

Question Q215

National Group: Turkish National Group

Title: **Protection of trade secrets through IPR and unfair competition law**

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Questions

General

Groups are asked to give a description of legal developments and the current situation in their jurisdiction with regard to trade secret protection, answering the following questions:

1. Legal developments on trade secrets

There are several provisions in Turkish laws related to “trade secrets” which preexisted the signature of TRIPs Agreement.

The main legal instrument for addressing the issue of trade secrets are the “unfair competition” provisions of the Turkish Commercial Code (“TCC”) no.6762 in force since 1956.

Furthermore, Turkish Constitution dated 1982 indirectly refers to “trade secrets” by setting forth that every person is entitled to protect his/her material/immaterial beings.

The Turkish Criminal Law dated already 1926, the Turkish Labor Law as well as the Code of Obligations also directly refer to “trade secrets”.

After TRIPs, more local laws started regulating the trade secrets in a direct manner namely the Act relating to Freedom of Information no.4982 and Decree-Law No. 551 on the Protection of Patents and Utility Models includes provisions referring to trade secrets.

As a separate note, as per article 90 of the Turkish Constitution, the international agreements, provided that they are duly put into effect, bear the force of the law. In the light of such fact, it is possible to say that article 39.2 of the TRIPs Agreement – which refers to “undisclosed information” – is directly applicable in Turkey as well.

Most importantly, the enactment process regarding the draft of Law on Trade Secrets, Client Secrets and Banking Secrets had started and the draft is now before the Parliamentary Commission. With the mentioned piece of legislation, the principles covering the protection and usage of the trade secrets, client secrets and banking secrets are defined as well as the exceptional situations regarding the responsibilities of the persons who had access to those and the sanctions are regulated.

There is no practical influence of TRIPs Agreement other than the above pieces of legislation since the local provisions of Turkish Law, especially unfair competition provisions in force before TRIPs already complied with article 39(2) of the Agreement. The only effect of the TRIPs Agreement is that the Courts now directly refer to article 39(2) of the TRIPs Agreement when applying the local provisions

2. Definition of trade secrets

First of all, it should be noted that the Turkish doctrine is generally of the opinion that the trade secrets cannot be protected as an IPR, since the IPR protection in principle requires “registration” which would mean that the IPR will be open to public

knowledge and will no more be a secret. Therefore, according to the general Turkish doctrine “trade secret” and “IPR” concepts are not compatible with each other.

In Turkey, no local statutory law defines “trade secrets” per se and the Group is of the opinion that it is not possible to provide a certain definition, which covers all aspects of the term. In the Turkish doctrine, the “trade secrets” are generally defined as any non-disclosed information related to a commercial entity’s business and that are intentionally kept secret by its owner, which creates a commercial advantage for its owner in terms of competition and have an independent commercial value.

Upon this definition of the Turkish doctrine, the main conditions of “trade secrets” are set forth as follows;

a) **Information**; The “trade secret” aspect requires the existence of a non-disclosed information. The doctrine is of the view that it does not matter whether this “information” is difficult or simple to conceive, actually used in commerce or not (provided that it is in fact possible to use).

b) **Commercial Value**; The second condition sought for “trade secrets” is “commercial value”. Therefore, the information should be related to and important for commercial aspects regarding the business of its owner and an important competition tool there for.

c) **Characteristic of “Secret”**; The information should be “secret”, in other words it should not be disclosed to public. In light of such fact, general knowledge cannot be considered as a “trade secret” as per its nature.

d) **The Will of “Non-Disclosure”**; The owner of the information should have the intention not to disclose the relevant information. Such condition separates the trade secrets from simply unknown information. It does not matter if this will is clearly expressed or not. The doctrine is of the opinion that the owner of the “secret” shall have a lawful benefit for keeping the information non-disclosed.

3. **Control of trade secrets**

With respect to the Decree-Law no. 551 on Patent and Utility Models, please note that it regulates two different kinds of employee inventions namely “service inventions” and “*free inventions*”. A service invention is an invention (article 17 of the Decree-Law) created during and related to the employee’s service in an establishment or a public administration which is realized in the course of his

professional assignment by making use of the means/tools provided by the employer. Other inventions are defined as “free inventions”.

