

IP in business transactions: Turkey overview

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A guide to intellectual property law in Turkey. The IP in business transactions Q&A gives an overview of maintaining an IP portfolio, exploiting an IP portfolio through assignment and licensing, taking security over IPRs, IP and M&A transactions, and the impact of IP on key areas such as competition law, employees and tax.

Overview of main IPRs

1. Give a brief overview of the main IPRs in your jurisdiction and how they are protected.

Patents

Patents are granted for inventions that are all of the following:

- Novel.
- Represent an inventive step (that is, surpass the current standard for state-of-the-art in a particular industry).
- Capable of industrial application.

The following categories cannot be patented:

- Discoveries, scientific theories, and mathematical methods.
- Plan, 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 with aesthetic characteristics, and computer programmes.
- Methods involving no technical aspect for collecting, arranging, offering or presenting and transmitting information.
- Methods of diagnosis, therapy and surgery that apply to humans or animals.

Patent rights are acquired through registration.

The authority for patent registration is the Turkish Patent and Trademark Office (*TürkPatent*) (*TPTO*). Guidance is available for the registration process at www.turkpatent.gov.tr.

A patent registration can be obtained either through a national application or internationally through the European Patent Convention 1973 (EPC) or the Patent Cooperation Treaty 1970 (PCT) procedures.

Once a patent is granted, the protection starts retrospectively from the application date and lasts for 20 years.

Utility models

Utility models are granted for inventions which are:

- Novel.
- Capable of industrial application.

Utility models are acquired through registration.

The authority for registration is the TPTO. Guidance is available for the registration process at www.turkpatent.gov.tr. Utility models are granted the same protection as patents, but the term of protection for the utility model certificate is ten years from the date of application and cannot be extended.

Trade marks

A trade mark must be:

- Capable of being represented on the register in a manner which enables determination of the subject matter of protection clearly and precisely.
- Of distinctive character (either inherent or acquired).

A trade mark can include personal names, words, shapes, colours, letters, numbers, sounds, shape or packaging of the goods or other signs provided that the subject matter of protection can be determined clearly and precisely from its representation on the register.

In principle, rights under trade marks are acquired through registration, although there are exceptions for:

- Signs that have acquired distinctiveness due to prior use.
- Well-known marks, regardless of where they are registered, under the Paris Convention (*Article 6bis, WIPO Paris Convention for the Protection of Industrial Property 1883*).

Non-registered trade marks can still receive protection under the unfair competition provisions of the Code of Commerce. For example, where an entity has attributed a certain degree of reputation to an unregistered sign, the entity may still be able to claim protection against unauthorised use of the sign or a confusingly similar sign under

unfair competition rules provided that it can be shown that the sign is associated with the entity through extensive prior use.

Trade mark registration can be obtained either through a national application or internationally through the WIPO Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks 1989 (Madrid Protocol).

The TPTO is the authority overseeing trade mark registration.

Protection starts from the application date and lasts for ten years. The trade mark can be renewed every ten years for an indefinite number of times (see [Question 3, Trade marks](#)).

Copyright

Copyrights subsist in intellectual and artistic works that are:

- Original pieces of work which reflect the characteristics and originality of the author.
- Capable of being classified as works of one of the following:
 - science;
 - literature;
 - music;
 - fine art; and
 - cinema.

There are sub-titles within each category that provide more extensive lists of copyrightable works.

Computer software and databases are also subject to copyright protection, provided that they are original pieces of work which reflect the characteristics and originality of the author (see above).

It is not necessary to register copyright works to establish rights. Copyright protection starts from the creation of the work (starting from the first communication of the work to the public) and lasts for 70 years after the author's death.

Cinematographic and musical works must be registered for the purposes of exploiting rights and proving ownership but registration does not create any rights.

Other types of works can be registered but this is optional.

The authority that records and registers copyrights is the General Directorate of Cinema and Copyrights, which operates under the Ministry of Culture and Tourism.

