

# Intellectual property right licences Q&A: Turkey

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Country Q&A | Law stated as at 28-Feb-2021 | Turkey

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This Q&A provides country-specific commentary on the following standard documents:

*Trade mark licence: Cross-border.*

*Copyright licence: Cross-border.*

*Patents and know-how licence: Cross-border.*

*Industrial design right licence (short form): Cross-border.*

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## Key aspects of intellectual property licensing

### Degree of exclusivity

1. Describe what is understood by each of the below terms in your jurisdiction.

### Exclusive licence

Under the Industrial Property Code No. 6769 (IP Code), an exclusive licence is a type of licence under which the licensor cannot issue a licence to any person other than the exclusive licensee and cannot use the licensed intellectual property (IP) rights unless they explicitly reserve this right.

### Non-exclusive licence

Under a non-exclusive licence, the licensee can only use the licensed IP rights in accordance with the terms of the licence and the licensor can grant licences to third parties (IP Code).

### Sole licence

The concept of sole licence is not defined under Turkish law. In practice, the terms sole licence describe the situation where the licensor reserves its rights to use the licensed IP rights in an exclusive licence.

2. Are exclusive licensees entitled to greater rights than sole or non-exclusive licensees? If yes, describe what those greater rights are for each type of intellectual property (IP) right, and comment on whether they can be expressly excluded from the terms of an IP licence.

## Trade marks

The exclusive licensee is entitled to the exclusive use of the trade mark, unless the licensor's right to use the trade mark is explicitly reserved in the agreement. Additionally, the exclusive licensee has the right to file court actions against infringing third party uses without having to satisfy pre-conditions, unless otherwise provided in the licence.

## Copyright

The position is the same as for trade marks (see above).

## Patents and know-how

The position is the same as for trade marks (see above).

## Industrial design right

The position is the same as for trade marks (see above).

## Most-favoured-nation clause

3. Is it common for a non-exclusive licensee to seek to restrict the terms on which the licensor can grant licences to third parties to use the licensed IP right, either in or out of the licensed territory (in the UK this is referred to as a most-favoured-nation clause (see for example, *Trade mark licence: Cross-border: clause 2.2* and *Patent and know-how licence: Cross-border: clause 2.3*)?

Under Article 6/2/c(3) of the Block Exemption Communiqué on Technology Transfer Agreements No. 2008/2, a licence can impose an obligation on the licensor not to grant licences to third parties or not to use the licence in a specific territory if both:

- The parties to the licence are competitors.

- The total market shares of the parties do not exceed 30% in the affected market.

4. Do any particular competition law implications arise in your jurisdiction from the inclusion of a most-favoured-nation clause in an IP licence? If yes, briefly explain these and comment on whether any amendments are required to either of the clauses referred to in [Question 3](#) as a result.

The concept of most-favoured-nation clause is new under Turkish competition law. The Turkish Competition Authority has not yet issued any decision giving effect to most-favoured-nation clauses in licences. However, the Guidelines on Vertical Agreements No. 09-26/567-M state that the use of a most-favoured-nation clause does not always create favourable results from a competition law perspective. Therefore, each clause should be examined on a case-by-case basis having regard to the:

- Position of the beneficiary of the clause, and of their competitors in the relevant market.
- Specific characteristics of the relevant market.
- Drafting of the clause.

If the Competition Authority concludes that a clause restricts competition, the parties may be subject to administrative penalties under Act No. 4054 on the Protection of Competition (Competition Law).

Because the validity of most-favoured-nation clauses must be determined according to the specific circumstances of the case, it is not possible to say with certainty whether [Standard document, Trade mark licence: Cross-border: clause 2.2](#) and [Standard document, Patent and know-how licence: Cross-border: clause 2.3](#) require amendments.

## Payment

5. How is payment for a licence of IP rights most commonly structured in your jurisdiction?

Under the principle of freedom of contract, the parties can freely decide on the licence fee and payment date.

The parties can decide on payment of a fixed licence fee. In this case, the fee must be determined from the outset and must not depend on the licensee's production or sales. A fixed licence fee can be paid as a lump sum or in instalments.

In practice, the most common method to structure payment for a licence of IP rights is to base the licence fee on units produced or sales. In this case, the licensee bears all the economic risks of the licence.

Additionally, the parties may decide to grant each other licences of their IP rights as consideration for the respective licences.

6. Briefly explain the tax implications for either party of payment being made as:

- Periodic royalty payments.
- Fixed milestone payments.
- A lump sum.

As a general rule, the party who receives payment is responsible for paying the relevant taxes. However, under the principle of freedom of contract, the parties can decide which party will be liable to pay stamp duty and value added tax (VAT). Stamp duty is usually borne by the contracting parties equally.

