

*Stefan Despot**

THE ISSUE OF PATENT OWNERSHIP OVER INVENTIONS CREATED UNDER EMPLOYMENT CONTRACT ON THE TERRITORY OF THE EUROPEAN UNION

With globalization, intellectual property has become one of the more profitable activities, leading to increasing of competition and elevating standard quality of intellectual goods. For such purposes, business enterprises started to hire inventors, thus leading to most of inventions being created under employment relationship. Although as frequent as it is, it cannot be said that it is regulated with consistence. If the comparison is made between Member States of the European Union, it can be concluded that there are plenty of different solutions on domestic level. Considering all discrepancies, the European Union does not have an easy task before itself when it comes to harmonization of this issue. In order to fully grasp the passive stance the European Union has taken on this issue, the author firstly reflected on the sources of law of patent protection in the EU and the lack of harmonization regarding basic principles on this matter. Later on, the author proceeded to analyze how this issue would be interpreted from the aspect of private international law. In the end, the author suggested some measures the EU can take. Here, the author also presented dilemmas that await the European Union on path of harmonization.

Key words: *Patent. – Labor law. – Intellectual property. – European Patent. – Employment relationship. – Remuneration. – Harmonization.*

* The author is Master of Laws of European Integrations at the Faculty of Law, University of Belgrade, despotbeogradstefan@gmail.com (Republika Srbija)

1. INITIAL REMARKS

Throughout history, intellectual goods were mostly created by individuals at their own expense, and cases of intellectual goods created in employment contract were not that often. In first case, everyone had the chance to enjoy profits from their own labor. However, this has changed with expansion of economy and realization that innovation is profitable to individual revenues.¹ Individuals with capital in attempt to secure and increase their revenue started to invest in creative work (mostly inventions) and to hire people with innovative ideas so they could in the end make profit out of those innovations.

That has lead to currently most often situation where intellectual property is mostly created within employment contract.² However this situation is seldom clear from the beginning, which is the reason why it is currently most litigated issue in the area of intellectual property.³ It has to do with the fact that employer and employee both find themselves entitled to revenue out of profitable idea, thus their rights need to be differentiated from the beginning.⁴ At first glance, it seems that this issue only affects biotech companies, record labels or movie studios, but there are other industries affected by this such as food service, distribution, oil field industry etc.⁵

In this case, two completely separate branches of law are intertwined, which ads a confusion regarding what regime should be applied.⁶ On one hand, we have intellectual property law which provides that creators are vested with rights over their intellectual creations.⁷

1 Commission of the European Communities, Promoting innovation through patents – Green Paper on the Community patent and the patent system in Europe, 314 final, Brussels 1997, 1; S. Jelisavac, *Intelektualna svojina*, Belgrade 2006, 49.

2 M. C. Maloney, T. J. McGoey, “IP Issues in Employment Law”, *Intellectual Property Deskbook for the Business Lawyer: A Transactions-based Guide to Intellectual Property Law* (ed. S. K. Sandeen), American bar association, Chicago 2007, 27.

3 *Ibid.*

4 *Ibid.*

5 *Ibid.*

6 V. Spasić, Lj. Stefanoski, “Pravni režim autorskih dela stvorenih u radnom odnosu u pravu Srbije i Makedonije”, *Zbornik radova Pravnog fakulteta u Nišu* 63/2012, 169–185, 170.

7 The Protection of Salaried Authors and Inventors, International Labor Organization – Tripartite Meeting on Salaried Authors and Inventors, Geneva 1987, 9.

This is additionally emphasized in the case of copyright, where the protection is provided on informal basis, i.e. it is not dependent on any kind of formal procedure of ownership recognition as it is case with any kind of industrial property.⁸ This informal protection has its roots in recognizing the authorship as a fundamental human right on multiple occasions.⁹

On the other hand, labor law provides that employers are granted ownership over creations of their employees.¹⁰ With employment contract, the employer provides the employee with regular payment in exchange for work, which includes also intellectual and immaterial work as only a segment of work that employee is obligated to provide.¹¹

Here, the synthesis of both branches is necessary, since we have colliding interests of the employer and the employee. On one side of the scale we have interests of the employer who provided the resources for creation of an intellectual good for which he has to be credited, thus application only of intellectual property law principles which solely credit the employee as the creator cannot be accepted.¹² This goes in line with those scholars that stand for the application of labor law principles only, emphasizing the importance of employer-employee relationship.¹³ On the other side of the scale, sole application of labor law principles is also not appropriate since it is in the end the intellectual work of the employee that lead to creation of certain good, and for the purposes of future progress, the employees being the actual creators have to be motivated for further increase of productivity (usually by

8 Z. Miladinović, "Autorsko delo stvoreno izvršenjem ugovora o radu", *Zbornik radova XXI vek – vek usluga i uslužnog prava*, 2013, 99–113, 101.

9 United Nations, Universal Declaration of Human Rights, *UN General Assembly Resolution A/RES/3/217A*, December 1948, art. 27; International Covenant on Economic, Social and Cultural Rights, *UN General Assembly Resolution A/RES/2200A(XXI)*, December 1966, art. 15; Charter of Fundamental Rights of the European Union, 2012/C 326/02, *Official Journal of the European Union*, C 326/391, art. 17.

10 International Labor Organization – Tripartite Meeting on Salaried Authors and Inventors, *The Protection of Salaried Authors and Inventors*, Geneva 1987, 9.