The author's financial and economic rights are recognised separately from copyrights. The financial rights are:

- Adaptation (that is, to create derivative works).

- Reproduction.
- Distribution.
- Performance
- Communicating a work to the public by devices transmitting:

The moral rights are the rights:

- To disclose the work.
- Of attribution (that is, to put the author's name to the work).
- To the integrity of the work (that is, to prohibit its modification).

Design rights

A design protects the outer appearance of a product or its ornamentation.

To register a design the design must:

- Be novel.
- Have individual character.
- Conform to public morality or public order.

The protection for a registered design starts from the filing date and lasts five years. It can be renewed for four successive periods of five years (25 years in total).

The TPTO is the authority for design registration.

Unregistered designs are protected for three years from becoming publicly available, in line with Article 11 of Regulation (EC) 6/2002 on Community designs.

Unregistered designs can also be protected under the unfair competition rules of the Commercial Code, provided that the unregistered design is:

- An original product (that is, novel and individual).
- Not a result of technical necessity.
- Associated with its owner through extensive use in the market.

There is no specific time limit for this protection, which can be claimed for as long as the design keeps its original character within the market.

Trade secrets and confidential information

Confidential information is generally defined as any information related to the business of a commercial entity that is intentionally kept secret by its owner as it:

- Creates a commercial advantage.
- Has an independent commercial value.

Confidential information can include trade secrets or knowhow.

There is no specific regulation for confidential information in Turkey and therefore no requirement to register.

Depending on the nature of unauthorised use (for example, the disclosure of confidential information by a former employee), there may be different legal grounds on which the owner can claim protection, including under criminal, employment, and commercial law. One of the more common grounds is unfair competition under the Commercial Code.

Other

For further information about the main IPRs, see *Patents, trade marks, copyright and designs in Turkey*.

The following can also receive protection in Turkey:

Geographical indications. Geographical indications are used on products produced in a specific place and which are directly attributable to that place, area, region or country of origin.

Any entity related to the item and the geographical territory can apply to the TPTO to register a geographic sign. This can include:

- Manufacturer groups.
- Public institutions and organisations and public professional organisations related to the product or the area of origin.
- Associations, foundations and cooperatives that work for public benefit in relation to the product or are authorised to protect the economic interests of their members.
- Where there is one manufacturer of the product, the relevant manufacturer.

Unlike other IPRs, the registration of a geographical indication does not provide its owner with a monopoly on usage. A geographical indication can be used by any entity, provided that:

- At least one of the operations (such as manufacturing or processing the product) is carried out within the territory, area or geographic region designated in the registration;
- The product has the quality, reputation, and other characteristics described in the registration.

There is no specific term for the protection of geographical indications.

Integrated circuit topographies. Protection is granted upon registration, provided that the integrated circuit layouts have original characteristics (that is, if it is the product of intellectual effort and was not previously known among integrated circuit producers or designers).

The protection does not cover the:

- Content contained within the integrated circuit;
- Process period, technical information, or any information relating to the circuit apart from the integrated circuit layout itself.

An integrated circuit topography registration is only valid for ten years from the date of market launch or from the date of the application, whichever is earlier. The protection cannot be extended.

Domain names. Currently the Middle East Technical University (METU) has authority to grant a domain name for the .tr extension in Turkey. METU's website is *www.nic.tr*.

To register a .tr extension domain name, an applicant must submit a trade mark application for the same phrase, or a document showing that the domain name applied for is the same as the core element of the corporate name.

It is possible to register .tr domain names for one year to five years and the registration can be renewed at the end of the registration term.

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 IP rights?

Patents, utility models, trade marks and designs

The website of the TPTO provides online search facilities at *www.turkpatent.gov.tr/TurkPatent/?lang=en*

An official search application can also be made to the Office. This is usually advisable as the results of an official search provide more complete information which may be missed in an online search.

In addition, it is advisable to:

- Use a professional service provider for market watch services (that is, specialised surveillance services).
- Conduct market investigations.