Individuals must pay income tax in two instalments. The first instalment must be paid on the last day of March, and the second instalment must be paid on the last day of July. Corporations must pay corporate tax once a year between 1 and 25 April. VAT is paid on the 26th day of the month in which the declaration is provided.

Tax charges are calculated on the full amount paid to the licensor, regardless of the payment method.

In all cases, stamp duty must be paid at the time the licence is signed.

7. How is interest on overdue amounts usually calculated in your jurisdiction?

Interest on overdue amounts is calculated in accordance with the Turkish Code of Obligations no. 6098 (TCO).

Interest includes legal interest and contractual interest. The legal interest rate is determined by law. Contractual interest is agreed by the parties in the contract.

If not agreed in the contract, the contractual annual interest rate is determined in accordance with the legislation in force at the time the interest payment is made. If determined by the parties, the contractual interest rate must not exceed 50% of the interest rate in force at the time the interest payment is made (*Article 88, TCO*).

If not agreed in the contract, the annual default interest rate must be determined in accordance with the legislation in force at the time the interest payment is made. Any agreed default interest rate must not exceed 100% of the legal default interest rate in force at the time the interest payment is made (*Article 120, TCO*).

8. What index is used to measure inflation in your jurisdiction (see for example *Standard document, Patents and know-how licence: Cross-border: clause 1.1: Definition of Minimum Royalty*)?

The Retail Prices Index (RPI) and the Consumer Prices Index (CPI) are both used to measure inflation in Turkey.

## Tax considerations

9. What tax charges and tax considerations typically arise on a licence of IP rights? Do these vary depending upon:

- The type of intellectual property right being licensed?
- Whether the licensor or licensee is an individual or corporation?
- Whether the licensor or licensee is tax-resident?
- If yes, explain those variations.

The following taxes may be payable on the licensing of IP rights.

### VAT

The following transactions are subject to VAT:

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

The regular rate of VAT is 18%.

The licensing of IP rights falls within the scope of VAT, provided that the licence is granted in Turkey.

As an exception, the licensing of patent rights is exempt from VAT under the VAT Code numbered 3065.

### Income tax

A licence is considered a lease agreement, so that income earned by the licensor is classified under the "income from immovable property" category under Turkish tax law.

If the licensor is the inventor, earnings from royalties are classified as "income from self-employment". In principle, inventors are exempt from tax liabilities.

Under Turkish tax law, both residency and nationality are relevant in assessing a person's tax liability. Both domestic and foreign individuals and corporations resident in Turkey are subject to income tax (unlimited tax liability). Non-residents that earn income in Turkey are also subject to taxation, but only on their income earned in Turkey (limited tax liability).

Income taxes are classified under two categories, depending on the legal status of the taxpayer, namely individual income tax for individuals and corporate income tax for corporations.

### **Individual income tax**

Individuals subject to unlimited liability must declare all annual income above TRY1,580. Income tax will apply to this income at progressive rates ranging from 15% to 35%.

An exemption applies to 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 20% withholding tax is levied on the royalty fees paid by such entities. An individual licensor is exempt from income tax for income earned from these entities, provided that the total amount of the income does not exceed TRY30,000.

Individuals subject to limited liability also benefit from this exemption, and are not required to declare any income earned from the entities listed above. Otherwise, they must declare all annual income earned in Turkey, which will be subject to tax at progressive rates ranging from 15% to 35%.

### **Corporate income tax**

The rate of corporate income tax is 20% on a corporation's net corporate income earned during a fiscal year. In principle, net corporate income is defined as the difference between the corporation's asset net worth at the start and at the end of the fiscal year.

In addition, corporations subject to limited tax liability pay a 20% provisional tax on income from commercial activities and agriculture, which is then deducted from the amount of corporate tax due for the relevant period.

There are also regulations to avoid double taxation. Therefore, corporations that have already paid taxes in foreign countries for any part of the amount declared as income can deduct this amount.

### **Stamp duty**

In Turkey, licence agreements are subject to stamp duty (along with a wide variety of documents, such as any kind of commercial agreements, commercial papers, invoices, financial statement, and so on).

Stamp duty is imposed on all signatories, who are jointly liable. However, the parties are free to agree on which party will be responsible for paying stamp duty.

Stamp duty is calculated as a percentage of the value of the transaction, as mentioned in the document. Licence agreements are considered as lease agreements, and the applicable rate is 0.189% over the royalty amount for the term of the agreement.

10. Set out any amendments necessary to the standard documents below to reflect tax charges and considerations arising in your jurisdiction:

- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Patents and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

- *Standard document, Trade mark licence: Cross-border.*

It is recommended to add the following phrase to clause 8.3: "Stamp duty arising from the signing of this agreement shall be borne by the parties equally".

