

Overview of Licensing in Turkey (2015)

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1. Are there any restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor and are there any restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office? Whether or not any such restrictions exist, is there any filing or regulatory review process required before a foreign licensor can establish a business entity or joint venture in your jurisdiction?

Law No. 4875 on Direct Foreign Investment (Foreign Investment Law) is applicable for foreign investors, who make direct investments in the country, namely, making investments via establishing a company solely or with a Turkish partner, acquiring shares of an existing company or acquiring assets such as buildings, factories, manufacturing facilities, etc.

In principle, the Foreign Investment Law puts domestic and foreign investors on an equal footing. Foreign investors are subject to the same treatment as local investors. Hence, there are no additional permits or approvals to be obtained for foreign investors.

However, foreign investments within the scope of some particular legislation are subject to certain restrictions as in media, energy and civil aviation.

Notwithstanding the above rules, there is, other than general protectionary provisions in contract law and directly applicable rules pertaining to technical norms, no restriction imposed on a local or a foreign licensor entering into a (local or international) licence agreement without establishing a subsidiary or branch office.

Establishment of all kinds of business entities involves a filing to the relevant commercial registry and a registration process. Some sectors require permits and licences. However, licence and permit requirements can only be specifically answered depending on the sector and type of permit and are evaluated case-by-case.

2. Identify the different forms of license arrangements that exist in your jurisdiction.

Being a sui generis type of agreement, and since the principle of freedom of contract is accepted in Turkish legislation, licence agreements contain features of various different agreements and no specific regulation defines or limits the types of licensing.

- Licensing activities that are allowed by Law No. 5846 on Intellectual and Artistic Works (Turkish Copyright Act), Decree-Law No. 551 Pertaining to the Protection of Patent Rights and Utility Models (Decree-Law on Patents), Decree-Law No. 554 Pertaining to the Protection of Industrial Designs (Decree-Law on Industrial Designs) and Decree-Law No. 556 Pertaining to the Protection of Trademarks (Decree-Law on Trademarks) are listed below, provided, however, that licence types are not *numerus clausus* and different types of licences can be created:
- licensing of intellectual and artistic works (article 48/2 of the Turkish Copyright Act): software licensing and celebrity and character
- licensing fall within the scope of this definition, and it should be noted that such definition includes a wide range of elements for
- licensing activities;

- licensing of patents and utility models (article 86 of the Decree-Law on Patents);
- licensing of industrial designs (article 41 of the Decree-Law on Industrial Designs);
- licensing of trademarks (article 20 of the Decree-Law on Trademarks): licensing of trademarks and service marks are evaluated within the scope of this definition;
- licensing of tradenames: Turkish legislation does not provide any explicit provision regarding licensing of tradenames and, in practice, tradenames are transferred to third parties together with the concept of transfer of a commercial enterprise;
- licensing of know-how: Turkish legislation does not provide any explicit provision regarding the licensing of know-how although certain definitions and qualifications for know-how licensing are provided within the scope of competition laws; and
- licensing of promotional elements: promotional elements may be defined as distinctive elements of goods or services (excluding trademarks) such as slogans, signs or distinctive packages, which are within the scope of promotional elements

3. Does legislation directly govern the creation, or otherwise regulate the terms, of an international licensing relationship? Describe any such requirements.

There is no restriction on the subject and scope of licensing, except for limitations provided under the general law of obligations. Agreements in this regard are subject to the principle of freedom of contract.

In accordance with the Turkish Copyright Act, Decree-Law on Patent and Utility Models, Decree-Law on Industrial Designs, and Decree-Law on Trademarks, licensing agreements taking as the subject patent and utility models, industrial designs and trademarks should be in written form. Validity of other licensing agreements are not subject to any contractual form requirement.

Turkey is a party to various multinational conventions such as the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Therefore, in addition to the principles elaborated in question 5, licensing agreements also enjoy protection under these multinational conventions.

4. What pre-contractual disclosure must a licensor make to prospective licensees? Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?

There is no pre-contractual disclosure that the licensee or the licensor must fulfil. However, the following types of licences can be registered with the Turkish Patent Institute to be claimed against bona-fide third parties:

- trademarks (article 21/9 of the Decree-Law on Trademarks);
- patents (article 92/2 of the Decree-Law on Patents);
- utility models (articles 92/2 and 166 of the Decree-Law on Patents); and
- industrial designs (article 41 of the Decree-Law on Industrial Designs).