Copyright

As copyright registration is not necessary for protection there is no general database for all registered copyrights. Enquiries can be made at the General Directorate of Cinema and Copyrights for a possible copyright registration but this will not provide a comprehensive search.

Design rights

The Office's website provides online search facilities for geographical indications at www.turkpatent.gov.tr/TurkPatent/geographicalRegisteredList

For .tr extension domain names, an online search can be conducted through www.nic.tr .

Maintenance of main IPRs

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

Patents and utility models

To maintain a patent registration:

- The annual fees of the patent or utility model must be paid.
- The patent or utility model owner or authorised person must put to use or exploit the patent or the utility model work within three years from the date of publication. The three years term starts from the local publication for local and PCT patents and from the EP publication for EP patents. If this is not done, the patent will not be revoked but it may become open to compulsory licence requests from third parties.

Trade marks

A trade mark must be renewed every ten years to maintain its registration.

The trade mark does not have to be in use during the period of application or registration. However, third parties can file cancellation actions on grounds of non-use if:

- The mark has not been put into genuine use for a consecutive period of five years after its registration.
- The use has ceased for a consecutive period of five years during the term of protection

Non-use does not have an effect on the validity of the trade mark but the non-use of the trade mark for five years does affect the enforceability of the rights arising from the trade mark.

During the opposition proceedings before the TPTO and during the infringement actions proceedings before the courts, where the trade marks on which the action is based are registered for at least five years, the counter-party can claim the non-use defence and can also ask the opponent/claimant to prove that the trade marks have been genuinely used. If that party cannot prove that the trade marks have been used genuinely, the opposition and the infringement action will be dismissed.

Copyright

There are no specific steps to take to maintain copyrights. Copyright protection starts from the creation of the work (starting from the first communication of the work to the public) and lasts for 70 years after the author's death.

Design rights

A design's registration must be renewed every five years to maintain its registration. It can be renewed a maximum of four times.

Trade secrets and confidential information

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

Other

In relation to the other commonly granted IPRs:

- **Geographical indications.** There are no particular steps to take (such as annual fees to maintain the protection).
- **Integrated circuit topographies.** Protection is only granted for a limited period of ten years and the protection term expires at the end of the tenth calendar year. There are no annual payments to make during this protection term.
- **Domain names.** The domain name registration needs to be renewed at the end of the term (that is, one to five years).

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?

The steps that a business can take to avoid infringement and to monitor possible infringement are as follows:

- Monitoring the market through regular market investigations to gather general knowledge of the IPRs owned by competitors in the market, and to detect possible infringing activities.
- For trade marks and designs:
 - searching for registered IPRs through online databases or official searches;
 - applying for watch notice services for timely detection of all possible infringing applications; and
 - registering the trade marks and designs before starting the business.

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 following steps are usually taken to determine the content of an IP portfolio:

- Listing all IPRs of a company (patents, trade marks, copyrights, design rights, domain names, knowhow, trade secrets, and so on).
- Verification of the status of IPRs, including examining pending or potential conflicts, licences and other agreements.

Assignment

Scope of assignment

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

Patents, utility models, trade marks and designs

It is possible to assign registered and/or applied for patent/trade mark/designs by concluding an agreement between the parties. The following apply:

- A partial assignment of a patent is not possible.
- The assignment of trade mark, patent and designs must be for the entire Turkish territory.
- In trade mark assignment, the goodwill of the trade mark is also automatically assigned (but the parties can agree otherwise).
- The partial assignment of a trade mark is partial in terms of goods and services.
- Partial assignment of a design is only possible if the registration covers multiple designs. In this case, the owner can only assign some of the designs covered by the registration.
- The parties are free to determine the terms of the assignment of IPRs.

Copyright

Only the financial rights of the author can be assigned, wholly or partially.

The copyright holder cannot assign or waive the moral rights, although he can license the right to use the moral rights. Any agreement or declaration to the contrary is considered void. Future rights cannot be assigned or waived before they arise.

