

Turkey Announces Rules for Compensating Employee Inventions for the First Time

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The Industrial Property Law ("**IP Law**") enacted in January 2017 marked the beginning of a new era for intellectual and industrial property rights in Turkey. The country's long discussed patent law practices have experienced substantial changes, including rules for employee inventions. Recent developments also include Turkish legislators announcing calculation methods for compensating employee inventions for the first time. However, these methods could still be clarified further and are the subject of much discussion among the legal community.

Legislative developments for employee inventions

The IP Law and secondary regulations introduced new practices for employee inventions, including new rules for calculating wages for such inventions (Regulation on Employee Inventions, the Inventions made in Higher Education Institutions and Supported by the Public Institutions and Organizations, published in Official Gazette number 30195 on 29 September 2017; "**Regulation**").

According to the IP Law, employees must immediately notify their employer about his/her invention and the employer receives four months to claim the invention.

- If the employer does not claim the invention, or respond to the employee's notification within four months, the invention is deemed to be a "free invention", meaning the employee can register it in their own name, if they wish.
- If the employer claims the invention, it must file a patent application. If the employer fails to file a patent application within four months of being notified by the employee, the employee can file a patent application in his/her own name.

The IP Law also introduced a first filing requirement, whereby the first application for employee inventions must now be made to the Turkish Patent and Trademark Office ("**TPTO**"), rather than international institutions such as the PCT or EPO.

However, enforcing this rule appears problematic, since neither the IP Law nor the Regulation include sanctions for failing to obey this rule, nor address how the parties should notify the authorities, if a breach occurs. Therefore, enforcing the rule will come down to practices adopted by the courts and TPTO.

Prior legislation (decree laws) stated that employees and employers are free to negotiate the terms of compensation for employee inventions and the details of such compensation would be outlined in a later regulation. However, such secondary legislation was never actually enacted. Therefore, the Regulation, published in September 2017, represents an important development in this respect, since it is the first time

that legislators have set down rules in this respect.

Any agreements which cover employee inventions must meet the Regulation's minimum standards. Agreements which are disadvantageous and unfair to employees will be deemed invalid, which automatically makes the wage to be paid to the employee compulsory.

The Regulation states that any established employer practices should remain unchanged, if these are more favourable to the employee than the Regulation. Therefore, employers should closely examine the Regulation to determine whether their current practices are more favourable for employees. Although the legislative provisions state the parties are entitled to freely determine the conditions, the degree of freedom is actually quite limited for employers in practice.

The wage amount for employee inventions will be determined by multiplying the profits obtained from the invention by certain coefficients in the Regulation, depending on the invention's type. The coefficients vary depending on the profit obtained, with the calculation using a progressively lower coefficient as the profit increases.

The Regulation also introduces an "incentive premium", which is an amount an employer must pay if the employee claims full ownership of the invention and makes a patent application. The incentive premium cannot be less than the net minimum wage (1,603 Turkish Lira in 2018) and should be paid within two months of the TPTO's notification about formally examining the invention.

Calculating profit obtained from employee inventions

It can be difficult to foresee the invention's effect on sales and determine the income which will be obtained from commercializing the patent. Therefore, calculating the profit obtained from an invention can be difficult.

The Regulation introduces various options for calculating profit, depending on whether the employee uses the invention.

- **Inventions used by the employee** - Three calculation methods exist for calculating profits:
 - Comparison with a similar free invention,
 - Determining the patent's benefit to the employer, by calculating the difference between the enterprise's costs and revenues, or
 - Estimation (if the other methods are not possible).
- **Inventions not used by the employee** - Profits will be determined based on the license, transfer or exchange agreements made by the employee for the invention. If none of these are available, profit will be estimated.

Types of employee inventions

Employee inventions are divided into three groups, with a different coefficient used to calculate the wage for each:

- **1st Group:** Inventions which are not directly relevant to the employee's field of duty and which the enterprise did not contribute to.

- **2nd Group:** Inventions which arose in response to needs determined by the enterprise, where the enterprise contributed to the invention, but it is not directly relevant to the employee's duties.
- **3rd Group:** Inventions which arose within the employee's duties and the enterprise fully contributed to.

Dispute resolution

The Regulation introduces arbitration for disputes, in line with relevant provisions of the Code of Civil Procedure number 6100 and Code of International Arbitration number 4686.

Disputes can be escalated to arbitration if the parties cannot resolve conflicts about methods and payments within two months of the employee notifying the employer.

Higher education institutions

Profits obtained from an invention developed within a higher education institution are determined as the sum of profits obtained from the use, license, transfer, exchange, or other commercialization methods.

The fee paid to an inventor within higher education institutions must be at least one third of the profit obtained.

If a higher education institution uses the invention itself and does not commercialize it in other ways (such as licensing), the fee will be paid to the inventor only once and is capped at maximum ten times of the employee's monthly salary.

Disputes will be resolved by the courts if the parties cannot resolve conflicts about payment methods and amounts within two months of the date which the higher education institution starts to benefit from the invention.

Public scholarships or grants supporting experimental work

For the Regulation to apply to inventions supported by public institutions and organizations, a signed cooperation support agreement must exist (for example, a scholarship or grant to conduct experimental work).

In this context, the inventor must notify the institution within one year whether he/she claims ownership rights for the invention. If the inventor does not claim ownership, the institution receives ownership rights free of charge. If the inventor does claim ownership, the institution is entitled to license the invention free of charge, within the scope of its purposes.

Conclusion

The Regulation represents the first time which Turkish legislators have published rules for calculating compensating employee inventions. However, the calculation methods could be clarified further and are the subject of much discussion among the legal community.

Similarly, both the IP Law and Regulation are silent on many important points which will arise frequently in legal practice. Key issues which remain unaddressed include:

- Interpreting the parties' freedom to determine conditions.
- Dealing with circumstances where an employment relationship ends before the patent expires.
- Calculating the wage if commercialization or the patent registration process takes a long time.

Since these issues are not addressed by primary or secondary legislation, practices developed by the TPTO and the courts will be of utmost importance

Regardless, all employers and higher education institutions should consider the topic of employee inventions closely and plan a compliance project, to update current practices and agreements to ensure these comply with recently introduced liabilities.

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