5. Are there any statutorily- or court-imposed implicit obligations in your jurisdiction that may affect an international licensing relationship, such as good faith or fair dealing obligations, the obligation to act reasonably in the exercise of rights or requiring good cause for termination or non-renewal?

The following fundamental principles are applied by courts in any type of relationship irrespective of the nature:

- good faith (bona fide) (article 2 of the Civil Code, No. 4721): in accordance with the stated article 'everyone shall act in good faith while exercising their rights and fulfilling their obligations and abuse of a right shall not be protected by the legal order';
- as per article 27 of the Code on Obligations, No. 6098, all agreements against public morality, public order, civil rights of the individual, and mandatory provisions of the laws are void;
- article 52 of the Code on Obligations No. 6098 provides that every person shall carry out necessary efforts to mitigate damage and refrain from exercising their rights so as to help avoid an increase in damages;

- acting as prudent merchant (article 18/2 of the Turkish Commercial Code No. 6102 (TCC)): in accordance with the stated article; merchants shall act as prudent businessmen with regard to their commercial activities; and
- unfair competition rules (article 54-63 of the TCC): the TCC provides protection against unfair competition between competitors or providers and customers. In this regard, advertisements that are misleading and violate the bona fide principle are unfair and against the law. Disclosure of the business secrets of the other party is also deemed as breach of this rule.

6. Does the law in your jurisdiction distinguish between licenses and franchises? If so, under what circumstances, if any, could franchise law or principles apply to a licensing relationship?

There is no legislation in our jurisdiction distinguishing between licences and franchises. However, the legal definitions and qualifications provided under case law and literature, which are both sources of private law in the absence of written legislation, help distinguish between both types of agreements.

7. Is your jurisdiction party to the Paris Convention for the Protection of Industrial Property? The Patent Cooperation Treaty (PCT)? The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Turkey has been a party to the Paris Convention for the Protection of Industrial Property since 1925 and became a signatory of the Stockholm Text, which became effective in its integrity from 1 February 1995. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) became effective from 26 January 1995 in Turkey. Also, Turkey ratified the Patent Cooperation Treaty (PCT) on 1 January 1996, which became effective from this date.

8. Can the licensee be contractually prohibited from contesting the validity of a foreign licensor's intellectual property rights or registrations in your jurisdiction?

In the absence of an explicit regulation on the issue in Turkish intellectual property legislation, it is not possible to contractually prohibit the licensee to contest the validity of intellectual property rights.

The right to claim legal remedies is regulated as one of the basic rights and liberties under article 36 of the Constitution: 'Everyone has the right to claim legal remedies either as plaintiff or defendant and the right to a fair trial before the courts through legitimate means and procedures'.

On the other hand, according to article 13 of the Constitution, fundamental rights and freedoms may be restricted only by law and in conformity with the reasons mentioned in the relevant articles of the Constitution without infringing their essence.

9. What is the effect of the invalidity or expiry of registration of an intellectual property right on a related license agreement in your jurisdiction? If the license remains in effect, can royalties continue to be levied? If the license does not remain in effect, can the licensee freely compete?

Licence agreements are synallagmatic agreements, which impose certain obligations on both parties, namely, the licensor and the licensee. In this respect, one of the obligations of the licensor is to maintain the validity of the intellectual and industrial right during the term of the agreement. If the agreement is automatically terminated by the end of the protection term (ie, 10 years for trademarks and five years for industrial designs), there is no obligation on the licensor to renew the protection term of the industrial right concerned. However, if the licence term is longer than the protection term, the licensor is obliged to renew the protection term of the related right in order to comply with his or her obligation to maintain the validity of the right concerned. Otherwise, the licensee is entitled to claim damages arising from such breach from the licensor.

Since a majority of the licence agreements are contracted based on an intellectual property right, if the subject intellectual property right becomes invalid or expires, the licence agreement will become unfounded, and will be no longer effective.

According to the Competition Law, the licensee is free to compete with the licensor following the termination of the licence agreement, unless a non-compete clause exists in the licence agreement. However, it should be pointed out that even if the subject intellectual property right becomes invalid or expires, the previous right holder is always entitled to protect its rights within the scope of unfair competition rules, should the circumstances exist.