Trade secrets and confidential information

It is possible to assign confidential information by agreement between the parties. There is no specific regulation on this and such an agreement would be an ordinary assignment agreement subject to the general terms of contract law.

The following applies:

- **Geographical indications.** Geographical indications cannot be assigned.
- **Integrated design topographies.** These cannot be assigned.
- **Domain names.** Domain names can be assigned by agreement. If the domain name has a .com.tr extension, the registered trade mark or the trade mark application constituting the basis of the domain name registration must also be assigned.

Formalities for assignment

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

For the assignment of patents, trade marks, copyrights and designs, the agreements should be in written form and notarised before the notary public. A short form of the agreement is also accepted for recording purposes.

Main terms for assignments

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

The main terms to be included in assignment agreements are:

- Names and addresses of the parties.
- Registration numbers of registered IPRs, application numbers for applications for registration, or any other form of identification of the IPRs.
- For partial assignments, the scope of the assignments, relating to:
 - goods and services for which a trade mark is assigned;
 - the particular design rights assigned (in the case of multiple designs).
- Payment details (if any).
- An undertaking from the assignor (to prevent future conflicts) which:
 - confirms that there are no other registrations and/or applications for the same or similar IPR;
 - confirms that there will be no further applications;
 - warrants that the assignor has full power to assign the relevant IPR.
- Additional obligations for recording the assignment (for example, any papers that the assignor must sign).

An assignment of author's financial rights should also contain the:

- Rights to be assigned, expressly and separately stated and specific terms used (for example, references such as "any media" must be avoided).
- Term of the assignment and the territory over which the rights are assigned, expressly stated.

Licensing

Scope of licensing

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

Patents and utility models

Registered and applied for patents and utility models can be licensed by agreement between the parties who are free to determine the terms of the licence. The licence can be granted throughout Turkey on an exclusive or non-exclusive basis.

A sub-licence is possible if the licensee has been expressly granted that power.

Patents cannot be partially licensed.

Trade marks

Registered and applied for trade marks can be licensed and the parties are free to determine the terms of the licence. Trade marks can be partially licensed in relation to some or all of the goods and services for which the owner has used the mark.

Copyright

Both the financial and moral rights of the author can be licensed by the author:

- Wholly or partially.
- On an exclusive or non-exclusive basis.

A sub-licence is possible if the licensee has been expressly granted that power.

Design rights

Registered and applied for design rights can be licensed and the parties are free to determine the terms of the licence. A partial licence is only possible if the registration covers multiple designs and the owner licenses some of the designs covered by the registration.

It is possible to license confidential information by agreement. There is no specific regulation on this and the licence agreement is subject to general contract law provisions.

The following applies:

- **Geographical indications.** These cannot be licensed. An entity is entitled to use the geographical indication without obtaining a licence provided that:
 - at least one of the operations (such as manufacturing or processing the product) is carried out within the territory, area or geographic region designated in the registration for geographical indication;
 - the product has the quality, reputation and other characteristics described in the registration.
- **Integrated design topographies.** It is possible to license registered and applied for registered design topographies, and the parties are free to determine the terms of the licence.
- **Domain names.** Third parties can be granted rights to use the domain name but this is a technical issue and is counted as a regular licence in terms of IPRs.

Formalities for licensing

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

For licensing of patents, trade marks, copyrights and designs, the agreements must be in written form and notarised.

A licence agreement does not need to be registered for the licence to be valid but a record of the licence for patents, trade marks and designs is beneficial for licensees in case of assignment to a third party which is not aware of (and is not able to discover) the existence of the licence agreement.

The relevant regulations state that if the licence has not been recorded, the parties cannot invoke the rights arising from the registration of the trade mark against third parties acting in good faith.

Accordingly, if the licensor of an unregistered trade mark assigns it to a third party who is unaware of the situation and is therefore acting in good faith, the licensee is not entitled to assert any licence rights against this new owner.

