

## **Awards of excessive compensation under Turkish Intellectual and Industrial Property Law**

Authors: Gönenç Gürkaynak Esq., Ceyda Karaođlan Nalçacı and A. Bahadır Erkan, ELİG, Attorneys-at-Law

### ***Introduction***

Article 17 of the Turkish Constitution provides that “*Everyone has ... the right to protect and improve his/her corporeal and spiritual existence.*” Based on this provision of the Turkish Constitution, the general principles of indemnity law will apply to any violation of personal rights. Article 49 of the Turkish Code of Obligations provides the general principle for indemnification under Turkish law and states that “*Whoever damages someone else with an unlawful and culpable act is obligated to compensate that damage.*”

In accordance with the general principles of indemnity law, the aim of indemnity is to compensate the damages suffered and the amount of the compensation cannot be higher than the actual amount of the damage suffered in any case. As an exception, however, there might be a special provision of law related to the case at hand that allows the plaintiff to claim compensation higher than the amount of the actual damage. Turkish intellectual and industrial property law legislation contains such special provisions. In this article, compensation in excess of damage suffered and determination of such compensation under Turkish intellectual and industrial property law will be explained.

### ***Provisions found in Turkish intellectual and industrial property law legislation providing for compensation in excess of damage suffered***

There are two opinions among Turkish scholars regarding the nature of the compensation in excess of the damage suffered. According to the first one, it is dissuasive rather than compensative, which means that it is a criminal sanction. On the other hand, the second opinion claims that compensation in excess of the damage suffered deters violators by encouraging the plaintiffs to bring action, which makes it a private law penalty. Although there is a discussion regarding the nature of the compensation in excess of the damage suffered, in practice, the special provisions of Turkish intellectual and industrial property law legislation related to the subject are being applied by the courts. The gist of the provisions found in Turkish intellectual and industrial property law legislation providing for compensation in excess of the damage suffered is to encourage the plaintiffs to bring actions, as well as to deter the people who would violate these rights. Furthermore, the people are encouraged to create new ideas and inventions by creating the idea that intellectual properties are secured by the law.

An example for the special provisions of Turkish intellectual and industrial property law legislation related to the compensation in excess of the damage suffered can be found in Articles 68 and 70 of the Law No. 5846 on Intellectual and Artistic Works. Article 68 provides that “*The*

*right holders whose permission was not obtained may claim the payment of compensation of up to three times the amount that could have been demanded if the right had been granted by contract, or up to three times the current value which shall be determined under the provisions of this Law, from persons who adapt, reproduce, perform or communicate to the public by devices enabling the transmission of signs, sounds and/or images the work, performance, phonogram or productions or who distribute reproduced copies thereof without written permission of the author pursuant to this Law.*” It is widely accepted in the doctrine and the practice that there is no need to establish the existence of damage and/or negligence, since it is considered that the perpetrator should know that it is illegal to use an intellectual property without the permission of the right owner.

Article 70 of the Law No. 5846 on Intellectual and Artistic Works provides that “... *Any person whose economic rights have been infringed may claim compensation under the provisions governing torts, if the infringer is at fault. In the cases set out in the first and second paragraphs [in case of claiming compensation for infringement of moral or economic rights], the infringed person may, apart from the damages, also claim the profits gained by the infringing party. In such case, any sum demanded in accordance with Article 68 shall be deducted from this amount.*” According to this provision, the profits gained by the infringing party can be claimed even if the total amount of the compensation exceeds the damages suffered. This constitutes another example of compensation in excess of the damage suffered.

Article 149(1)(ç) of the Law No. 6769 on Industrial Property provides that an industrial property right owner may request indemnification of pecuniary and non-pecuniary damages from the court if its industrial property rights are infringed. Article 151(1) of the Law provides that the damage suffered by the right owner covers the actual loss and loss of profit. The right owner can choose from one of the three ways while calculating the loss of profit provided by Article 151(2). The first way is the amount of probable profit if there was no competition of the perpetrator. The second way is the amount of profit the perpetrator made using the industrial property right. The third way is the license fee the perpetrator has to pay if he/she used the industrial property right legally with a license agreement. The second way opens the way for compensation in excess of the damage suffered despite the other two ways. Moreover, pursuant to Article 151(4) of the Law No. 6769, if the industrial property right owner chooses the second way explained above and the court comes to the conclusion that the infringed industrial property right is the determinative factor for the demand for the product, the court decides to add an appropriate amount on top of the loss of profit calculated according to the second way.