- *Standard document, Copyright licence: Cross-border.*

It is recommended to add the following phrase to clause 5.4: "Stamp duty arising from the signing of this agreement shall be borne by the parties equally".

- *Standard document, Patents and know-how licence: Cross-border.*

It is recommended to add the following phrase to clause 10.5: "Stamp duty arising from the signing of this agreement shall be borne by the parties equally".

- *Standard document, Industrial design right licence: Cross-border.*

It is recommended to add the following phrase to clause 4.3: "Stamp duty arising from the signing of this agreement shall be borne by the parties equally".

## Maintenance of the registered IP right

11. Which party is usually responsible for maintaining the registration of a licensed IP right (if it is registrable), including paying renewal and other applicable fees? Does your answer vary depending on whether the licence is exclusive, non-exclusive or sole?

The owner of the IP right is usually responsible for maintaining the registration of a licensed IP right, including paying renewal and other applicable fees, regardless of the type of licence signed by the parties.

12. What are the implications of non-payment of registry fees for a registered IP right in your jurisdiction?

## Trade mark

Trade mark protection lasts ten years and can be renewed (*Article 23/1, IP Code*). A renewal application can be made within six months before the expiration of the ten-year period. The renewal process can be completed by paying a higher fee within six months after the expiry of the protection period. If the registry fees are not paid during this six-month grace period, trade mark protection will lapse automatically.

## Patent

Patent protection lasts 20 years. An annual registration fee must be paid from the third year of the date of the patent application. In the case of non-payment of the annual registration fee, registration holders benefit from an additional six-month grace period (*Article 106, Regulation on the Implementation of the IP Code*). If the annual registration fee is not paid within this grace period, the registration holder can make a force majeure application. If the Turkish Patent and Trademark Office accepts the force majeure application, the patent will be maintained if the registration holder pays the applicable penalties. Otherwise, the patent will be invalidated.

## Copyright

There is generally no legal requirement to register copyright. If copyright is registered with the Ministry of Culture and Tourism to prove ownership or under the obligation to register films and phonograms, only a registration fee will be payable (*Article 13, Law on Intellectual and Artistic Works No. 5846 (Copyright Law)*). Therefore, no renewal fee is due during the protection period.

## Industrial design

The protection period of registered industrial designs is five years, and can be extended for up to 25 years (*Article 69, IP Code*). The renewal process is the same as for trade marks (*see above*). The Turkish Patent and Trademark Office keeps the design registry.



## Licence recordal / registration

13. Can an IP licence be recorded / registered at the IP registry in your jurisdiction? If yes:

- Is this optional or a statutory requirement?
- Is there a timeframe within which a licence must be recorded?
- What are the implications for either party if it is not recorded, within the timeframe or at all?
- Which party typically bears the associated costs?

### Trade mark licence recordal

There is no legal requirement to register an IP licence with the registry, except for licences of guarantee trade marks and collective trade marks (*Article 148/7, IP Code*). Therefore, there is no time frame within which a licence must be recorded.

However, a licence agreement can only be binding on third parties acting in good faith if it is recorded with the registry. Otherwise, the licence agreement will only be binding on the parties.

There are generally no costs associated with licence recordal. However, one of the parties might agree to pay the other a fee in exchange for them carrying out the administrative task of arranging registration.

### Copyright licence recordal

See [Question 12](#).

### Patents and know-how licence recordal

The position is the same as for trade mark licence recordal (see above).

Additionally, an employer has the right to claim total or partial rights over its employees' inventions. Therefore, under Article 115/4 of the IP Code, if an employee enters into a legal transaction over the invention before the employer makes any claims over it, the legal transaction is considered invalid regardless of the third parties' good faith.

There is no recordal procedure for know-how licences.

### Industrial design right licence recordal

The position is the same as for trade mark licence recordal (see above).

## Notices

14. Do any particular rules apply as to how a licensee must mark its licensed products to indicate the licensor's name and ownership of the relevant IP rights subsisting in it, or is this entirely at the licensor's discretion (see for example *Standard document, Patent and know-how licence: Cross-border: clause 5.3* and *Standard document, Industrial design right licence (short form): Cross-border: clause 3.3*)? State any relevant legislation.

### Trade mark notices / marking

No particular rules apply to the marking of licensed products.

### Copyright notices / marking

No particular rules apply to the marking of licensed products.

### Patents and know-how notices / marking

No particular rules apply to the marking of licensed products.

### Industrial design right notices / marking

No particular rules apply to the marking of licensed products.