10. Is an original registration or evidence of use in the jurisdiction of origin, or any other requirements unique to foreigners, necessary prior to the registration of intellectual property in your jurisdiction?

There is no prerequisite for evidence of prior use or prior registration of intellectual and industrial property rights in the jurisdiction of origin applicable to foreign entities or individuals in order to register such rights in Turkey. Additionally, the necessary documents for the application and the registration of a foreign national and a local company are the same.

11. Can unregistered trademarks, or other intellectual property rights that are not registered, be licensed in your jurisdiction?

Yes, it is possible. In Turkish intellectual and industrial property law, genuine ownership principle is accepted, which means that the real owner of a right is the one who first developed the subject of the right. Therefore, registration before the authorised bodies is only explanatory.

As a result, it is possible for an unregistered intellectual property right to be the subject of a licence agreement. However, in this case, the licence agreement cannot be recorded to the registry and, therefore, the licence agreement cannot be claimed against bona-fide third parties. For example, if the owner of intellectual property rights registers its rights during the licence agreement, which is not recorded within the registry, and then transfers its rights to a third party, the licensee cannot claim its right against the bona-fide third party who acquires the intellectual property rights. The unregistered intellectual and industrial property rights are protected under the unfair competition rules.

12. Are there particular requirements in your jurisdiction: for the validity of an intellectual property license; to render an intellectual property license opposable to a third party; or to take a security interest in the intellectual property?

Validity

As stated above, a licence agreement having as its object a licensed trademark, an industrial design or patent and utility models must be in written form.

Additionally for copyright licence agreements, the financial rights, which are subject to the licence agreement, shall be explicitly counted within the scope of licensed rights.

Opposable

As previously mentioned, registration of the licence is not compulsory. However, it is common and good practice for the patent, industrial design and trademark licensees to register their licences with the Turkish Patent Institute to claim their rights against bona-fide third parties.

Security

It is possible to take a security interest in intellectual property and to register this interest with the Turkish Patent Institute. In this respect, a registered industrial right may be given as security independently of the commercial undertaking. The written agreement or the official document proving the placing of the security or their notarised copies have to be submitted to the Turkish Patent Institute. If the aforementioned documents are in a foreign language, a Turkish translation has to be submitted.

13. Can a foreign owner or licensor of intellectual property institute proceedings against a third party for infringement in your jurisdiction without joining the licensee from your jurisdiction as a party to the proceedings? Can an intellectual property licensee in your jurisdiction institute proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor? Can the licensee be contractually prohibited from doing so?

A foreign owner or licensor is always entitled to protect its intellectual property rights through actions against infringements without joining the licensee. Most of the time, such joinder is actually an obligation on the side of the licensor to protect and maintain the intellectual property right in favour of the rights licensed to the licensee.

Depending on the type of the licence agreement, the licensee may also be entitled to initiate direct proceedings in the case of an infringement. The distinction between exclusive or non-exclusive licence agreements is significant when enforcing licensing rights.

In the case of an exclusive licence agreement, unless provided otherwise by the contract, the holder of an exclusive licence may, in the case of an infringement of the industrial rights, institute in his or her own name, all legal proceedings that have been made available to the proprietor of the right by decree-laws. Holders of non-exclusive licences do not have the right to institute legal proceedings. However, in principle for non-exclusive licence agreements, the licensee cannot file any actions based on the subject intellectual property right. In the case of an infringement, the holder of a non-exclusive licence may give notice, through a notary public, requesting the proprietor of the right concerned to institute such proceedings as required. In the event that the proprietor of the right concerned refuses to initiate or within three months of the reception of the notice fails to institute proceedings, the non-exclusive licence holder shall have the right to institute proceedings on its behalf. The licensee has a right to claim for the court to issue an injunction for precautionary measures if it is facing serious damage, which the elapsing of time cannot remedy. The licensee who has initiated proceedings shall notify the proprietor of the right concerned that the proceedings have been instituted.

It is possible to restrict the rights of a licensee contractually, either by making the consent of the licensor obligatory or by prohibiting filing of any actions at all.

14. Can a trademark or service mark licensee in your jurisdiction sub-license use of the mark to a third party? If so, does the right to sub-license exist statutorily or must it be granted contractually? If it exists statutorily, can the licensee validly waive its right to sub-license?