Main terms for licences

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

The main terms that should be included in licence agreements are:

- Names and addresses of the parties.
- Registration numbers of registered IPRs, application numbers for applications for registration or any other form of identification of the IPRs.
- Scope of the licence, in the case of partial licences, concerning the:
 - goods and services for which a trade mark is licensed; and
 - particular design rights licensed (in the case of multiple designs).
- Licence term and the scope of the territory over which the licence is granted.
- Whether the licence is granted on an exclusive or non-exclusive basis (if the agreement is silent on this, it is assumed to be non-exclusive).
- Powers granted to the licensee, for example, whether a sub-licence is allowed or not (if the licence is silent on this it is deemed that sub-licensing is not allowed).
- Royalties (if any).
- Warranties and liability provisions.
- Obligations to record the licence.
- Other general business terms, which depend on the relationship between the parties including clauses on:
 - governing law;
 - jurisdiction;
 - penalties;
 - confidentiality.

For the licensing of an author's moral and financial rights, the rights must be expressly and individually stated and specific terms used (for example, references such as "any media" must be avoided).

Taking security

12. Can security be taken over IPRs?

Security can be taken over all main IPRs, namely trade marks, patents, designs and copyrights. In practice, security is commonly taken over trade marks or patents. It is important to conduct detailed due diligence to determine the true owner of the IPRs, or whether any other security has been taken over them.

The main issue in taking security over IPRs is valuation of the secured assets. There are also likely to be issues relating to enforcement of security, such as determining the rank of creditors if more than one pledge has been taken over the IPR, or enforceability of security rights against third parties who take an assignment of the secured IPR without being aware that security has been taken over it.

13. What are the main security interests taken over IPRs and how are they created and perfected?

The main security interest taken over IPRs is a pledge. Pledges can also be taken over trade mark and design applications which are not yet registered with the TPTO.

Agreements for pledges over IPRs, which must be in writing, are subject to the general provisions of the Civil Code.

To be enforceable against third parties, the pledges must be registered with the TPTO. The documents submitted for registration must be in Turkish.

M&A

Due diligence

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

In share sales, asset sales or a merger, IP due diligence is based on an analysis of the IPRs of a company in terms of:

- Quality.
- Scope.
- Registration.
- Use.
- Protection status.
- Strengths and weaknesses.
- Potential risks.
- Potential opportunities.

Efficient due diligence on the IPRs includes:

- Listing and classifying all IPRs of a company (patents, trade marks, copyrights, design rights, domain names, know-how, trade secrets and so on).
- Verifying the status and genuine owners of IPRs, including any pending or potential disputes relating to a right, the licence or other agreements.
- Identifying any current or potential infringements to minimise risk or mitigate any loss.

These checks can be done by reviewing relevant documents and requesting the originals from the TPTO and doing detailed registry researches there.

Warranties/indemnities

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

The common warranties and/or indemnities given by the seller are that:

- A list of all IPRs together with the complete history is being provided.
- Ownership on all IPRs is full and valid, and the seller has full power to assign the IPRs without additional authorisations from third parties.
- The IPRs of the seller do not infringe those of third parties.
- Information on any pending and/or potential conflicts on IPRs is provided, including pending or potential attachments on registered IPRs.

Transfer of IPRs

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

Share sale or merger

A share sale does not usually involve a change of ownership of the IPRs, as they continue to be owned by the target company after the share sale. Therefore, the IPRs do not usually have to be transferred in a share sale. If the share sale does specifically require the transfer of the IPRs, the transfer should be made in accordance with the assignment rules (see [Question 6](#)).

Asset sale

In asset sales, the main IPRs usually have to be specifically transferred. Therefore, it is important to execute separate agreements relating to the assignment of the IPRs (see [Question 6](#)).

Joint ownership of IP

17. How does joint ownership of IP arise?

If the intellectual creation subject to an IPR has been created by more than one individual, a joint ownership on the IPR arises by operation of law.

The law mainly allows the joint creators to decide on the terms of the joint ownership between themselves by entering into an agreement.

