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2016 – Study Question (General)

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Security interests over intellectual property

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I. Current law and practice

You are reminded that **IPRs** refers to patents, trademarks and registered designs only.
If more than one type of security interest is available under your Group's current law, please answer the questions for each type of security interest, as applicable.

Availability of security rights

1) Does your Group's current law provide for the possibility of creating security interests over IPRs?

yes

Please explain:

Yes.

If yes, please answer Questions 2) to 14) inclusive before proceeding to question 15) and following.
If no, please proceed directly to question 15).

2) Are the available types of security interests defined by specific provisions relating to security interests over IPRs or by general commercial law principles (e.g. specific provisions in your Group's patent legislation rather than general commercial provisions that are applicable to tangible personal property as well as to patents)?

yes

Please explain:

Specific provisions.

- 3) Under your Group's current law, what types of security interests are available for IPRs? In addressing the questions in sub-paragraphs a) to c) below, please specify briefly the main characteristics and differences of the available types of security interests.

a) Does your law provide for security interests which are characterized by the full assignment of the underlying IPR to the security taker? For example, an assignment of the IPR for the purpose of security or authorization to dispose/use fully in the event of default.

no

Please explain:

No, it is not regulated in Law. But there is no limitation for parties to make such agreement too.

b) Does your law provide for security interests that authorize the security taker to realize the security interest only in the event of default? For example, a pledge over an IPR that authorizes the pledgee to liquidate the pledged IPR in the event of default (but not to otherwise dispose of the IPR).

yes

Please explain:

Yes. In the event of default, the pledgee can liquidate the pledged IPR.

c) Does your law provide for security interests that authorize the security taker to use the underlying IPR? For example, usus fructus rights that authorize the creditor to use and/or realize proceeds from the exercise of the IPR only during the term of encumbrance. Is any right to use the encumbered IPR conditional upon default of the security provider?

no

Please explain:

No, it is not regulated in Law. But there is no limitation for parties to make such agreement too.

- 4) If more than one type of security interest is available under your Group's current law, what types are commonly used for IPRs? Please also specify if certain types of security interests are exclusively used for certain types of IPRs in your country. For example, patents may commonly be encumbered with pledges, while trademarks may commonly be assigned to the security taker.

We only have pledge.

Effects of security interests

- 5) Is the security provider restricted in their right to use their IPR after providing a security interest over that IPR? For example, in respect of their right to grant licenses, or the right to use the protected subject matter. Please answer for each available type of security interest.

no

Please explain:

No. The pledger does not encounter any restriction about using its right after pledging. The essence of the right remains in the pledger and the pledgee only has the right of liquidation of the pledge. We answered the question this way since there is no other type of security other than pledging in our legislation.

6) May encumbered IPRs be assigned to third parties by the security provider?

yes

Please explain:

Yes. Establishment of pledge on the right does not obstruct assignment of the right.

7) If yes:

a) under what conditions may an IPR be assigned (e.g. obligation to obtain consent from the security taker, public notification or registration)?

Obtaining consent from the security taker, public notification or registration is not required.

b) does the IPR remain encumbered with the original security interest for the benefit of the security taker?

yes

Please explain:

Yes. If the pledge right is registered, it is assigned with the pledge right.

8) What are the rights of the security taker before default (e.g. entitlement to damages, injunctions against infringers, or license fees)?

In principle, the pledgee does not have the right to initiate legal proceedings for compensation of damages incurred. Likewise, the pledgee cannot directly initiate action for infringement or seek for imposition of injunction against the infringers. However, under general rules, if required by a meticulous economic management, for example if the licensee has not paid the license fee, the pledgee may force the pledger to give notification and collect the payment of the fee. Likewise, the pledgee may request the pledger to institute legal proceedings or commence execution proceedings. However, if the pledger does not accept this suggestion, there is not any sanction explicitly stated in law.

9) Who of the security provider or the security taker is responsible for maintenance and defence of the IPR provided as collateral?

Security provider.

10) What are the legal consequences if the underlying IPR expires or is revoked? For example, the security right lapses simultaneously; the creditor has a compensation claim against the security provider.

The responsibility for renewal of the right is not explicitly stated in the law. If the pledger wrongfully causes termination or cancellation/annulment of the right in a way overriding the right of pledge, for example by failing to renew the registered right, it will be responsible to the pledgee in accordance with the general tort provisions and may have to compensate any damages caused.

11) Can any of these effects of security interests over IPRs before default be modified by contractual provisions between the parties? If so, which effects?

yes

Please explain:

Since the provisions given in the law are not mandatory, we believe a contract can be established between the pledger and the pledgee.

Applicable law

12) Does your Group's current law provide for conflicts of laws as to the availability and effect of security interests over IPR portfolios containing foreign as well as national IPRs?

yes

Please explain:

Yes.

13) Which national law applies as to creation, perfection and effect of security interests over foreign IPRs? For example, where a US patent is provided as collateral in respect of a financial transaction in Europe.

It is explicitly specified in Article 23 of Code on Turkish Private International and Procedural Law that rights regarding IP are subject to the laws of the country where the right is established. In this sense, in creation, perfection and effect of the right, the laws of the country where the right is established shall apply.

Apart from that, according to article 28 of same law, contracts on IP are subject to the law chosen by the parties.

14) Can a choice of law provision in a security interest agreement over IPRs overrule the applicable law as to availability and effect?

yes

Please explain:

Yes. For matters outside the scope of Article 23, i.e. creation, perfection and effect the parties are free to choose the applicable law by the contract signed there between.