Statutorily, namely, unless otherwise accepted in the contract, a licensee cannot transfer the rights arising from the licence or cannot grant a sub-licence. However, the right to sub-licence can be granted to the licensee contractually.

15. Is your jurisdiction a 'first to file' or 'first to invent' jurisdiction? Can a foreign licensor license the use of an invention subject to a patent application but in respect of which the patent has not been issued in your jurisdiction?

Under Turkish legislation, the right to a patent shall belong to the inventor or to his or her successor in title. Although the genuine ownership principle is accepted in Turkish intellectual property law, it is also stated in the Decree-Law on Patents that the person who is the first to apply for a patent shall be vested with the right to request the patent until proof to the contrary is established.

A person claiming to be rightfully vested with the right to request the patent (the first inventor) may initiate legal proceedings against the applicant in accordance with the provisions of cancellation of a patent. In this action, the genuine inventor may request the prior application for patent, subject to court action in the matter of usurpation of same, to be accepted as his or her application and be further prosecuted as such, or file a new application for the same invention by claiming the same date of priority or request the application subject to usurpation to be rejected.

Further, according to the Decree-Law on Patents, a patent application may also be subject to legal transactions, including licence agreements.

16. Can the following be protected by patents in your jurisdiction: software; business processes or methods; living organisms?

None of the above-mentioned can be protected by patent registrations in Turkey. According to article 6 of the Decree-Law on Patents, the following shall remain outside the scope of the patent protection:

discoveries, scientific theories and mathematical methods;
plans, methods, schemes or rules for performing mental acts, for conducting business or trading activity and for playing games;
literary and artistic works, scientific works, creations having an aesthetic characteristic and computer programs;
methods involving no technical aspect for collecting, arranging, offering or presenting and transmitting information or data;
methods of diagnosis, therapy and surgery applying to the human or the animal body;
inventions whose subject matter is contrary to the public order or to morality as is generally accepted; and
plant and animal varieties and species or processes for breeding plant or animal varieties and species, based mainly on biological grounds.

17. Is there specific legislation in your jurisdiction that governs trade secrets or know-how? If so, is there a legal definition of trade secrets or know-how? In either case, how are trade secrets and know-how treated by the courts?

Under Turkish legislation, registration of trade secrets or know-how is not possible. Most importantly, the Draft Law on Trade Secrets, Client Secrets and Banking Secrets has not been enacted yet.

Even though there is no specific regulation related to the protection regarding trade secrets and know-how, there are several provisions in Turkish legislation related to 'trade secrets', which are in compliance with international treaties. Moreover, article 39.2 of the TRIPS Agreement, which refers to 'undisclosed information', is directly applicable in Turkey.

There is a specific regulation about the unfair disclosure of business secrets in the TCC. Accordingly, illegally disclosing business and trade secrets is set forth as an act of unfair competition. Business secrets is evaluated as a wider concept than trade secrets, which also includes information regarding the business and business know-how.

There is a definition of trade secrets in the Draft Law on Trade Secrets, Client Secrets and Banking Secrets.

Group Exemptions of Vertical Agreements in Turkish Law also includes a brief know-how definition.

The remedies applicable to the violations of trade secrets and know-how do not differ in terms of remedies applicable to other forms of unfair competition. According to the unfair competition rules, the right owner can ask through the court for the violations to be determined and be stopped and prevented, request a preliminary injunction, request the restitution of the material status and facts resulting from the unfair competition and the payment of compensation for material and moral damages occurring because of the violations.

Where there is a contractual relationship between the parties and an unfair violation of know-how or trade secrets takes place, the party whose rights are violated is said have competing rights based on the contract or the unfair competition provisions of the TCC.

18. Does the law allow a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties in your jurisdiction, both during and after the term of the licence agreement? Is there any distinction to be made with respect to improvements to which the licensee may have contributed?

Yes. Indeed, in Turkish Law and practice, it is possible to set forth a disclosure clause in a licence agreement and prevent the licensee from using or disclosing trade secrets both during or after the term of the licence agreement. However, these clauses should be appropriate for the general principle of the Turkish Competition Law. In other words, the non-disclosure clauses shall not be prohibitive for the licensee to enter the market and freely compete.

