

Exhaustion and parallel importation of copyright goods under Turkish law

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In accordance with Annex 8 of Decision 1/95 of the EC-Turkey Association Council,¹ Turkey undertook to align its domestic intellectual property legislation with that of the European Communities. Towards this goal, the Turkish Copyright Act (*Fikir ve Sanat Eserleri Kanunu*, FSEK) of 1951 was amended in 1995 and 2001² in conformity with the Council Directive 92/100 of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property.³

The territorial exhaustion rule has been accepted under Turkish intellectual property law.⁴ Under Article 23 of FSEK, by the first sale or other transfer of ownership of copies of a work, within the borders of Turkey, the distribution right of the copyright owner is exhausted in these copies.⁵ Hence, on exercising his exclusive right to market copies for the first time, the copyright owner cannot restrain the further sale and distribution of them.

Article 23 also codifies parallel importation of copyright goods, granting copyright owners the exclusive right to prevent parallel importation of copies of their works which were manufactured and marketed abroad with their consent.

Key issues

- On account of its geographical location, growing economy and commercial orientation, Turkey is an important jurisdiction for intellectual property enforcement irrespective of whether that country enters the European Union or remains outside it.
- The introduction of legal rules relating to the exhaustion of intellectual property rights in Turkey, as in other countries, has facilitated trade in lawfully manufactured products at the cost of making it more difficult for intellectual property rights owners to police their rights.
- This article displays the manner in which current Turkish law on exhaustion of rights affects the enforcement of copyright, thus explaining the options available to rights owners when seeking to control the sale and distribution of works in that jurisdiction.

1. Conditions for exhaustion of the distribution right

Under Turkish intellectual property law, the distribution right of a copyright owner is exhausted by the first 'sale' of the copies. In addition, other ways of transferring ownership of copies (eg donation) also cause exhaustion. However, acquiring copies from the copyright owner by rental, lease, loan, or otherwise does not cause exhaustion, since the ownership is not transferred.⁶

Topluluklari Mahkemesi'nin Gümruk Birliğinde Mallarin Serbest Dolasimina Iliskin Kararlari ve Turk Hukukuna Etkileri', in *Kultur Bakanligi Isbirligi ile Ankara Barosu Uluslararası Hukuk Kurultayi* 711. According to the minority opinion of Pinar, owing to the provisions of Ankara Agreement, Additional Protocol and Decision 1/95, Turkey must be considered within the borders of the European Economic Area and subject to the regional exhaustion rule applied in this area.

5 Decree 551 Relating to the Protection of Patents, art 76; Decree 554 Relating to the Protection of Industrial Designs, art 24; Decree 556 Relating to the Protection of Trade Marks, art 13.

6 Tekinalp, *Fikri Mulkiyet Hukuku*, 177.

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1 Decision No. 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC).

2 Law No. 5846, *Turkish Republic Official Gazette*, 13 December 1951, No. 7931; Law No. 4110, *Turkish Republic Official Gazette*, 12 June 1995, No. 22311; Law No. 4630, *Turkish Republic Official Gazette*, 3 March 2001, No. 24335.

3 [1992] O.J. L346/61. For the effects of the European Customs Union on Turkish legislation, see Tekinalp, 'Gumruk Birliğinin Turk Hukuku Uzerinde Etkisi', 1–2 IUHFM 33 (1996).

4 For a fuller analysis, see Tekinalp, *Fikri Mulkiyet Hukuku* 176 (3rd edn, Beta, Istanbul 2004); Arıkan, 'Fikri ve Sinai Hakların Tükenmesi ve Rekabet Hukuku, Uluslararası Ticaret Hukuku Açısından Değerlendirme', in *Kultur Bakanligi Isbirligi ile Ankara Barosu Uluslararası Hukuk Kurultayi*, 755 et seq. (vol. 1, Ankara Barosu Başkanlığı, Ankara 2002) and Yıldız, 'Eser Sahibinin Yayıma Hakkinin Tükenmesi', in *Prof. Dr. Turgut Kalpsüz'e Armağan* 579 et seq. (Turhan, Ankara 2003). Cf Pinar, 'Marka ve Haksız Rekabet Hukuku Alanında Avrupa

