primary object, the agreement would be outside the scope of the Vertical Agreements Communiqué's block exemption.

The Technology Transfer Agreements Communiqué outlines exemption conditions for technology transfer agreements and also deals with IPR-related issues.

Individual exemptions

Four conditions must be met to obtain an individual exemption:

- **New development/improvement (condition one).** The agreement must contribute to new development and improvement or technical or economic progress for production or distribution of goods, or provision of services.
- **Consumer benefit (condition two).** The agreement must allow consumers to benefit from such progress and improvement.
- **Competition (condition three).** The agreement must not eliminate competition in a substantial part of the relevant market.
- **Competition restraints (condition four).** The agreement must not impose competition restraints, which are more than essential to achieve the objectives set out in conditions one and two.

Advertising

21. To what extent do advertising laws impact on the use of third party trade marks?

Comparative advertisements are permitted and may contain a competitor's name, trade name, trade mark, logo and so on, provided the advertisement:

- Is honest and not misleading.
- Does not constitute unfair competition.
- Compares goods or services, which meet the same needs or are intended for the same purpose.
- Compares a characteristic which is useful for consumers.
- Objectively compares one or more material, relevant, verifiable, and representative features of those goods and services (including price).
- Proves any objective, calculable, or numbers-based claims with scientific tests, reports, or documents.
- Does not discredit or denigrate a competitor's trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances.
- Relates to products with the same designation (for products with designation of origin).
- Does not create confusion between:
 - traders;
 - the advertiser and a competitor; or
 - the advertiser and its competitor's trade marks, trade names, other distinguishing marks, goods or services.

Employees and consultants

22. Who owns each of the main IPRs created by an employee in the course of his employment? Must compensation be paid to the employee? What main steps can an employer take to ensure it owns each of the main IPRs?

Ownership

The main IPRs created by an employee in the course of employment and the ownership rights that attach are described under the headings below.

Patents and utility models

Employee's inventions can be classified as either service inventions or free inventions.

Service inventions are those which are made by the employee during their employment term at a private enterprise or public authority, either:

- While performing the assigned task.
- Based to a great extent on the experience and work/activity of the private enterprise or public authority.

Employees who create a service invention must report the invention to their employer in writing and without delay. Employers can claim rights to service inventions, either in part or in whole. The employer must provide written notification of the claim to the employee within four months of receiving the employee's notification report. All employee rights to a service invention will pass to the employer at the time of this written notification.

Employee inventions which do not fall within the scope of service inventions are deemed to be free inventions, owned by the employee.

Copyrights

An author's moral rights cannot be assigned or waived. Therefore, an employee's moral rights cannot be exercised by their employer.

However, employers are entitled to exercise all financial rights which arise during execution of an employee's duties (*Article 18, Turkish Copyright Law No. 5846 on Intellectual and Artistic Works (Copyright Law)*). However, the employee remains the owner of their financial rights.

Designs

Where employees develop designs in the execution of their duties, the design rights are vested with their employers, unless otherwise provided by the contract or understood from the nature of the work.

The design right is vested with employers for designs which are not contractually required, but are developed by employees using the information and equipment available at work.

Compensation

Rights to compensation associated with the main IPRs are described below.

Patents and utility models

If an employer claims ownership in whole for a service invention, the employee is entitled to receive reasonable compensation from the employer. In assessing reasonable compensation, consideration must be given to:

- The service invention's economic and commercial applicability.
- The employee's duties in the enterprise.
- The enterprise's contribution to the invention.

Copyrights

Employees are not entitled to compensation.

Designs

Employees are entitled to receive compensation from the employer based on the service invention's worthiness, determined according to the design's merits and significance.

Main steps

The main steps an employer can take to ensure it owns each of the main IPRs are as follows:

- **Patents and Utility Models.** See *Ownership, Patent and utility models* above.
- **Copyrights.** Article 52 of the Turkish Copyright Law No. 5846 on Intellectual and Artistic Works (Copyright Law) clearly states that rights subject to assignment must be listed individually. Therefore,

it is advisable to specifically execute an agreement, which assigns the employee's financial rights to the employer.

- **Designs.** Regulation clearly addresses ownership of designs. Therefore, no steps are required to assign ownership. However, it is still advisable to clearly settle the issue beforehand through the employment agreement.
- **Other.** For other IPRs, assignment can be regulated either by employment agreement or with separate assignment agreements for each IPR, as it arises.

23. Who owns each of the main IPRs created by an external consultant? What main steps can a business take to ensure it owns each of the main IPRs?

Ownership

External consultants own the IPRs they create unless otherwise agreed. However, if a consultant works under strict supervision and instruction from the business, they are deemed to be an "employee", and the employee provisions will apply (see Question 22).

Main steps

If an external consultant cannot be interpreted to be an employee, employers can execute specific agreements with consultants regarding ownership and use of IPRs.

Tax

24. What are the main taxes payable by a licensor on the licensing of the main IPRs?

The main taxes payable by a licensor on the licensing of the main IPRs are stamp tax, income tax, corporate tax and VAT. Exemptions are available.