19. What constitutes copyright in your jurisdiction and how can it be protected?

Generally, it should be noted that an intellectual or artistic work is protected under the Turkish Copyright Act if it meets the following dual requirements (article 1 of the Turkish Copyright Act):

- the work must have the individuality of the author; and
- the work must fall into one of the four categories of works listed in article 1 of the Turkish Copyright Act, which are:
 - scientific and literary works (article 2);
 - musical works (article 3);
 - works of fine art (article 4); or
 - films (article 5).

Registration of a work is not mandatory to claim protection in Turkey according to the Turkish Copyright Act since copyright protection begins automatically when a work is first created and put in a tangible form. The owner of the work obtains the moral and economic rights with the creation of the work. According to the relevant regulations, movie makers, music record companies and computer games are subject to the mandatory record and registration system.

There are also customary and practical actions taken in certain situations. Regarding certain know-how such as TV show formats, initiators choose to have the format notarised to be able to bring definitive evidence of the fact that they were holding that know-how at a given date.

20. Is it advisable in your jurisdiction to require the contractual assignment of copyright by the licensee to the licensor for any artwork, software improvements and other works that the licensee may have contributed to?

If the licensee contributes to any work within the scope of the licence relationship, the licensor needs to ask for grant-back licences. Therefore, it is, in general, advisable for the licensor to require the assignment of those copyrights in the licence agreement. A standard and general clause may be included to the general licence agreement. However, this clause can be accepted as an undertaking, and it is advisable for the parties to sign an additional agreement for assignment of the copyrights.

21. Does the law in your jurisdiction recognize the validity of 'perpetual' software licenses? If not, or if it is not advisable for other reasons, are there other means of addressing concerns relating to 'perpetual' licenses?

As per Turkish legislation, a term is not an essence of a licence agreement. Therefore, it is possible to execute a licence agreement for an indefinite term. However, since the parties cannot waive from their termination rights in advance, in practice, the parties cannot execute a perpetual agreement to be endlessly in force.

22. Are there any legal requirements to be complied with prior to granting software licenses, including import or export restrictions?

Before granting software licences, parties are obliged to execute the licence agreement in written form and must explicitly and separately state the scope of the licence and rights related to software that are subject to the licence

agreement (article 52 of the Turkish Copyright Law).

Software is not a material good and is not subject to customs legislation as it is not passed through a customs border. Therefore, a software licence is not subject to any import and export restriction.

23. Who owns improvements and modifications to the licensed software? May a software licensee obtain bug fixes, upgrades and new releases from the licensor in the absence of a contractual provision to that effect?

In accordance with the Turkish Copyright Act, ownership of improvements, modifications and bug fixes are separately evaluated and changeable in accordance with the subject matter licence agreement to the extent permitted by the under-mentioned provisions.

Making improvements and modifications to licensed software is considered as 'derivative work' as per the Turkish Copyright Act. As a principle, a derivative work right is exclusively subject to the licensor's consent; therefore, a contractual provision is required. The parties may further determine the owner of such derivative works, otherwise the provisions of the Turkish Copyright Act shall apply, which stipulate that 'the owner of a processed work is the person who has made the derivative work provided that the rights of the author are reserved'. Accordingly, unless agreed otherwise by the parties, the owner of a derivative work shall be the licensee.

However, as per article 38 of the Turkish Copyright Act, even in the absence of a specific contractual provision, bug-fixing of software cannot be prohibited where necessary for the use of the software in accordance with its intended purpose. In other words, derivative work of bug-fixing will belong to the licensee even if there is no clause or permission under the licensing agreement.

The licensor is obliged to maintain the licensed software available for proper use. In the case that the bug-fixes, upgrades and new releases are made to correct essential errors preventing the licensee from using the software in accordance with its intended purpose, or necessary for the use of the software within the scope of the licence agreement, the licensor may provide the licensee with these improvements, even in the absence of a contractual provision. On the other hand, the licensor does not have a further obligation to improve the licensed software unless otherwise agreed in the licence agreement. In this case, the licensee may not obtain such improvements from the licensor.

24. May a software licensor include a processor routine to disable automatically or cause unauthorized access to disable, erase or otherwise adversely affect the licensed software?