15. Comment on whether the formats shown below for trade mark and copyright notice respectively, taken from *Standard document, Trade mark licence: Cross-border* and *Standard document, Copyright licence: Cross-border*, reflect the formats used in your jurisdiction for those notices. If not, set out below any necessary amendments so that they do.

- *Standard document, Trade mark licence: Cross-border: clause 4.2.*

Made by [LICENSEE] in [PLACE] under licence from [LICENSOR]. [MARK] is the [registered] trade mark of [LICENSOR]

There are no specific formats for trade mark notices under Turkish law.

- *Standard document, Copyright licence: Cross-border: clause 3.4.*

© Copyright [LICENSOR] [YEAR] manufactured by [LICENSEE]

There are no specific formats for copyright notices under Turkish Law.

16. Explain briefly how a failure by an IP right owner and/or its licensees to use markings or notices to indicate the licensor's name and ownership of the relevant IP rights impacts upon the owner's rights, if at all.

Turkish law does not regulate how failure by an IP right owner and/or its licensees to use markings or notices to indicate the licensor's name and ownership of the relevant IP rights impacts on the owner's rights. However, if the licensee and licensor agree to use such notices under the licence, the IP right owner and/or its licensees must perform their obligations. In such a case, failure to use notices will constitute a breach of contract.

## Statutory rights of licensees

17. Do licensees have statutory rights if the licensed IP right is infringed by a third party? State any relevant legislation. If yes, do these rights vary depending on the level of exclusivity granted to the licensee and/or the type of IP right being licensed?

An exclusive licensee has the right to bring all the actions that the right owner can bring under the IP Code, unless otherwise agreed in the licence (*Article 158/1, IP Code*).

A non-exclusive licensee can file infringement actions to protect its own legal interests, provided that this right is not explicitly limited in the licence (*Article 158/2, IP Code*). To bring an infringement action, a non-exclusive licensee must send a notification to the licensor and wait for the licensor's clear refusal or silence for a period of three months. If there is a risk of serious loss, the licensee can request a court to issue an injunction order before this deadline has expired. If the court grants an injunction, the licensor will also be authorised to bring an action (*Article 158/3, IP Code*).

18. Can any of these rights be expressly excluded, varied or supplemented by the terms of the licence? If yes, is this usual in your jurisdiction?

See [Question 17](#). The licensee's rights can be excluded, varied or supplemented by the terms of the licence.

## Licensee indemnity

19. Is it usual for a licensor to seek an indemnity from a licensee in a licence of IP rights in your jurisdiction?

A licensor that incurs damages or expenses can be indemnified by the licensee, provided that the licensee retains its rights of recourse under the licence. The extent of the indemnity that can be imposed on the licensee depends on the bargaining power of the parties.

20. Set out amendments necessary to the standard documents below to reflect standard practice in your jurisdiction, in relation to indemnities:

- *Standard document, Trade mark licence: Cross-border: clause 10.2.*
- *Standard document, Copyright licence: Cross-border: clause 9.2.*
- *Standard document, Patents and know-how licence: Cross-border: clause 12.2.*
- *Standard document, Industrial design right licence: Cross-border: clause 5.2.*

The wording of the clauses can be changed from "The Licensee shall indemnify the Licensor against" to "The Licensee accepts and undertakes to indemnify the Licensor against".

21. Does a licensor have a general obligation at law to mitigate any loss that it may suffer or incur due to an event that would give rise to a claim under an indemnity? State any relevant legislation.

The injured party has a general duty to mitigate damages under the principle of good faith (*Article 2, Turkish Civil Code No. 4721*).

## Product liability

22. Could the presence of a licensor's name or trade mark on a product manufactured by the licensee put the licensor at risk of a product liability claim against it if the product becomes defective, even though the licensor has no contractual relationship with the end user of the product?

Under Article 3 of the Law on Consumer Protection No. 6502, real persons and legal entities whose brands/trade marks, titles or other distinguishing marks are placed on goods, raw materials or intermediate goods can be considered "manufacturers" on the ground that they are presented to consumers as such. Consequently, consumers can assert some of their rights (including the right to request free repairs or replacement goods) against the manufacturer for damages caused by defective goods. If multiple persons are responsible for the damages, they will be held jointly liable. However, under the Regulation Regarding Liability for Damages Caused by a Defective Good, a manufacturer will not be liable if they can prove that either:

- The product was not released on the market by them (for example, in the case of stolen products or test products used by a consumer).
- The defect was not present when the product was released.

Additionally, a licensor of trade mark rights must take appropriate measures to ensure the quality of the goods produced or services provided by the licensee (*Article 24, IP Code*).

23. Comment on whether there is anything that a licensor can do (including whether any amendments should be made to any of the four cross-border IP licences referred to in this questionnaire), to lessen the risk of such a claim being made against it in your jurisdiction.