In order to invoke the exhaustion rule, the first sale must have occurred ‘within national borders’.⁷ Another condition is that the first sale or other transfer of ownership of copies is to be made by ‘authorized persons’. Beside the copyright owner, those to whom the copyright owner has transferred the right of distribution or has given consent are within this scope.⁸

Under Turkish intellectual property law, the exhaustion rule only applies to legitimate copies. Therefore, following the first sale of unlawfully manufactured, pirated, or counterfeit copies, the copyright owner may halt the distribution of such copies and take measures, claiming that his exclusive rights have halt the distribution of such copies and been infringed (FSEK Article 66 et seq.).⁹

2. Scope of exhaustion

Once the distribution right over particular copies is exhausted, the copyright owner may neither halt the distribution nor impose conditions upon future sales of those copies. Thus new owners can then freely trade the copies without interference from the copyright owner.

Even where the distribution right is exhausted, the moral rights remain with the copyright owner

Under Turkish intellectual property law, by the first sale or other transfer of ownership of the particular copies within the domestic market, solely ‘the resale right’ of the copyright owner is exhausted. Nevertheless, the first sale has no exhaustive effect on other financial rights granted under copyright protection. The copyright owner reserves the commercial rights other than the resale right, such as renting, lending, performance, and reproduction rights, even after the

first sale.¹⁰ Accordingly the copyright owner can prevent the new owner’s use of those other commercial rights and also demand additional compensation from the new owner of the copy who has usurped his rights.¹¹

Even where the distribution right is exhausted, the moral rights remain with the copyright owner. In this way, throughout the distribution process, the copyright owner can prevent infringements of moral rights, despite exhaustion.

After the first sale of ‘particular copies’, their resale does not violate the distribution right.¹² After the first sale, only the distribution right over the particular copies involved in that sale is exhausted. In other words, even after the first sale of particular copies, the distribution right of the copyright owner continues to govern copies that have not yet been manufactured or released into the market.

3. Geographic area to which the rule of exhaustion applies

The rule of territorial exhaustion¹³ results in the distribution right of the copyright owner being exhausted solely within the territory of Turkey following first sale in the domestic market. The sale of copies in another country does not however affect the exclusivity of the distribution right of the copyright owner within Turkey. As a result, the copyright owner can prevent parallel importation of the copies that were first sold abroad and restrain their further sale and distribution.¹⁴

Decision 1/95 states that it ‘does not imply exhaustion of intellectual property rights applied in trade relations’ between the parties.¹⁵ Thus the rule of regional exhaustion accepted in the EC is not applicable to the importation and exportation of copyright goods between Turkey and the EC. Accordingly,

Circuit of the Turkish Court of Cassation, 18 March 1999, case 1998/10225, Decision 1999/2320, 2 Batider 193 et seq. (1999).

12 FSEK art 23(2), third sentence.

13 n 5 above.

14 FSEK art 23(2), second sentence.

15 Annex 8, art 10, para 2. For criticism of this regulation, see Kesli, ‘The Role of Exhaustion of Intellectual Property Rights in the Integration; Application of the Principle in the European Internal Market & Turkish Customs Union’, in *Prof. Dr. Erdogan Moroglu’na 65. Yas Gunu Armagani* 432 (Beta, Istanbul 1999) and Pinar, ‘Marka Hukukunda Hakların Tüketilmesi, EFTA Mahkemesi’nin ‘Maglite’, Avrupa Toplulukları Mahkemesi’nin ‘Silhouette’ ve Yargıtay’ın ‘Police’ Kararları Cercevesinde Bir İnceleme’, in *Prof. Dr. M. Kemal Oguzman’ın Anısına Armagan* 894 (Beta, Istanbul 2000).