It is common for companies (in particular foreign investors) to set up joint ventures to exploit their patents and/or knowhow. In general, one party contributes their IPRs to the joint venture, while the other contributes capital.

The main IP related provisions in this kind of joint venture agreement are:

- Ownership of the IPR(s) exploited by the joint venture, as well as clear provisions on the ownership and transfer of ownership of additional IPRs that may be created during the joint venture.

- Term and scope of the rights/licence rights granted to the other party by the owner of the IPR(s).
- Terms and conditions for use of the IPRs.
- Consequences of termination of the joint venture, and the status of the IPRs in that case.
- Effects of termination of the joint venture on exploitation of the IPRs.

18. What key issues arise in terms of the parties' rights to exploit and enforce jointly owned IP? How should these issues be dealt with in the agreement between the parties?

The starting point is the agreement between the co-creators of IPRs with respect to the terms for the prosecution and maintenance, licensing and other exploitation, enforcement and termination of the IPRs.

If there is no such agreement between the parties, the general provisions of the Property Law set out the general principles of joint ownership of IPRs. If the shares of each individual owner are separable, each owner owns their share and each owner:

- Can exploit the rights freely on their share.
- Can use their share of the IPR freely, if they declare other right owners.
- Can take necessary measures for the protection of their own share.

If any of the rights provided by the IPR are violated, each owner can bring a legal proceeding against third parties. The plaintiff party can add the other right holders to the legal proceeding within one month from the date the legal proceedings are brought.

To license an IPR, the right holders must reach a consensus. If they fail to do so, any of them can apply to the court for a decision to authorise one or more of the right holders on an equitable basis (with regard to the specific circumstances).

While the law sets out some rules about the exploitation and enforcement of IPRs in case of a joint ownership, it is difficult to apply those rules, and those rules do not provide an effective basis for IPR exploitation and enforcement. It is therefore always advisable for joint owners to decide on the terms in an agreement, and to give authorise one joint owner for the purposes of exploitation and enforcement.

Competition law

Main provisions and common issues

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

The IPRs of a business create a monopoly and provide an advantageous position for the owner. Although ownership of IPRs or their exploitation does not distort free competition in a given market as such, it may have a significant effect. The most common examples are:

- If an entity that already has a dominant position in a given market is assigned trade marks (or other IPRs) from its closest competitor, this may strengthen its dominant position and the transaction would not be allowed by the Competition Board.
- If an entity in a dominant position in a market refuses to license its IPRs (in particular patents or utility models), this may be an abuse of a dominant position if the entity does not have reasonable grounds for the refusal, or imposes unreasonable conditions.
- Applying anti-competitive conditions to an IPR licence, for example, resale price maintenance, market sharing and so on, may also be an anti-competitive agreement prohibited by the Competition Law.

Law 4054 on the Protection of Competition (Competition Law) is generally parallel to the EU legislation. The main anti-trust provisions under the Competition Law and its secondary legislation (the relevant regulations, communiqués and guidelines) which may affect the exploitation of the main IPRs are:

- Prohibition of agreements, concerted practices, and decisions that actually (or potentially) prevent, distort or restrict competition. These include:
 - price fixing;
 - market sharing; and
 - deterrence of entry, resale price maintenance and discriminatory behaviour.
- Prohibition of an abuse of a dominant position. This includes:
 - imposing unfair prices or conditions;
 - discriminatory behaviour;
 - tying and bundling;
 - applying high sales price; and
 - preventing market entrance of undertakings.

- . Control on mergers and acquisitions. The Competition Law provides an authorisation system for mergers and acquisitions which may create or strengthen the dominant position of one or more enterprises, as a result of which competition is significantly distorted. The Competition Board (the decision-making body of the Turkish Competition Authority authorised to monitor compliance with the Competition Law) has determined the thresholds for mergers and acquisitions that require authorisation.

Exclusions/exemptions

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

The Competition Law provides the Competition Board the power to grant block exemptions and individual exemptions.