There is also another type of compensation called the reputation compensation regulated by Article 150(2) of the Law No. 6769. According to this provision, if the perpetrator of an infringement regarding industrial property rights use that right inappropriately and the reputation of the related industrial property right is damaged, the rightful owner of the right can ask for

additional compensation. This compensation stands for the required expenses in order to restore the industrial property right's reputation, like advertisements.

It must be emphasized that in order to rule on an indemnity in excess of the damage suffered, the damage must be pecuniary. In other words, it is not possible to rule for compensation in excess of non-pecuniary damage suffered. The wording of Articles 68 and 70 of the Law No. 5846 on Intellectual and Artistic Works also support this position.

### ***Determination of the compensation in excess of damage suffered under Turkish intellectual and industrial property law legislation***

In indemnity cases, it is essential to determine the amount of damage suffered in order to reach a verdict accordingly. As stated above, the only way for ruling for compensation in excess of the damage suffered is the existence of a special provision of law which allows it. As explained above, Turkish intellectual and industrial property law legislation contains such special provisions. However, the question how the compensation in excess of the damage suffered should be calculated is not clear even in those provisions.

The general rules for determining the amount of compensation are provided in Articles 51 and 52 of the Turkish Code of Obligations. According to Article 51, the judge determines the amount and payment form of the compensation by considering the circumstances and particularly the perpetrator's degree of fault. Article 52 provides that if the damaged party has consented to the event causing damage or contributed to the occurrence or increase of damage, or aggravated the situation of the perpetrator, the judge may decide to decrease or remove the compensation.

Compensation in excess of the damage suffered in cases of infringement of intellectual rights is regulated by Articles 68 and 70 of the Law No. 5846. In order to determine the amount of "*three times the value*" compensation, the owner of the infringed right can choose between two methods: "*up to three times the amount that could have been demanded if the right had been granted by agreement*" or "*up to three times the current value which shall be determined under the provisions of this Law*". Regarding both methods, the court needs to conduct an analysis and probably obtain an expert report in order to determine the amount that could have been demanded if the right had been granted by an agreement or the current value.

Determination of loss of profit comes to the stage when an industrial property right is infringed, as explained above. While determining the exact amount of the profit made by the infringing party, the Law No. 6769 does not specify any method. Article 151(3) of the Law No. 6769 provides that "*Particularly issues such as economic significance of the industrial property right, number, duration and type of licenses regarding the industrial property right which exist during the infringement, nature and size of the infringement are considered while calculating the loss of profit.*" Since the provision uses the phrase "*particularly issues such as ...*" it does not limit the issues which can be considered while calculating the amount of loss of profit. Therefore there may be other issues and/or methods which may be used in practice while determining the amount

of the loss of profit. At this point, it is possible to consider the perpetrator's commercial books and financial records. However, there is the danger of commercial books and financial records not showing the accurate data and amounts due to different reasons.

The factors for determining the amount of reputation compensation may be the required resources to restore the reputation. The industrial property right owner can also rely on past documents demonstrating the expenses made to reach a certain reputation and the expenses may be recalculated in order to update the amounts.

Finally, since Articles 51 and 52 of the Turkish Code of Obligations are applicable to all indemnity cases, the court must evaluate the specific circumstances of the case and reduce the amount of the compensation if necessary after calculating the amount of the compensation according the relevant provisions explained above.

### ***Conclusion***

Although the amount of the compensation cannot be higher than the actual amount of the damage suffered in any case under the general principles of Turkish indemnity law, Turkish intellectual and industrial property law legislation contains special provisions that allow the plaintiff to claim compensation higher than the amount of the actual damage, as explained above. Those specific provisions do not specify the method which should be used while calculating the amount of the compensation. This causes difficulties in practice both for the claimants who request the compensation and for the courts who are obliged to determine the amount of the compensation.

Article contact: Gönenç Gürkaynak, Esq.

Email: [gonenc.gurkaynak@elig.com](mailto:gonenc.gurkaynak@elig.com)

*(First published in Mondaq on July 31, 2017)*