As per article 18 of the Decree Law, the employee is obliged to inform his/her employer once an invention or a technical improvement is realized. If the invention is created by multiple employees, they may inform the employer all together. Such notice is a lawful obligation of the employee and once such is completed, the employer is entitled to request the employee to provide him/her with all the related details regarding the invention of technical improvement.

As per article 36.m of the Decree-Law, the employee is obliged to keep the service invention as secret against third parties, until it acquires the qualifications of a free invention. The employee can however not put forward such claim against the employer.

On the other hand, even though the free inventions belong only to the employee, the employee is under the obligation to inform the employer of his invention or technical improvement in order to give to the employer the possibility to claim that the invention or technical improvement is a service invention, not a free invention, within three months. Within this period, the employee is responsible of keeping all the information related to the invention non-disclosed. Should the employer not formulate such claim in three months, the invention is deemed a free invention whereby the employee is released of his/her secrecy obligation.

The service invention belongs to the employer and as per article 37 of the Decree-Law, the secrecy obligation of the employee continues even if the labor agreement is no longer valid.

The employer is also obliged to keep the information related to his/her employee as secret as per article 75 of the Labor Law and article 36 of the Decree-Law no. 551. As per the latter, the employer is obliged not to disclose the information related to the invention of the employee so far as the employee has lawful benefits. The secrecy obligation of the employer with respect to free inventions continues once the patent application of the employee is published.

As per article 36 of the Decree-Law, the persons other than the employee and the employer are also obliged not to disclose the invention either. This article especially refers to the other persons who work in the same place and learn the information related to the invention.

The Labor Law reads that the acts contradictory to the above obligations entitles the counter party to immediately terminate the labor contract and to material and immaterial damages. Furthermore, such acts may also constitute a crime as per article 239 of the Turkish Criminal Code, as explained below.

4. Source of law for trade secret protection

There is no specific Law for the protection of trade secrets currently in force and although the motivations of the draft of Law on Trade Secrets, Clients Secrets and Banking Secrets refers to such need, in the practice, it aims to determine the situations where trade secrets are to be revealed.

Still, trade secrets are protected by many statutory provisions in different Turkish laws since well before the entry into force of the TRIPs Agreement.

To begin with, the trade secret being a material and moral asset, it is considered to be protected according to the Turkish Constitution and also by the Turkish Civil Code as a personal right.

But according to the general Turkish doctrinal view, trade secrets consist of an immaterial right and they are generally protected by the provisions of the unfair competition in the Turkish Code of Commerce. In fact, in these provisions, unfair competition is first defined with a blanket general/principle clause (Article 56) and indicatively some frequently presented forms of unfair competition (article 57) such as: "to obtain or to push to disclose the production or trade secrets of their clients by the employees or representatives or other assisting persons by deceiving them" (paragraph 7) and/or "to procure unfair advantage of or to diffuse to others the production or trade secrets obtained or known against the principles of good faith" (paragraph 8). Generally, acts of unfair competition involve ill will. On the other hand, the third party who obtains the trade secret in good faith is to be evaluated for each specific case in the scope of the blanket clause of article 56 namely of "all forms of abuse of economical competition with manifestation of deceiving acts or acts against the good faith".

As mentioned before the above mentioned general provisions may compete with other statutory provisions in different laws applicable to trade secrets infringements:

- Where the conditions are met, violation of trade secrets may also constitute a tortious act and/or unjust enrichment and/or acting without authority (negotiorum gestio) in the scope of the provisions of the Turkish Code of Obligations.
- According to article 25/2 of the Turkish Labor Law, the acts of the employee against

the principles of honesty and loyalty among which revealing the professional secrets of the employer is considered as an immediate ground of termination of the labor contract.

-According to article 239 of the Turkish Criminal Code, any person who delivers or discloses information or documents deemed as trade secrets, banking secrets or customer secrets which he holds by his position, duty, profession or art, to unauthorized third parties, is also to be punished upon complaint. In case the trade secret has been obtained by "hacking" secret owner's system it is also separately punishable by the Turkish Criminal Code.