The Board is entitled to exempt individual agreements, concerted practices and decisions of associations of undertakings if they:

- Ensure new development and improvement, or economic or technical development in the:
 - production or distribution of goods; or
 - provision of services.
- Benefit the consumer by the above development or improvement.
- Do not eliminate competition in a significant part of the relevant market or limit competition any more than necessary for achieving the above benefits.

Block exemptions are covered by five communiqués issued by the Competition Board relating to:

- Vertical agreements on sales, purchases and resales of goods and services, including provisions related to IPR transfers and use (*Communiqué 2002/2*).
- Research and development agreements (*Communiqué 2003/2*).
- Vertical agreements and concerted practices in the motor vehicle sector (*Communiqué 2005/4*)
- Technology transfer agreements (*Communiqué 2008/2*).
- Agreements among parties in the insurance sector (*Communiqué 2008/3*).

- Specialisation agreements including provisions related to IPR transfers and licensing (*Communiqué 2013/3*).

Advertising

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

The Turkish Regulation on Commercial Advertisement and Unfair Commercial Practices allows the use of a name or trade mark of the competitor in comparative advertising. However, the enforcement of this rule has been postponed until 1 January 2019.

So currently a third party's trade marks cannot be used in an advertisement under the comparative advertisement rules.).

Comparative advertisements are not unlawful as such, but the:

- Advertisement must be truthful and verifiable.
- Name of the compared product, service or trade mark must not be mentioned.
- Compared service or product must have the same qualifications and features as the advertised service or product.
- Advertisement must comply with fair competition principles.
- Advertisement must not denigrate or insult any other firm, establishment, commercial activity, or product and service.

Employees and consultants

22. Who owns each of the main IPRs created by an employee in the course of employment?

Main steps

There are specific regulations governing the legal status of patents, utility models, designs and copyrights created by employees in the course of their employment.

For other types of IPRs, the employer must include a specific clause in the employment contract or must sign separate assignment agreements when the relevant IPR comes into existence. Separate assignment agreements are advisable for every IPR, depending on its importance for a business, as this provides the strongest and most secure protection for the employer.

Patents and utility models

Inventions developed by employees are divided into two categories:

- **Service inventions.** These are inventions made by the employee during the term of his employment while performing a task he has been assigned, or which are based largely on the experience and activities of the company.
- **Free inventions.** These are inventions that are not service inventions.

In principle, free inventions belong to the employee.

For service inventions, an employer can claim partial or total ownership by notifying the employee in writing. If the employer claims total ownership, all rights to the invention pass to the employer on notification to the employee. If the employer claims partial ownership, rights to the invention partially pass to the employer on notification to the employee. The rest of the invention becomes (in principle) a free invention.

In both cases, the employee is entitled to claim reasonable compensation from the employer.

Designs

Unless the employment contract or nature of the employee's work provides otherwise, ownership of a design developed by employees vests in the employer if it was created either:

- In execution of their duties.
- Using the information and equipment available at work.

The employee receives compensation corresponding to the importance of the invention to the company and/or the market.

There are no further requirements for the transfer of ownership. However, it is advisable to put a specific clause into work agreements to ensure that the employee will not be entitled to claim that ownership was not transferred.

Depending on the importance of the design, it may also be advisable to execute specific and separate assignment agreements.

Copyright

The author's moral rights cannot be transferred or waived and belong to the employee but the financial rights are transferable (*see Question 6, Copyright*).

The employer is not the owner of the financial rights, but is the legal owner of the right to exercise the financial rights over a work created by employees during the execution of their duties.

Due to the strict regulation of copyright, it is always advisable to execute separate agreements to assign the economic rights once the work comes into existence.

The rights to exercise the moral rights can be separately assigned to the employer.

23. Who owns each of the main IPRs created by an external consultant?

If an external consultant works under the strict supervision and instruction of the commissioning business, he is treated as an employee in relation to the IPRs (*see Question 22*).

However, if the external consultant acts independently, the employer should enter into separate agreements to assign the relevant IPRs.