7 FSEK art 23(2), third sentence.

8 Erel, *Türk Fikir ve Sanat Hukuku*, 145 (2nd edn, İmaj, Ankara 1998).

9 For further information, see *ibid* 148.

10 FSEK art 23(2) third sentence clearly states that the rights of renting and lending are exempt from the scope of exhaustion. This regulation is in conformity with the art 4 of Council Directive 92/100.

11 Tekinalp, *Fikri Mülkiyet Hukuku*, 174. The Turkish Court of Cassation held that, in spite of the first sale, the financial rights of copyright owner other than the distribution right do not exhaust. In this context, the exhaustion of the distribution right does not shield infringement of the right to reproduce the work by the new owner. See the decision of the 11th

on the assumption that the copies of a work which is protected under FSEK are first sold within the borders of the EC, the distribution right over these copies exhausts copyright in all its Member States under the rule of regional exhaustion. In such a case, since the first sale did not take place in Turkey, the distribution right continues to apply for the domestic market (Turkey).¹⁶ Because of this, the copyright owner within the borders of Turkey, where the distribution right is still protected, may prevent the parallel importation of copies from the EC to Turkey.

In contrast, once the first sale of copies occurs in Turkey, the distribution right over these copies is exhausted within Turkey in accordance with the territorial exhaustion rule, but continues to apply for the Member States.¹⁷ Hence, in such a case, their parallel importation from Turkey to the EC can be prevented by the copyright owner within the borders of the EC.

4. Parallel importation of copies

Under Turkish intellectual property law the right to import copies manufactured abroad into Turkey and then distribute them there is granted only to the copyright owner.¹⁸ Thus importation into the domestic (Turkish) market, without the consent of the copyright owner, of copies which were manufactured and acquired outside Turkey is an infringement of the exclusive right of distribution.¹⁹ In such a case, the copyright owner is able to prevent the parallel importation of copies manufactured and marketed in another country by him or with his consent, claiming that his distribution right has been infringed.

The copyright owner's entitlement to prevent parallel importation only applies to legitimate copies manufactured with the copyright owner's permission. In other words, pirate and illegal copies fall outside the scope of parallel importation and the copyright owner cannot prevent their importation.²⁰ In such a case, the importation can only be prohibited by the provisions dealing with copyright infringement.²¹

Under the FSEK, the subject matter of parallel importation is codified as copies 'manufactured

abroad'.²² However, this limitation contradicts the fundamental principle of the rule of territorial exhaustion, which provides that the parallel importation of copies over which the copyright owner has distribution right can be prevented. Marketing abroad those copies that were manufactured in Turkey does not exhaust the distribution right according to Turkish legislation, since the first sale did not take place in Turkey. However, in such a case, the copyright owner within Turkey cannot prevent the parallel importation to the domestic market, of these copies, over which his distribution right is still protected, since the copies were not manufactured abroad.

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The basic criterion of the rule of territorial exhaustion is thus the location of the copies' first sale, not the location of the imported copies' manufacture. Moreover, there is no evidence from the Preamble of the FSEK that the legislature consciously intended to limit the scope of parallel importation through use of the term 'copies manufactured abroad' in place of 'copies, first sales of which were carried out abroad'.

Consequently, taking Turkey's territorial exhaustion rule into account, the criterion of the location of the copies' first sale should also be considered while interpreting this regulation. In other words, it should be understood²³ that the right to prevent parallel importation comprises both the copies manufactured abroad and such copies as were manufactured in Turkey but the first sales of which were carried out abroad.

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¹⁶ Tekinalp, *Gumruk Birliği*, 57.

¹⁷ *Contra* Pinar, Serbest Dolasım, 711 (n 5 above).

¹⁸ FSEK art 23(1), first sentence.

¹⁹ FSEK art 23(2), second sentence.

²⁰ FSEK art 23(2), second sentence.

²¹ FSEK art 66 et seq., especially art 77(2), entitling the copyright owner to claim seizure of the infringing copies at the borders of Turkey by the Customs Office.

²² art 23(2), first and second sentences.

²³ FSEK art 23(2), first and second sentences.