Additional question

15) Regardless of your Group's current law relating to security interests over IPRs, is it possible to create a solely contractual regime for security interests over IPRs (i.e. beside the types of security interests defined by law) that is enforceable between the contracting parties?

yes

Please explain:

Yes, since it is not specified otherwise in the laws, it is possible to place security on IP Rights and enforce them based on only contracts.

II. Policy considerations and proposals for improvements of the current law

16) Is your Group's current law regarding security interests over IPRs sufficient to provide certainty and predictability to the parties?

no

Please explain:

No. We therefore proposed a detailed article on security interests by taking into account the UNCITRAL guide, since our government is now discussing to change all IP Laws.

17) Under your Group's current law, is there an appropriate balance between the rights between security takers and security providers? For example:

a) are there situations in which the rights of security takers should be limited or extended (e.g. if assignment of an encumbered IPR is possible by the security provider without involvement of the security taker)?

yes

Please explain:

Yes, because otherwise, the security taker using the right taken as security will disturb this balance. In both cases, limiting/extending the rights can be necessary in exceptional circumstances. Nevertheless, we believe that it can be resolved within the framework of principle of freedom of contract since no public aspect of it can be foreseen.

b) are there situations in which the rights of security providers should be limited or extended (e.g. if the security taker is authorized to dispose of existing licenses without involvement of the security provider)?

yes

Please explain:

Yes, because otherwise, the security taker using the right taken as security will disturb this balance. In both cases, limiting/extending the rights can be necessary in exceptional circumstances. Nevertheless, we believe that it can be resolved within the framework of principle of freedom of contract since no public aspect of it can be foreseen.

18) Are there any aspects of these laws that could be improved? Are there any other changes to your Group's current law that would promote transactions involving IPRs as collateral? If yes, please briefly explain.

yes

Please explain:

Our suggestion is that IP Laws should provide certainty to protect the security taker, if there is no agreement between parties, in order to reduce transaction costs.

III. Proposals for harmonisation

19) Does your Group consider that harmonization of laws concerning security interests over IPRs is desirable?

yes

If yes, please respond to the following questions without regard to your Group's current law. Even if no, please address the following questions to the extent your Group considers your Group's laws could be improved.

Security system regarding IPRs

20) Should there be specific provisions regulating security interests over IPRs (i.e. separate from security interests over tangible property) generally?

yes

Please explain:

It is extremely important to harmonize the enforcements due to the fact that country boundaries are overridden particularly due to digitalization, and within this framework the Group believe that harmonization is important and necessary. Moreover, it should also include specific conditions for IP Rights. However, as stated in Question 16, it should not be casuistic.

21) If no, should there be general commercial law principles that also apply to IPRs? If not, why?

22) What types of security interests should be available as minimum standard in all countries?

Pledge.

23) Should the law be applied differently depending on the type of IPR? For example, should patents be encumbered exclusively with pledges, should trademarks be assigned to the security taker for the purpose of security?

no

Please explain:

No.

Effect of security interests

24) Should the security provider be restricted in their right to use their IPR after providing a security interest over that IPR (e.g. in respect of their right to grant licenses, or to use the protected subject matter)? If so, how?

no

Please explain:

If the right to use is impeded, it will not be collateral, but confiscation. Therefore, we believe, if there is no agreement between parties, a balance between security provider and taker should be found. Thus, right to grant licenses and use the protected subject matter should stay with security provider, if there is no agreement.

25) Should the security provider be able to assign encumbered IPRs to third parties?

yes

Please explain:

If there is no agreement between parties, we believe security provider should be able to do so with permission of the security taker.

26) What should the rights of the security taker be before default (e.g. entitlement to damages, injunctions against infringers, or license fees)?

Freedom of contract is a basic principle in terms of this question. The Group believes concrete features of each case are different from one another. (type of right, reason for collateral, relationship among the parties, commercial significance of the security subject for the security provider, etc.). Therefore, granting many rights to the security taker in advance will impede the balance between the parties. This can be discussed within the framework of freedom of contract and a balance may be established in the framework of “disturbance of equilibrium between performances” in the scope of Code of Obligations.

27) Should the security provider or the security taker be responsible for maintenance and defence of the IPR provided as collateral?

yes

Please explain:

The Group believes that the law should clearly designate a party to be responsible for it. We proposed an article as following: ‘The security taker should be responsible for maintenance such as renewals or paying annual fees. The security taker may also be responsible from the defence of the IPR in order to protect its security, enforce it with litigations and claim compensation fees such as license fee with the approval of security provider unless otherwise agreed in the agreement,’.

28) What should the legal consequences be if the underlying IPR expires or is revoked (e.g. the security right lapses simultaneously; creditor gains a compensation claim against security provider)?

It should be specified by the conditions of the contract. In any case, we believe there should be consequences.

29) Should it be possible to modify these effects of security interests over IPRs before default by contractual provisions?

yes

Please explain:

It should be possible as long as the parties agree thereon.

Applicable law

30) Which law should apply as to the availability and the effects of security interests where a foreign IPR is provided as collateral? Why?

Maybe general conflicts of laws rules should be sufficient. We believe conflicts of law rules are already harmonized and well established.

31) Should a choice of law provision in a security interest agreement over IPRs overrule the applicable law?

If yes, why?

yes

Please explain:

A new authorization should be able to be determined by contract without eliminating the legal authorization.

Additional considerations and proposals

32) To the extent not already stated above, please propose any other standards your Group considers would be appropriate to harmonize laws relating to security interests over IPRs.

33) Please comment on any additional issues concerning any aspect of security interests over IPRs you consider relevant to this Study Question.

Please indicate which industry sector views are included in part “**III. Proposals for harmonization**” of this form:

Summary