



## TURKEY: PROTECTION OF TRADE SECRETS. IS IT STILL A SECRET?


### I- INTRODUCTION

#### Brief introduction of trade secret concept.

Trade secrets can be defined as commercial rights of an enterprise over confidential business information.

According to the **WIPO** resources, in general, to qualify as a trade secret, the information must be:

- commercially valuable,
- be known only to a limited group of persons, and
- be subject to reasonable steps taken by the rightful holder of the information to keep it secret, including the use of confidentiality agreements for business partners and employees.  
(<https://www.wipo.int/tradesecrets/en/>)

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Although there are limited surveys concerning the economic impact of the trade secrets, according to the the Survey for the Economic and Innovation Impacts of Trade Secrets published by the IPO of the UK the theft or misappropriation of trade secrets may translate to an annual cost of **1-3%** of GDP in advanced industrial nations. This data, indeed refers to a highly economic value of trade secrets and the need to have an effective protection mechanism.

#### Comparative summary in US and EU.

With an aim to strengthen the protection of trade secrets, there have been number of modern legislations by the major economically developed countries in recent years.

The European Union has harmonized trade secrets protection across member states with the Trade Secrets Directive of **2016**. The EU has passed the Directive **2016/943/EU (Trade Secrets Directive)** on the protection of undisclosed know-how and business information (trade secrets) against their infringement. The Trade Secrets Directive aims to be implemented into national law by all EU member states by **9 June 2018**. The Trade Secrets Directive provided the minimum standards of protection across the European Union.

The Trade Secrets Directive provides remedies on civil basis only concerning the unlawful acquisition, use and disclosure of trade secrets. On the other hand the United States has adopted a legislation for criminalizing the breach of trade secret protection in **1996** with the Economic Espionage Act and as of **2016** harmonized and strengthened protections with the Defend Trade Secrets Act. This Act although protects the trade secrets on Federal level does not prevent the protection provided by the state laws.

#### International Conventions TRIPS, Paris Convention

Paris Convention: The Paris Convention does not explicitly refer to the protection of trade secrets. However, **Article 10 bis** of that convention imposes an obligation to provide protection against acts of unfair competition. Unfair competition has been one of the means of protection of trade secrets. **Article 10 bis** Paris Convention rules that The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition." It continues by stating that "(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition."

**TRIPS : Article 39/1** of TRIPS also provided the obligation to member states to protect undisclosed information with an effective protection against unfair competition by referring to **Article 10 bis** Paris Convention. TRIPS is the first international agreement which provides detailed protection concerning trade secrets.

**Article 39(2)** of the Agreement on Trade-related aspects of Intellectual Property Rights (TRIPS) states that: "Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

- is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- has commercial value because it is secret; and,
- has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret."

**Article 43(1)** of TRIPS requires that: "The judicial authorities shall have the authority, where a party has presented reasonably available evidence sufficient to support its claims and has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party, to order that this evidence be produced by the opposing party, subject in appropriate cases to conditions which ensure the protection of confidential information."

## II- PROTECTION IN TURKEY

### Description of Trade Secrets as per the Turkish Law

#### Turkish Constitution Article 26 (...)

Although trade secrets have been regulated in different laws such as the Turkish Code of Commerce, Turkish Code of Obligation, Turkish Criminal Code, Turkey does not have a specific law for the protection of trade secrets.

The Supreme Court Case Law has shaped a definition for the protection of trade secrets in some of its decisions:



In its a relatively recent decision dated **October 21st, 2019**, file no **2016/6958** and case no **2019/4349** of the 23rd Civil Chamber of the Supreme Court, trade secret has been defined as follows:

“ The definition of a trade secret is; information which provides economic benefits to real or legal person traders against their competitors, which is kept as a secret by the owner who takes the necessary precautions to keep it confidential. Another definition of trade secret, which is made by considering the principles of unfair competition, is “any collective information such as formulas, method or model that the business uses during the commercial activities, which creates an advantage against the competitors who do not have or cannot use the same opportunity ”

In the decision, file no **2004/7827** and case no **2007/5755**, the 11th Civil Chamber of the Supreme Court stated that “The most important element of a trade secret is the condition that; it is not within the knowledge of the public, or it is not known by the competitors in the relevant field.” which supports the above-mentioned definition of trade secret.