A licensor cannot limit its liability to consumers, as provisions that limit or exclude a manufacturer's statutory obligations are invalid. However, the licensor can retain its right of recourse against the licensee under the licence.

This can be achieved through a clause stating that the licensee must bear damages arising from product liability, similar to the following clauses:

- *Standard document, Trade mark licence: Cross-border: clause 10.2.*
- *Standard document, Copyright licence: Cross-border: clause 9.2.*
- *Standard document, Patents and know-how licence: Cross-border: clause 12.2.*
- *Standard document, Industrial design right licence: Cross-border: clause 5.2.*

## Insurance

24. Is it usual for a licensor of IP rights to require a licensee to take out insurance in an amount adequate to cover its liabilities under the licence? If yes, comment on whether the clauses below reflect standard practice in your jurisdiction and, if not, set out below any necessary amendments so that they do.

- *Standard document, Trade mark licence: Cross-border: clause 10.6.*
- *Standard document, Copyright licence: Cross-border: clause 9.5.*
- *Standard document, Patents and know-how licence: Cross-border: clause 12.5.*
- *Standard document, Industrial design right licence: Cross-border: clause 5.4.*

Licensees are not legally required to take out general liability insurance, but can be required to do so under the licence. However, it is not common practice for parties to include insurance provisions in licences.

No amendments are necessary to the standard documents.

## Warranties

25. Is it usual for a licensor to give certain express warranties to a licensee in an IP licence? If yes, briefly describe what those express warranties are, and which types of IP licences they apply to (if not all).

It is not very common for licensors to give express warranties to licensees in an IP licence. This is mainly because the TCO imposes various duties on contractual parties (see [Question 26](#) and [Question 27](#)).

26. Is it usual for certain warranties to be implied into the terms of an IP licence in your jurisdiction? If yes, briefly describe what those implied warranties are, which types of IP licences they apply to (if not all), and state any relevant legislation.

The main obligation of the licensor is to ensure that the licensee can use the licensed IP rights. To comply with this obligation, the IP right must exist, be valid and not be encumbered. Otherwise, the validity of the licence will be affected. It is generally accepted by legal scholars that the licensor must guarantee the licensee the validity and existence of the licensed rights. There is no need to explicitly include this obligation in the licence, and the licensee can hold the licensor contractually liable if the right subject to the licence does not exist. Under the IP Code, the IP right owner cannot exclude this obligation except with the consent of the licensee or licensors recorded in the register.

The licensor is also responsible for protecting the licensed right against third-party claims. Therefore, the licensor implicitly guarantees the quiet enjoyment of the licensed IP rights by the licensee regardless of the terms of the licence. The licensor will be held liable if third-party claims cause the licensed IP right to be restricted or revoked.

## Trade marks

The licensor implicitly guarantees the quality of the goods produced or services provided by the licensee (see [Question 22](#)). Persons that license a trade mark without the owner's authorisation are liable to imprisonment for two to four years and a judicial fine equivalent to up to 5,000 days of imprisonment (*Article 30/3, IP Code*).

## Copyright

Any person licensing an economic right guarantees the existence of that right against acquirers under the TCO (*Article 53, Copyright Law*).

## Patents and know-how

A licensor who was not authorised to license patent rights will be liable to all injured parties (*Article 127, IP Code*).

## Industrial design right

A licensor who was not authorised to license a design right will be liable to all injured parties (*Article 76, IP Code*).

27. Is it possible for a licensor to exclude the application of those implied warranties, for example as shown in *Standard document, Trade mark licence: Cross-border: clause 9.4* and *Standard document, Patent and know-how licence: Cross-border: clause 3.4, clause 4.2* and *clause 11.5* ?

Under the TCO, contracts that are contrary to the mandatory/imperative provisions of the law are null and void. Therefore, clauses that seek to exclude certain implied warranties will be considered null and void.

## Sub-licensing

28. Does the right to grant sub-licences of an IP right have to be expressly granted to a licensee in order to take effect, or are there certain circumstances in which it might be implied?

A licensee cannot transfer the licensed IP rights or grant sub-licences to third parties unless expressly authorised to do so under the licence.

29. Does a sub-licence have to comply with any particular formalities in order to be valid and enforceable? If yes, describe briefly what these are.

Legal transactions involving the transfer and licensing of IP rights require a written form (*Article 148, IP Code*). In addition, licences of guarantee and collective trade marks are valid once they are recorded with the register. A guarantee mark is a sign used to guarantee the manufacturing process, geographical origin or quality of goods or services, under the control of the guarantee trade mark owner. For example, "Woolmark" can be considered a guarantee mark. Collective marks are usually defined as signs that distinguish the geographical origin, material, mode of manufacture or other common characteristics of goods or services of different enterprises using the collective mark.