In Turkish legislation, there is no provision that enables or prevents a process or routine to disable automatically or cause unauthorised access to disable, erase or otherwise adversely effect licensed software. However, in line with the protection of software, in accordance with the article 72 of the Turkish Copyright Act, preparatory acts with regard to disabling the protective software are regulated as crimes under the Turkish Copyright Act. On the other hand, however, for security purposes, such routines can be applied although this issue may differ on a case-by-case basis, for example, if such a routine breaches freedom of communication or draft data privacy rules.

25. Have courts in your jurisdiction recognized that software is not inherently error-free in determining the liability of licensors in connection with the performance of the licensed software?

No regulation or jurisprudence is provided in Turkish legislation that refers to error-free liability of licensors on licensed software.

26. Have courts in your jurisdiction restricted in any manner the enforceability or applicability of the terms and conditions of public licenses for open source software (ie, GNU and other public licence agreements)? Have there been any legal developments of note in your jurisdiction concerning the use of open source software?

No.

27. Is there any legislation that governs the nature, amount or manner or frequency of payments of royalties or other fees or costs (including interest on late payments) in an international licensing relationship, or require regulatory approval of the royalty rate or other fees or costs (including interest on late payments) payable by a licensee in your jurisdiction?

The principle of freedom of contract applies to the amount, manner or frequency of payments of royalties and other fees and costs in an international licensing relationship. If the licensing relationship is between related parties, the royalty amount should not be one that can be considered as transfer pricing, and must be determined on an arm's-length basis.

In Turkish legislation, any payments with a minimum amount of 8,000 Turkish lira must be made via bank channels.

28. Are there any restrictions on transfer and remittance of currency in your jurisdiction? Are there any associated regulatory reporting requirements?

In Turkish legislation, any payments with a minimum amount of 8,000 Turkish lira must be made via bank channels. This should apply to royalty payments as well. In terms of the entry of foreign currency into Turkey, there are no restrictions. In terms of outflow of foreign currency from Turkey, amounts exceeding US\$5,000 or its equivalent can be transferred either from a foreign currency bank account of a person by way of a bank transfer or by way of obtaining a foreign currency purchase certificate. This restriction is intended to follow up foreign exchange outflows and prevent illegal money transfers.

29. In what circumstances may a foreign licensor be taxed on its income in your jurisdiction?

The nationality of the licensor does not constitute a criterion in terms of the taxation regime of a licensor in Turkey. On the other hand, the 'full' or 'limited' tax payer status, which is determined according to residency, plays a role. If the foreign licensor is resident in Turkey, his or her worldwide income will be taxed in Turkey. On the other hand, if the foreign licensor is not resident in Turkey, his or her income generated in Turkey will be taxed in Turkey unless otherwise determined under a double taxation treaty to which the relevant parties are subject. Double taxation is avoided through double taxation treaties. Turkey is currently party to more than 80 double taxation treaties.

Licensees are obliged to withhold tax on payments made to a foreign licensor. If the party that earns the income (ie, the licensor) is a full tax payer in Turkey, no withholding obligation of the licensee will arise. If the licensor is a limited tax payer, the withholding obligation of the licensee will arise. According to the Corporation Tax Code, for royalties, the percentage of withholding is determined as 20 per cent of the accrued amount. The Income Tax Code stipulates the same obligation with the same percentage. This means that the subject matter obligation exists both for corporations and real persons. Bilateral treaties include special provisions on the bilateral treatment of revenues from (intangible) rights realised within the contracting parties.

30. Can a judgment be rendered by courts in a foreign currency in your jurisdiction? If not, would a contractual indemnity for any shortfall to a foreign licensor due to currency exchange fluctuations be enforceable?

A lawsuit can be initiated and a judgment can be rendered in a foreign currency in Turkey. Article 99 of the Code on Obligations No. 6098 provides that a special claim based on payment in kind or in foreign currency must be made for this. Otherwise, the claimant may require utilisation of the currency rate on the day of actual payment.

31. Are practices that potentially restrict trade prohibited or otherwise regulated in your jurisdiction?

Practices that potentially restrict trade are mainly regulated under the provisions of the Law No. 4054 on Protection of Competition (Law No. 4054), which is closely modelled on European Union legislation.