Other provisions in the Constitution, Commercial Code, Competition Law and the Law related to the Right to Obtain Information also refer to the protection of trade secrets respectively as an exception to the freedom of expression, the submission of evidences requested by the Court and the Competition authority and third parties right to obtain information.

The article 39/2 of TRIPs being included in the applicable Turkish Law, it consist of a direct basis for protection of trade secrets in Turkey as of 1995 and the Supreme Administrative and Civil Courts refer to article 39(2) for defining trade secret.

Further to the entry into force of TRIPs agreement, additional provisions have been included in the Turkish Patent legislation namely the Decree-Law no.551 with regard to trade secrets namely prohibiting the administration to disclose the content of the non-published patent application to third parties (article 80) and prohibiting the employee to disclose the invention he has been informed of (article 36)

5. Available remedies

The remedies applicable to the violations of trade secrets do not differ from the remedies applicable to other forms of unfair competition. According to articles 56 and 57 paragraph 7 and 8 of the Turkish Code of Commerce and according to article 58 of the Code, the right owner can ask through the Court for the violations to be determined and be stopped and prevented, request an interlocutory injunction, request the restitution of the material status/facts resulting from the unfair competition and the payment of compensation for material and moral damages sustained because of the violations.

There are no administrative remedies against the violations of trade secrets but unfair competition being also a criminal offense according to Article 64 of the Turkish Commercial Code, the cessation of the infringing act may be requested through the

penal proceedings as well in which case a complaint is filed before the Public Prosecutor and the Public Prosecutor, if convinced of the infringement, institute the criminal action himself. The secret's owner as the complainant can however intervene in the action. Moreover, where the above mentioned conditions of article 239 of the Turkish Penal Code are met, the secret owner may also request punishment on the basis of this provision.

The trade secrets obtained by means of fraud, espionage or other improper means are generally covered by the provisions under article 57 parag.7 and 8 and there are no limitations as to the remedies in such cases

In case of trade secret violations committed when the undisclosed information was accessed by means of an employment or other contractual relationship namely in good faith, the doctrine of inevitable disclosure can be applied for each specific case in the scope of the blanket clause of article 56. In such case, the third party can still be prevented from using the trade secret but since this have the effect of limiting the employees freedom to work, the prevention should be granted only where the use of the trade secret by the third party may be of nature to cause very serious damages and there are very clear evidences to this effect. In any case, according to article 58 and the established jurisprudence the secret owner cannot request compensation from the third party who obtained the trade secret in good faith.

Another provision limiting the application of doctrine of inevitable disclosure consist of the article 351 of Code of Obligations which requires that the employer puts forward that the trade secret would be disclosed inevitably, that such disclosure would cause serious damages and that there is a written contract in this regard between the parties.

As to the concept of "grossly negligence" referred to in footnote 10 of article 39/2 of TRIPs, since tort is not a condition for the application of the provisions with regard to unfair competition, the secret owner may claim the existence of unfair competition in the scope of the blanket clause of article 56 against the "grossly negligent" third party. However, as already mentioned above, although the third party can still be prevented from using the trade secret, the secret owner cannot request compensation from the third party who obtained the trade secret in good faith. More importantly, where the third party used the trade secret before being able to know its nature of trade secret (before being grossly negligent) and where as a result the information does not consist of a trade secret anymore, no further claim can be put forward by the secret owner.

The compensation of damages is ruled with the provisions of the Code of Obligations according to which the two following conditions of damage and causal relation between the act of the defendant and the damage must be met. The compensation is first to be calculated on the basis of the actual damages to be evidenced by the plaintiff. Where the damages cannot be precisely evidenced, the Judge shall fairly determine the compensation by taking into consideration the usual course of the situation and the preventive measures taken by the plaintiff. Moreover, on the basis of a ruling under article 58 with regard to unfair competition, the Judge may determine the compensation on the basis of the probable gain of the defendant upon the act of unfair competition.