Moreover, Turkey being a party to TRIPS Agreement it is reasonable to claim that the detailed provisions of the Agreement concerning the trade secrets can be directly applied for the protection of the trade secrets.

According to **Article 90** of the Turkish Constitution, the international agreements can have the effect of law and therefore it is possible to claim the direct implementation of the TRIPS agreements pertaining to the trade secrets.

#### Turkish Code of Commerce

The Turkish Code of Commerce provides protection to trade secrets within the context of unfair competition.

According to **Article 55/1(d)**, “The person, who illegally discloses production and business secrets and, especially, who reviews or informs others of the business secrets and the information, obtained without authorization, is deemed to constitute an act of unfair competition.

The acts of unfair competition are considered as a breach of civil and criminal liability within the context of the Turkish Code of Commerce.

#### Code of Obligations and the Labor Law

Moreover, **Article 25/2** of the Labor Law, states that the unauthorized disclosure of the business secrets to be one of the acts of the employee against Honesty and loyalty among others as a ground of termination. which revealing the professional secrets of the employer is considered as an immediate ground of termination of the labor contract

#### Criminal Code

The Criminal Code provides protection to the trade secrets and imposes imprisonment and pecuniary fines for the breach of the trade secrets.

According to **Article 239** of the Turkish Criminal Code ; Any person who discloses confidential information, or documents, relating to commerce, banking or private customers, which he/she holds by virtue of his title, duty, profession or trade, to an unauthorized person shall be subject to a penalty of imprisonment and pecuniary fine, upon complaint.

The Criminal Code further reads that the information relating to scientific invention and discovery, and the industrial implementation of such information should also fall within the scope of the trade secret protection as per the Criminal Code.

#### Regulatory (Bank, Life Sciences regulations)

Trade secrets are also mentioned in a number in the regulated areas such as the Bank, Life Sciences, Competition and ICT where the secrecy requirements are traditionally crucial.



#### Turkish Draft Law for Trade Secrets

With an attempt to have a harmonized one act concerning the trade secrets, a draft law has been prepared and submitted before relevant commission of the Turkish Parliament since **2011**, under the title "**The Draft Law Concerning Trade Secrets, Bank Secrets, and Customer Secrets**".

The draft law defines the trade secrets, bank secrets, customer secrets, provides obligation of protection as well as the exceptions of disclosing such secrets and the criminal liability. As the Draft Law has not been enacted for long time, there is a need to have a new draft which should be shaped in accordance with the recent needs and in harmony with the recent legal developments such as the EU and the US legislation.





### III- CIVIL AND CRIMINAL REMEDIES FOR THE BREACH OF TRADE SECRETS

There are several criminal and civil remedies available in the Turkish practice for the protection of trade secrets which can be briefly mentioned as below:

#### Evidential action for determining an act of infringement

It is possible to file a non-adversarial action, which may proceed ex parte subject to the court's discretionary competence, for the determination of the act of infringement or evidence, or both. A positive outcome of such action can serve as official evidence, as the determination of the infringing act and evidence within the context of the subsequently filed main civil action.

#### Preliminary injunction order

The right holder is entitled to obtain a preliminary injunction:

- within the context of the main infringement action;
- within the context of the evidential action; or
- independently

In each case, a preliminary injunction may be requested and carried out ex parte or inter partes subject to the discretionary competence of the court.

Preliminary injunction requests are deemed urgent and should be handled according to Turkish procedural law. The most important requirement is to submit substantial evidence, attesting a prima facie infringement, in order to convince the court that there is a risk of an infringement. Another requirement is to deposit a guarantee payment before the court (at the discretion of the judge) for the execution of the preliminary injunction order once the decision is rendered by the court.

#### Permanent injunction

The IP Code enables the plaintiff to request simultaneously the 'determination and prevention of infringement' from the court as a part of the permanent injunction order by the final ruling.

#### Compensation of material and moral damages

The right holder is entitled to ask for material and moral compensation within the context of the above referred civil proceeding

#### Criminal Proceeding

As the act of breach of trade secrets laws has also been considered as a criminal act, the right holder will be able to initiate a criminal complaint by filing a complaint before the local Public Prosecutor in the location of the infringement.

#### As a conclusion;

the existence of provisions for the trade secrets in various Turkish legislations as well as the case law of the Supreme Court, provides a basic protection of trade secrets both via civil and criminal route in Turkey. However, still an **Act of Trade Secret** is required for providing a framework of the protection as well as a more effective protection.