Two pillars of the Turkish competition law are article 4 (closely modelled on article 101 of TFEU), which regulates the agreements, concerted practices and decisions restricting competition and article 6 (closely modelled on article 101 of TFEU), which regulates the abuse of dominant position.

Specific issues on mentioned restrictions are dealt with under secondary legislations, such as the Block Exemption Communiqué No. 2002/2 on Vertical Agreements and the Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements (Communiqué No. 2008/2).

Depending on the specific facts of the case, mentioned restrictions could be deemed within the scope of article 4 or article 6 of Law No. 4054.

32. Are there any legal restrictions in respect of the following provisions in license agreements: duration, exclusivity, internet sales prohibitions, non-competition restrictions, and grant-back provisions?

Licence agreements that concern a grant of a licence for technology to produce the products under the agreement are subject to the provisions of Communiqué No. 2008/2. A licence agreement would not be violating article 4 as long as it complies with Communiqué No. 2008/2. There are certain market share thresholds (which will be sought in the relevant product or technology market) over which an agreement would not benefit from the protection of the Communiqué No. 2008/2.

Communiqué No. 2008/2 provides different sets of rules for agreements between competitors and for agreements between non-competitors.

Price restrictions, output and production restrictions, customer and territory allocation in agreements between competitors are subject to rigid rules under Communiqué No. 2008/2.

Similarly, price restrictions and customer and territory allocation in agreements between non-competitors are allowed subject to the fulfilment of certain conditions.

As regards internet sales prohibitions, paragraph 24 of the Guidelines on Vertical Agreements identifies internet sales as passive sales. However, sending e-mails to customers in an exclusive territory or a group of customers of another buyer shall be considered as a method of active sales as long as such a request is not solicited by the customers in question.

Finally, as per article 7/2(a) and (b) of Communiqué No. 2008/2, the exemption shall not apply to the following restrictions:

- any direct or indirect obligation on the licensee to grant an exclusive licence to the licensor or a third party designated by the licensor in respect of its own severable improvements on or new applications of the licensed technology; and
- any direct or indirect obligation on the licensee to assign, partly or completely, to the licensor or a third party designated by the licensor the rights related to its own severable improvements on or new applications of the licensed technology.

33. Are indemnification provisions commonly used in your jurisdiction and, if so, are they generally enforceable? Is insurance coverage for the protection of a foreign licensor available in support of an indemnification provision?

Indemnification provisions are commonly used in Turkey and they are generally enforceable. A specific insurance coverage for the protection of a foreign licensor is not common in Turkey.

34. Can the parties contractually agree to waive or limit certain types of damages? Are disclaimers of liability generally enforceable? What are the exceptions, if any?

The parties can contractually agree to waive or limit certain types of damages in the form of special indemnification clauses. However, agreements that stipulate that the obligor shall not be liable for its wilful misconduct or gross negligence or for obligations arising from the obligor's service agreement with the creditor are null and void, whereas contractual limitation or restriction of liability resulting from culpa levissima is legally possible.

35. Does the law impose conditions on, or otherwise limit, the right to terminate or not to renew an international licensing relationship; or require the payment of an indemnity or other forms of compensation upon termination or non-renewal? More specifically, have courts in your jurisdiction extended to licensing relationships the application of commercial agency laws that contain such rights or remedies or provide such indemnities?

Turkish law does not specifically regulate the conditions or restrictions of termination of a licence agreement. Further, the Turkish Code on Obligations No. 6098 includes provisions on withdrawal from a contract but does not particularise on the termination of a contract. However, in contracts where termed obligations exist, there is general consensus in case law and legal theory that ex nunc termination, a right of the parties to end a long-term contract, is possible.

Otherwise, and in principle, the parties to a licence agreement can regulate certain events or causes of termination of the licence agreement and notice periods under the agreement. A termination that is not in compliance with such termination grounds or notice periods will require the payment of compensation to the counterparty in accordance with general terms. As a general provision of the Law of Contracts, any termination should be made by granting a sufficient notice period to the counterparty. For lease agreements, which are similar in nature to licence agreements, such period is six months for agreements with an indefinite term. Further, decisions of the Turkish Court of Appeal state that a sufficient notice period needs to be granted to the counterparty for termination of licence agreements. However, the exact length of such period is not determined and should be taken into account on a case-by-case basis.

36. What is the impact of the termination or expiration of a license agreement on any sub-license granted by the licensee, in the absence of any contractual provision addressing this issue?