The violation of trade secrets is also subject to punitive damages. Since as of unfair competition provisions, the legal fines may amount up to 10.000.TL whereby delivering or disclosing trade secrets according to article 239 of the Turkish Criminal Code with legal fines upto 50.000.-YTL. Please be confirmed that in case the trade secret has been obtained by "hacking" client's system, it is also separately punishable by the Turkish Criminal Code.

6. Protection of trade secrets before and during litigation

There are no specific legal provisions or measures available in Turkish Law with regard to protection of trade secrets during litigation.

The protection of trade secrets during litigation should be interpreted under the constitutional requirements. That is to say;

As per article 141 of the Turkish Constitution, the hearings are held in public and can only be closed in cases of public morality or security. Article 149 of the Civil Procedural Code ("CPC") also includes a similar provision. The Court, once and if it decides to close the hearings, shall explain explicitly the reasons. However, it is not possible to close the hearings to the parties of the litigation in any manner and although the court may close the hearings to third parties, it is not possible to prevent the publicity for the parties.

The publicity of the hearings is also taken into consideration during the giving of evidence and examination thereof. The evidences shall be open to both parties and the attendance of both parties to the expertise examination shall be provided. Article 280 of CPC also allows both parties' attendance to a possible expertise examination.

Furthermore, given that the civil court is bounded with the evidence gathered by the parties, the non-disclosure of evidence to a party based on its qualification of “trade secret”, also limits the rights of defense, whereas both parties shall be entitled to evaluate all documents/evidences that may have effect on the decision.

In light of the above, the Turkish Group is of the opinion that the above mentioned principles of law shall prevail in matters of “trade secrets” which are of commercial nature and related to competitive issues only. The owner of the “trade secret” should decide whether the outcome of the trial is worth disclosing the secret or not and may abstain from disclosing his/her commercial secrets and accept that this secret information may have no effect on the decision of the Court

Last but not the least, it should be noted that TRIPS Agreement bears the force of law as per article 90 of the Turkish Constitution and therefore, article 42 of the Agreement can directly be applied during litigation. Given that the relevant article reads that “*The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.”*, the Turkish Group is of the opinion that the above comments are in total conformity with TRIPS Agreement’s requirements.

7. Licensing trade secrets

There are no specific legal regulations/provisions with regard to licensing trade secrets. In general trade secrets are to be licensed through know-how agreements or franchise agreements with provisions directed to prohibition of disclosure. But it should be stressed once again that these agreements are sui generis by their very nature and subject to the general provisions of the Turkish Code of Obligations.

These agreements and especially exclusive distribution agreements are subject to the limitations of the Competition Law in general but the provisions of the Competition Law do not include any limitation as to the licensing of trade secrets, on the contrary confirm that the know-how which has not been disclosed to the public namely the trade secret shall remain secret indefinitely.

8. Effectiveness of non-disclosure and non-use agreements

The non-disclosure and non-use agreements either included in a franchise agreement or concluded separately are generally accepted without any limitation in the Turkish Code of Obligations with the obvious reserve of reasonable conditions for both parties and the safeguard of public interest.

For instance, according to the anti-trust regulations, prohibiting the parties from competing indefinitely or for more than five years is absolutely forbidden by the Turkish Competition Law. The parties can agree to the prohibition of disclosure of trade secrets for up to 5 years during the validity of agreement but for the limited period of one year only after the end of the agreement. However, the prohibition should always concern the same goods and/or services and the same territory where the prohibited party operated and should be necessary for the protection of the trade secret.

In case of breach of such agreements, as mentioned under 5, both of contract law and unfair competition law may be put forward and the terms of the agreements limiting such possibility are not applicable.

Where the employment contract did not include any provisions as to the non-disclosure or non-use of trade secrets and after the employee has left the company or retired, the employer may request the the doctrine of inevitable disclosure be applied against the employee having obtained the undisclosed information in the scope of his duty namely in good faith in the scope of the blanket clause of article 56. However, as also mentioned here above, the prevention should be granted only where the use of the trade secret by the third party may be of nature to cause very serious damages and there are very clear evidences to this effect.