Licensees of copyright economic rights can only transfer their licence with the written consent of the owner (*Article 49, Copyright Law*). Economic rights include the rights of adaptation, reproduction, distribution, and performance of the work, and the right of communication of the work to the public through an apparatus for the recording, transmission or reproduction of sound or images.

## Sub-contracting



30. Does the right to grant sub-contracts for the manufacture of a product bearing or consisting of a licensed IP right have to be expressly granted to a licensee to take effect, or are there certain circumstances in which it might be implied?

Under the IP Code, a sub-contract is a type of sub-licence. A licensee cannot grant a sub-licence unless it is expressly authorised to do so in writing under the licence.

31. Does a sub-contract have to comply with any particular formalities to be valid and enforceable? If yes, describe briefly what these are.

Legal transactions involving the transfer and licensing of IP rights, including sub-contracts, require a written form (*Article 148, IP Code*).

## Termination

32. Comment on whether the clauses below reflect the grounds upon which a licensor is usually entitled to terminate an intellectual property licence in your jurisdiction, and if not, set out below any necessary amendments so that they do:

- *Standard document, Trade mark licence: Cross-border: clause 13.3.*
- *Standard document, Copyright licence: Cross-border: clause 12.2.*
- *Standard document, Patent and know-how licence: Cross-border: clause 17.3.*
- *Standard document, Industrial design right licence: Cross-border: clause 8.2.*

No amendments are necessary to the standard documents.

## Challenge to validity

33. Would a clause prohibiting the licensee from challenging the validity of a registered IP right breach competition law in your jurisdiction? If yes, comment on whether a permitted alternative is for the licensor to have the right to terminate if the licensee challenges the validity of its registered IP right (see *Trade mark licence: Cross-border: Clause 13.3(g)* and *Patent and know-how licence: Cross-border: Clause 17.3(h)*), or propose other appropriate wording.

Under Article 7/c of the Block Exemption Communiqué on Technology Transfer Agreements, such a clause would breach Turkish competition law. However, the Communiqué expressly provides that a permitted alternative is for the licensor to have the right to terminate if the licensee challenges the validity of its registered IP right. While the Communiqué only regulates licences involving patents, utility models, industrial designs, integrated circuit topographies, plant breeders' rights, software rights and know-how, the Turkish Competition Authority has applied the same reasoning in an exemption examination involving trade mark licences.

## Insolvency or bankruptcy of licensor

34. If a licensor becomes insolvent or, if an individual, bankrupt during the term of an IP licence, how would that affect the continuation of the licence, if at all?

The insolvency or bankruptcy of the licensor will not automatically affect the continuation of the licence unless the licence contains specific provisions to the contrary. In this case, the licensee will need to request the licensor's monetary debt from the execution office. However, if the relationship between the licensor and licensee is considered as an ordinary partnership (that is, where the regulations on unlimited companies apply), the insolvency or bankruptcy of one of the parties will terminate the agreement.

35. Are there any additional provisions that could be included in the following standard documents to better protect a licensee in the event of a licensor insolvency or bankruptcy?

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*

- *Standard document, Patent and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence (short form): Cross-border.*

No amendments are required.

36. Are there any particular aspects of insolvency or bankruptcy law and practice that the parties would need to be mindful of when including any such additional provisions?

Under Article 277 of the Bankruptcy and Enforcement Law No. 2004, creditors are entitled to file actions against dispositions made before the bankruptcy to cancel the relevant transactions (if possible). Actions can be filed against any of the following dispositions:

- Dispositions made without consideration.
- Dispositions made while insolvent (within one year before insolvency).
- Dispositions made in bad faith.

If a disposition involving an IP right is cancelled, creditors can dispose of the IP rights to realise their debts and pay any remaining amount back to the licensee or assignee.

## Formalities for licensing

37. Does an IP licence have to comply with any formalities to be valid and enforceable in your jurisdiction (including in relation to format, language and execution)? If yes, describe briefly what these are for each type of IP right.

## Trade marks

Under Article 148 of the IP Code, an IP licence must be concluded in writing to be valid. To enforce licensed IP rights against third parties acting in good faith, a licence must also be registered with the Turkish Patent and Trademark Office. Licences of collective trade marks and guarantee trade marks must be concluded in writing and registered with the Office to be valid.

## Copyright

Under Article 52 of the Copyright Law, a copyright licence must be concluded in writing. Additionally, the rights granted under the licence must be individually listed in the agreement. There is no registry of copyright licences in Turkey.