Tax

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

The main taxes payable by licensors are:

Stamp duty

Licences are subject to stamp duty. All signatories are jointly liable for it but the parties are free to determine who will bear responsibility for paying the tax.

Stamp duty is payable as a percentage of the total royalty amount for the term of the licence. Licences are considered as leases and are taxed at 0.189% of the royalty amount.

Under Law 5746 (on Support to Research and Development Activities (R&D Law), all documents and agreements relating to R&D, innovations and design activities within the scope of the R&D Law are exempt from stamp duty.

Income tax

Income earned from the licence is classed as rental income, and as "income from immovable property" under the relevant Turkish tax law (Income Tax Act). If the licensor is the inventor, earnings from royalties are classified under the Income Tax Act as "income from self-employment". In principle, inventors are exempt from tax.

Domestic and foreign individuals and corporations resident in Turkey are subject to income tax on all their income.

Non-resident individuals and corporations that earn income in Turkey are only subject to tax on their income earned in Turkey.

If the licensor is an individual and resident in Turkey:

- Income above the minimum threshold in 2018 (this is TRY1,800) is subject to income tax at progressive rates, from 15% up to 35%.
- There is an exemption for licences granted to public enterprises, other public entities, foundations, economic enterprises of associations and foundations and so on (as listed under Article 94 of the Income Tax Law). A withholding tax of 20% is charged on royalty fees paid by those entities.
- For non-Turkish resident individuals: The Article 94 exemption (see above) also applies to limited liability taxpayers and they are not required to declare any income earned from the relevant entities.
- All other income earned in Turkey is subject to income tax at progressive rates, from 15% up to 35%.

Licensor corporations are subject to corporate income tax at 20% of their net annual corporate income, including royalties from IP licences.

Double taxation legislation may apply, which means that if corporations have already paid taxes abroad on their income, they can deduct that amount from their Turkish tax liability.

Value added tax (VAT)

The usual rate of VAT is 18%, charged on:

- Supplying goods and services in Turkey.
- Importing goods or services into Turkey.

Licensing of IPRs is subject to VAT, if the licence is granted in Turkey.

If the licensor is a Turkish resident and the licence is granted in Turkey, VAT at 18% must be paid by the licensor.

For more information about the Turkish tax system see the Revenue Administration website, www.gib.gov.tr/en.

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

Stamp duty

See [Question 24, Stamp duty](#). The applicable rate for sales agreements (for 2017) is 0.948% of the agreement amount.

Income tax

See [Question 24, Income tax](#). On a sale of IPRs, income earned by the seller is classed as "rise in value" income. If the seller is the inventor, it is "income from self-employment". In principle, inventors are exempt from tax.

If the seller is an individual Turkish resident, income from the sale exceeding TRY12,000 (for 2018) is taxed at progressive rates, from 15% up to 35%.

For non-resident individuals, if the IPRs are sold to public enterprises, other public entities, foundations, economic enterprises of associations and foundations and so on (as listed under Article 94 of the Income Tax Law), the taxpayer does not pay any further tax. Otherwise, income from the sale exceeding TRY14,600 (for 2018) is taxed at progressive rates, from 15% up to 35%.

If the seller is a corporation, the amount of corporate income tax payable is 20% of annual net corporate income (see [Question 24](#)).

Value added tax (VAT)

See [Question 24, Value added tax \(VAT\)](#).

Cross-border issues

26. Are foreign IPRs recognised in your jurisdiction?

Under the principle of territoriality, foreign IPRs are not directly enforceable. However, IPRs are recognised to the extent that they can serve as evidence in proceedings, for example, foreign patent registrations may help prove that a pending patent application in Turkey lacks novelty (see [Question 1, Patents](#)).

If foreign copyrighted work fulfils the legal requirements of Turkish copyright law, it will be fully recognised in Turkey (see [Question 1, Copyright](#)).

Reform

27. Summarise any proposals for reform to the main IPR laws.

There are no current proposals for reform.

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