The doctrine of inevitable disclosure exist also in the Code of Obligations article 351 but in this case, the employer has to evidence that the trade secret would be disclosed inevitably, that such disclosure would cause serious damages and that there was a written contract in this regard between the parties.

Harmonization

9. Common and practical definition of trade secret

The Group is of the opinion that a common definition setting the minimum standard for information to qualify as a trade secret is desirable and that the conditions set by the Turkish doctrine namely, non disclosed information with a commercial value which is secret and subject to the will of non-disclosure of the beneficiary, which are also expressed in the definition provided by the Trips Agreement are sufficient to this effect.

Article 2 of the Draft of Law on Trade Secrets, Client Secrets and Banking Secrets proposes the first definition of trade secrets and according to this provision, a trade secret is

-information or documents regarding the field of activity of a company or commercial establishment

-known or accessible by limited members or employees

-very important for the economical success and prosperity of the company or establishment

-of nature to cause damage where revealed to the competitors

-and not to be disclosed to third parties and the public.

The provision enumerates indicatively the followings as potential trade secrets: inner structure and organization, financial, economical, credit and cash status, research and development studies, business strategy, sources of raw material, technical production specialties, pricing policies, marketing strategies and costs, market shares, wholesale and retail customer potentials and networks, contractual relation details. It is important to note that this list is not exhaustive.

The Group is of the opinion that the above definition and the examples are quite extended and detailed and that while it generally respects the minimum standards stated above, the text by its additional details (field of activity, members, employees, economical success and prosperity, competitors etc.) restrains the kind of information to be considered as trade secrets and accordingly the scope of protection of trade secrets in general.

Moreover, and although the motivations of this provision also state that the purpose of such detailed definition is to prevent the uncertainties as to the meaning and coverage of a trade secret, the abovementioned extra details/concepts are still to be determined by the case law.

10. What is desired in your jurisdiction?

Although the Draft of Law on Trade Secrets, Client Secrets and Banking Secrets has not been enacted yet, in view of the direct applicability of article 39(2) of TRIPs and the general acceptance of the conditions by the Turkish doctrine, the minimum

standards for information to consist of a trade secret are determined in the Turkish Law. However, the Turkish Group is of the opinion that the Draft is not sufficient as to the other aspects of the trade secret protection.

The protection of trade secrets is foreseen in many Turkish Laws and the different possibilities of trade secret violations are all covered by the general provisions on unfair competition and also regulated by special provisions in said Laws.

Likewise, the Turkish Legislation foresees civil and criminal remedies to the violations of trade secrets. However, the granting of the preliminary injunctions is of the discretionary power of the Judges and Prosecutors and the preliminary injunctions are conservatively applied when violations of unfair competition provisions are concerned influencing negatively the effectiveness of the legal provisions. Therefore, taking into consideration the necessity and importance of a prompt and effective reaction to protect the interest of the secret owner, it is absolutely necessary to foresee in the Draft Law on Trade Secrets detailed provisions which limits the discretionary power of the Judges and Public Prosecutors and order the examination of such matters with priority to increase the efficiency of protection.

Also, as mentioned above in the absence of special procedural provisions, the right to fair trial and due process should always prevail on the protection of trade secrets, which are of commercial nature and related to competitive issues only. Nevertheless, an exceptional regulation determining the circumstances where trade secret protection would prevail and the special procedures to be applied in such cases should at least be discussed upon.

11. What is required for an improved global standard for trade secret protection?

12. What would be a desirable and realistic way to proceed?

(These questions have been answered together)

In view of the globalization of the world economy and competition and the fast and easy access to information from anywhere in the world due to internet, the Turkish Group is of the opinion that multilateral convention setting global standards and implementations for the protection of trade secrets would definitely be more desirable and adding provisions in TRIPs may be considered to this effect.

However, since other important issues such as the remedies to violations of trade secrets and the procedural provisions managing conflicts between the protection of

trade secrets and other constitutional rights are always to be regulated by the National Laws and implemented by National authorities.

The Turkish Group realizes the difficulty in achieving a relatively foreseeable future, regionally or globally harmonized international standards in their legislative, administrative and judiciary components.

13. Other comments?

Note: It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.

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