## Patents and know-how

The position is the same as for trade marks (see above). Know-how is not regulated under the IP Code and a know-how licence does not need to comply with any formalities to be valid. However, it is recommended to draft a licence in written form to enforce it before a court in anticipation of potential disputes.

## Industrial design right

Under Article 148 of the IP Code, an IP licence must be in writing to be valid. To enforce licensed IP rights against third parties acting in good faith, a licence must also be registered with the Turkish Patent and Trademark Office.

## Compliance with local law and practice

38. Are any of the terms in the standard documents below invalid, unenforceable or contrary to standard practice in your jurisdiction? If yes, set out below any necessary amendments to make those terms are valid, enforceable and reflective of standard practice.

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patent and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

No amendments are necessary to the standard documents.

## Competition law

39. What competition law considerations must be taken into account by parties entering into an IP licence in your jurisdiction? State the relevant legislation.

Article 4 of the Competition Law prohibits agreements between undertakings that have as their object or effect, or likely effect, the prevention, distortion or restriction of competition, directly or indirectly in a particular market for goods or services. However, the provisions of technology transfer agreements involving patents, utility models, industrial designs, integrated circuit topographies, plant breeders' rights, software rights and know-how which are restrictive of competition under Article 4 may benefit from exemptions when they meet the requirements and market share thresholds set out in the Block Exemption Communiqué on Technology Transfer Agreements.

Trade mark and copyright licences may be exempted if they satisfy the requirements and market share thresholds under the Block Exemption Communiqué on Vertical Agreements 2002/2.

Where a licence cannot benefit from a block exemption, an individual exemption assessment must be made by the Turkish Competition Authority under Article 5 of the Competition Law.

40. Do these considerations vary depending upon the level of exclusivity granted to the licensee and/or the type of IP right being licensed? If yes, please describe briefly how they vary.

Competition law considerations vary depending on the level of exclusivity granted to the licensee. For example, an exclusive licence will more likely have the effect of preventing, distorting or restricting competition in a particular market for goods or services. This effect can be mitigated by limiting the period of exclusivity. In such a case, the licence will more likely be granted an exemption by the Competition Authority under Article 5 of the Competition Law.

Competition law considerations also depend on the type of IP right being licensed (see [Question 39](#)).

41. Could any clauses in the standard documents below create any particular competition law concerns in your jurisdiction? If yes, set out below any necessary amendments for those clauses to comply with your national competition law.

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patent and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

No amendments are necessary to the standard documents.

## Brexit

42. Are any amendments required to the standard documents below to reflect the fact that the UK left the EU on 31 January 2020, and a transition period ended on 31 December 2020?

- If yes, set the amendments out below and, if necessary, briefly explain them.
- If amendments are required but will vary according to whether the UK leaves the EU (i) with an EU-UK negotiated withdrawal agreement and transition period, or (ii) without agreement ("no deal") set out the amendments for each scenario below.
- If no amendments are necessary, insert "no amendments".

No amendments are necessary to:

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patent and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence: Cross-border.*

## Specific aspects of trade mark licences

### Non-use of a registered trade mark

43. If a registered trade mark is not used by its owner or licensee in your jurisdiction, can it be challenged by third parties and/or removed from the register? If yes, briefly explain and state the

relevant legislation. What is the period of time within which a registered trade mark must be used in your jurisdiction before it can be challenged?

Under Articles 9 and 26 of the IP Code, trade marks that are not used substantially in Turkey for a continuous five-year period without a valid reason can be subject to revocation actions based on non-use before the competent IP courts. Any third party can bring this action if it can prove its legal interest in filing the action.

44. Can a licensor compel a licensee to use its trade mark, under the terms of a licence?

A licensor can compel a licensee to use its trade mark under the terms of a licence. In an exclusive licence, the licensee must use the trade mark even if this obligation is not expressly included in the licence.

## Goodwill

45. Does goodwill derived from use by a licensee of a licensed trade mark automatically accrue to the licensor, or must this be expressly stated in the terms of the licence (see [Standard document, Trade mark licence: Cross-border: clause 4.3](#))?

Goodwill derived from use by a licensee of a licensed trade mark automatically accrues to the licensor.

However, Article 122 of the Turkish Commercial Code No. 6102 regulates commercial agents' right to claim goodwill. Under this provision, an agent can request damages from the principal in the following circumstances:

- The principal, after termination of the agency agreement, gains significant advantages from new customers found by the agent.
- The agent loses its rights to request payment from the principal as a result of termination of the agreement, for any activities done or soon to be done with customers that have been brought by the agent.
- It is considered that a payment should be made to the agent in the circumstances.

There are some doctrinal views that this provision can also be applied to trade mark licensees who act as commercial agents.