Turkish law does not specifically regulate the impact of the termination of a licence agreement on any sub-licences granted by the licensee. The general provisions shall be applied to such cases in the event that the licence agreement does not include a provision addressing this issue. According to general provisions, the termination of a licence agreement should terminate the sub-licence granted by the licensee as *nemo plus juris transferre ad alium potest quam ipse habet* (no one can transfer to another a greater right than he himself has). In Turkish literature, it is argued that the sub-licence agreement is similar in nature to a sub-lease agreement, therefore, the same approach that renders the sub-lease agreement as terminated when the main lease agreement is terminated, is analogously applied in the case of sub-licence agreements as well.

37. What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-license that licensee may have granted? Can the licensor structure its international license agreement to terminate it prior to the bankruptcy and remove the licensee's rights?

Since the bankrupt licensee is not authorised to exercise any rights over the assets included in the bankrupt's estate as per article 191 of the Code on Debt Enforcement and Bankruptcy No. 2004, all actions or transactions in violation of this restriction are null and void and unenforceable against the creditors. Licensing rights, as they are based on the licensor's title to the intangible right, shall be excluded from the bankrupt's estate since such rights cannot be exercised any more by the licensee. Case law indicates, for instance, that pharmaceutical dossier licences cannot be attached by third party creditors as the original right is owned by the licensor.

The bankruptcy of the licensee does not automatically terminate the licence agreement executed with the licensor. Clauses that grant a right to terminate the agreement on a good cause in the event that the licensee is bankrupt,

insolvent or is in financial distress can be included in licence agreements in order to ensure that the agreement can be terminated by the licensor without being subject to compensation claims in cases of financial distress of the licensee.

38. Are there any restrictions on an international licensing arrangement being governed by the laws of another jurisdiction chosen by the parties?

No. The parties are, subject to directly applicable rules and exclusive jurisdiction clauses in the law and free to choose the governing law. In respect of intellectual property rights subject to the licence, laws under which protection is sought shall be applicable, as per article 23 of the Code on International Private Law and Procedure No. 5718.

39. Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another?

The parties can contractually agree to arbitrate substantive contractual matters. The arbitration proceedings can be held in a place of the parties' choice. Naturally, trademark protection and unfair competition claims (as rights competing with those under the contract) may only be brought before the local court of jurisdiction. Also, precautionary or interim measures may not be arbitrated and such claims shall only be brought before the court of local jurisdiction.

40. Would a court judgment or arbitral award from another jurisdiction be enforceable in your jurisdiction? Is your jurisdiction party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards?

In principle, yes, and subject to requirements of the Code on Private International Law No. 5718, as the Republic of Turkey is party to the New York Convention.

41. Is injunctive relief available in your jurisdiction? May it be waived contractually? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?

Injunctive relief is available in Turkey. The contractual waiver of injunctive relief and of any other rights that have not arisen so far is not valid.

Possible limitations are those based on culpa levissima. Clauses limiting liability in the event of gross negligence or wilful misconduct are void. In legal theory and except for limitations based on culpa levissima, providing specific indemnity amounts shall be interpreted to only shift the burden of proof as no person can be restricted to bring a claim that is based on damages that exceed such an amount foreseen in the contract. Unless included in the scope of specific indemnity, consequential damages are not included de jure into the scope of liability and damages calculation.

Updates and trends

There is no legislation exclusively referring to licence agreements in the Turkish jurisdiction, except for the ones referred to in this chapter, and no developments have taken place regarding these over the past year.

On the other hand, due to the EU harmonisation process, a wide range of Turkish legislation is being adapted to EU legislation. Accordingly, it is possible for Turkey to enact EU legislation pertaining to this area. However, there is no draft of law related to this issue that is expected to be enacted in the foreseeable future.

A related area where there is currently no legislation is data privacy pertaining to commercial, financial and customer information as well as personal and biometric information, which requires attention in specific licensing agreements,

for instance, those based on software that processes data.

Related Attorneys

- DR. E. SEYFİ MOROĞLU, LL.M.
- İŞİK ÖZDOĞAN, LL.M.
- GÖKÇE ŞZGİ, LL.M.
- SEVİ ŞSLAMAGEÇ
- NİLÜFER HOTAN

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