Stamp tax

Stamp tax applies to a wide range of documents, including but not limited to, contracts, agreements, notes payable, letters of credit and letters of guarantee, financial statements and payrolls. Stamp duty is levied as a percentage of the value stated in the document at rates ranging from 0.15% to 0.75%. For licence agreements, stamp tax is 0.189% of the royalty amount stated in the agreement (2015 rate).

The Stamp Tax Law states that each relevant party is responsible for payment of the total amount of stamp tax. However, the parties can determine the licensor to be liable for paying the stamp tax. Each original document is separately subject to stamp tax.

Income tax

Income tax is levied on the income of individuals (natural persons). An individual's income may consist of one or more of:

- Business profits.
- Agricultural profits.
- Salaries and wages.
- Income from independent personal services.

- Income from immovable property and rights (rental income).
- Income from movable property (income from capital investment).
- Other income and earnings, irrespective of the source.

Royalties received by a licensor are considered to be income from immovable property and are therefore subject to income tax.

A 25% withholding tax applies to royalty fees paid by public enterprises and other public entities, foundations, economic enterprises of associations and foundations (*Article 94, Income Tax Law*).

Corporate tax

Corporate tax is levied on the income and earning derived by corporations and corporate bodies at a rate of 20%. Corporations and corporate bodies specified as liable for corporate tax are:

- Capital companies and similar foreign companies.
- Co-operatives.
- Public enterprises.
- Enterprises owned by foundations, societies, and associations.
- Joint ventures.

Royalties paid by a Turkish company to another Turkish company are not subject to withholding tax. However, such payments made to a non-resident in respect of copyrights, patents, and trade marks are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

VAT

VAT of 18% applies when either:

- Commercial, industrial, agricultural, or independent professional activities are performed within Turkey.
- Goods or services are imported into Turkey.

VAT is levied at each stage of the production and distribution process. Licensing transactions for IPRs attracts VAT if the licence is granted in Turkey.

Exemptions

From 1 January 2015, licensee income is eligible for a 50% exemption from both corporate and income tax, as well as a 100% exemption from VAT, provided that the invention subject to the licence:

- Was developed through research and development, innovation activities, or software activities in Turkey.
- Holds a registered patent with the Turkish Patent Institute.

25. What are the main taxes payable by a seller on the sale of the main IPRs?

The main taxes payable by a seller on the sale of the main IPRs are:

- Stamp tax. Stamp tax applies to IPR sale agreements at a rate of 0.948% (2015 rate).

- Income tax. Income tax applies to IPR sale agreements with regard to the amount received by the seller if the value increase exceeds TRY12,000. The applicable tax rates are progressive, ranging from 15% to 35% (2015 rates).
- Corporate tax. Corporate tax is levied on the income and earning derived by corporations and corporate bodies at a rate of 20%.

Cross-border issues

26. What international IP treaties is your jurisdiction party to?

Turkey is a party to most of the international intellectual property treaties, including:

- Paris Convention for the Protection of Industrial Property.
- WIPO Berne Convention for the Protection of Literary and Artistic Works 1971 (Berne Convention).
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (TRIPS).
- Madrid Protocol.
- Patent Co-operation Treaty.
- European Patent Convention.
- WIPO Trade mark Law Treaty 1994.
- WIPO Hague Agreement for the International Deposit of Industrial Designs 1925.
- Strasbourg Agreement Concerning the International Patent Classification 1971.
- WIPO Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks 1957.
- WIPO Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks 1973.
- Locarno Agreement Establishing an International Classification for Industrial Designs 1968.
- WIPO Copyright Treaty 1996.
- WIPO Performances and Phonograms Treaty 1996.

A detailed list of treaties can be found at <http://www.wipo.int/wipolex/en/profile.jsp?code=TR>

27. Are foreign IPRs recognized in your jurisdiction?

The territoriality principle is accepted under Turkish law. Therefore, foreign IPRs cannot be directly enforced in Turkey.

However, if a foreign copyrighted work fulfills the relevant requirements of the Turkish Copyright Law No. 5846 on Intellectual and Artistic Works (Copyright Law), the foreign work will be fully recognized in Turkey.

Reform

28. Are there any proposals for reform?

Under Turkish Law, IP rights are regulated by "Decree Laws" (issued by the Cabinet of Ministers) as opposed to "Laws" (issued by the General Assembly). Since 2005, the Constitutional Court has made a number of decisions striking out articles of Decree Laws on the basis that crimes and restrictions of fundamental rights (such as property rights) cannot be regulated by Decree Laws.

A draft law on protection of trademarks, patents and designs has existed since 2009. However, the draft law has not come into force yet.

Related Practices

- [IP Licensing](#)
- [Trademarks](#)
- [Patents and Utility Models](#)
- [Mergers and Acquisitions](#)
- [Commercial Contracts](#)

Related Attorneys

- [IŞIK ÖZDOĞAN, LL.M.](#)