46. Is it common for licensors to request confirmatory assignments of goodwill from licensees in your jurisdiction?

It is not common for licensors to request confirmatory assignments of goodwill from licensees in Turkey. While the licensee's right to request goodwill from the licensor is a disputed subject under Turkish law, it is accepted that the licensee can make such a request if the conditions under Article 122 of the Turkish Commercial Code are met (for example, the licence must be terminated for the licensee to request goodwill from the licensor).

## Specific aspects of patent and know-how licences

### Know-how

47. Does information have to meet certain criteria to be considered "know-how" in your jurisdiction? If yes, describe that criteria and state any relevant legislation.

There is no specific definition of "know-how" under Turkish Law. However, the Block Exemption Communiqué on Technology Transfer Agreements defines "know-how" as a concept that is distinct from IP rights, namely, as a package of information that is confidential, substantial, identified, and obtained as a result of experience and effort.

### Field of use

48. Are there any field of use restrictions that would give rise to competition law concerns in your jurisdiction (see *Standard document, Patent and know-how licence: Cross-border: clause 2* and *Drafting note: Field of use*)? If yes, explain what those restrictions are, and state any relevant legislation.

Under Article 6 of the Block Exemption Communiqué on Technology Transfer Agreements, technology transfer agreements that aim to allocate markets or customers are prohibited where the parties are competitors, unless they



involve restrictions on the licensor and/or licensee to produce (or not to produce) the licensed technology in one or more product markets, territories or fields of use.

However, to benefit from the block exemption, field of use restrictions must not go beyond the scope of the licensed technologies or restrict the licensee from using their own technologies. The licensor and licensee must also comply with the market share thresholds set out in the Communiqué.

## Limitation of liability arising from technical assistance

49. Comment on whether the limitation on the licensor's liability at *Standard document, Patent and know-how licence: Cross-border: clause 4.1(d)* is valid and enforceable, and reflects standard practice in your jurisdiction. If not, set out below any necessary amendments to make it so.

Article 115 of the TCO prohibits limitations on the debtors' liability for gross negligence. These provisions will be null and void. However, it is possible to exclude or limit liability arising from acting in an advisory capacity under a previously executed contract. According to the legal doctrine, it is also possible to draw up limitation clauses in favour of third-party beneficiaries.

Therefore, no amendments to *Standard document, Patent and know-how licence: Cross-border: clause 4.1(d)* are required.

## Marketing

50. Do the obligations set out in *Standard document, Patent and know-how licence: Cross-border: clause 6* reflect obligations typically placed on a patent licensee in relation to marketing? If your answer depends on the exclusivity granted to the licensee by the licence, briefly explain.

The obligations set out in *Standard document, Patent and know-how licence: Cross-border: clause 6* reflect obligations that can typically be seen in licences, particularly exclusive licences. Whether the best endeavours obligation creates in effect a non-compete obligation on the licensee should be examined on a case-by-case basis.

Non-compete obligations are exempted from competition law restrictions provided that the parties' market shares do not exceed 30% in the affected market (in agreements between competitors) or 40% (in agreements between non-competitors).

## Improvements

51. Is it common for parties to a patent licence to be obliged to disclose and grant licences to one another of improvements in the licensed technology (see *Standard document, Patent and know-how licence: Cross-border: clause 7.1*)? If yes, do any particular competition law issues arise from including such an obligation? Explain what these are and state any related legislation.

The Block Exemption Communiqué on Technology Transfer Agreements does not apply to provisions that directly or indirectly require the licensee to grant an exclusive licence or to assign rights, in whole or in part, to the licensor or to a third party designated by the licensor in respect of the licensee's improvements to the licensed technology that are severable from such technology, or of new applications of the licensed technology. Therefore, such obligations are prohibited under Article 4 of the Competition Law. An improvement is considered severable if it can be used without infringing on the rights over the licensed technology.

52. Comment on whether any amendments need to be made to *Standard document, Patent and know-how licence: Cross-border: clause 7.1* due to these competition law issues.

It is possible to insert a provision requiring the licensee to grant a non-exclusive licence to the licensor or a third party designated by the licensor in respect of the licensee's improvements to the licensed technology, provided that they are not severable from this technology.

53. Comment on whether the market position of the licensor in the particular technology market, and/or the amount of consideration the licensee receives in exchange for its improvements impact on the extent to which these competition law issues apply.

The application of the Block Exemption Communiqué on Technology Transfer Agreements does not depend on whether the licensor provides consideration in exchange for the licensee's improvements. However, the existence and amount of consideration, the market position of the licensor and the position of the technology itself are relevant in assessing exclusive licensing/assignment obligations under competition law.

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