11 Z. Miladinović, *op. cit.*, 101.

12 International Labor Organization – Tripartite Meeting on Salaried Authors and Inventors, *The Protection of Salaried Authors and Inventors*, Geneva 1987, 9.

13 Lj. Stefanovski, M. Ignjatović, "Načini za regulisanje prava intelektualne svojine nastalih u okviru radnog odnosa", *Pravni život* 11/2014, 695–703, 697.

providing with mandatory remuneration provisions).¹⁴ In the end, the synthesis is necessary for both sides to be properly protected, where the employer should be credited for its investment, while the employee should not be left solely in grace of the employer. Synthesis also has correcting properties, since involvement of one branch prohibits one stakeholder to be excessively favored over the other.¹⁵

This issue is even more amplified on international level since there is no uniform solution (not even on the level of European Union). Not only that states are different from each other with their stance of this issue, but solution may be different on the level of different intellectual goods under the law of one Member State, e.g. invention created within employment contract may be regulated while the same situation with copyright is not. This is also the issue with legislation of the European Union. Patent ownership in case of employment is not even covered by any measure of the EU, where instead it is barely addressed in the Convention on the Grant of European Patents (hereinafter referred to as “*European Patent Convention*”) and left to the grace of private international law.¹⁶ Similar solution is provided for plant varieties created under employment contract where it is also left to the matter of private international law to be further regulated, but at least by the article 11 of Regulation on the Community plant variety rights which represents the measure taken by the European Union.¹⁷ The European Union in the article 3 paragraph 2 of the Directive on the legal protection of topographies of semiconductor products only recognizes the sensitivity of this issue, but chooses not to impose any obligatory provisions and leaves the freedom to Member States to regulate this issue as they please.¹⁸

On the other hand, the European Union has provided with more firm provisions on the plan of design and copyright over computer programs. In case of design, the EU in the article 14 of Community

14 *Ibid.*

15 V. Spasić, Lj. Stefanoski, *op. cit.*, 171.

16 Convention on the Grant of European Patents – EPC, *Official Journal of the of the EPO, Special edition No. 4*, art. 60.

17 Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, *Official Journal of the European Communities*, No L227/1, art. 11.

18 Council Directive of 16 December 1986 on the legal protection of topographies of semiconductor products, *Official Journal of the European Communities*, No L 24/36, art 3.

Design Regulation has at least pointed toward their stance on the issue, still leaving Member States enough freedom to provide with the opposite solution.¹⁹ As for the copyright over computer programs, article 2 paragraph 3 of Computer Programs Directive, provides with the firmest solution, since there is no discretion left to Member States when it comes to determining the ownership.²⁰

Differentiation between different intellectual goods is neither sustainable nor just, especially in cases where employees would be subjected to different regimes only on the basis that they created different intellectual good. Due to the significance of intellectual property, such as strengthening the economy and positive effect on cultural life and living standard, provisions covering intellectual property rights have to be liberated from legal uncertainty and unequal treatment.²¹ That also applies to this specific issue. The regime should be the same regardless, since these cases all have one point in common, they are all intellectual goods created under employment contract. With this being said, it can be noticed that the gap between the creator and the owner has never been conspicuous as it is now.²²

2. EUROPEAN UNION'S LEGAL SOURCES COVERING OVERALL PATENT PROTECTION

The European Union has always considered innovation as vital for success in age of modern economy.²³ This comes from undisputed fact that selling new and innovative products with knowledge that is not accessible by everyone grants economic advantages and more market expansion opportunities.²⁴ The profitability from patent does not

19 Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs – CDR, *Official Journal of the European Communities*, L 3/1, art. 14.

20 Directive 2009/24/EC of the European Parliament and the Council of 23 April 2009 on the legal protection of computer programs (Codified version) – CPD, *Official Journal of the European Union* L 111/16, art 2.

21 D. Janković, “Međunarodna zaštita prava intelektualne svojine”, *Međunarodni problemi*, Vol. LXV, No. 4/2013, 509–536, 510.

22 C. L. Fisk, *Working Knowledge: Employee Innovation and the Rise of Corporate Intellectual Property, 1800–1930*, North Carolina 2009, 2.

23 Commission of the European Communities, Promoting innovation through patents – Green Paper on the Community patent and the patent system in Europe, 314 final, Brussels 1997, 1.

24 *Ibid.*

come only from the sales of innovative products, but also from the fact that patent actually grants the inventor the opportunity to restrict others from accessing those benefits for long period of time.²⁵ However, even with this realization, the European Union had only recently made further steps towards more unified patent system. Currently, there are three different patent systems coexisting in Europe, which are: national patent system, European patent system and Unitary patent system.²⁶ This coexistence cannot in any way be considered as economically efficient or beneficial.²⁷ The European Community must work towards removing remaining political and practical obstacles, which will not happen until the patent system in Europe is not fundamentally reorganized.²⁸ Otherwise, the significant gap in the patent system of the EU will remain, which would further damage the maintenance of single market and free movement of goods.²⁹

The efforts of the European Union to establish uniform law that governs patent is evident from “patent package” consisted of two regulations and an agreement.³⁰ The “patent package” is consisted of: Regulation on implementing enhanced cooperation in the area of the creation of unitary patent protection³¹ (hereinafter referred to as “*Unitary Patent Regulation*”), Regulation on implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements³² (hereinafter referred to as “*Translation Regulation*”) and Agreement on a Unified

25 F. Munari, R. Oriani, *The Economic Valuation of Patents: Methods and Applications*. Cheltenham 2011, 293.

26 C. Geiger, *Constructing European Intellectual Property: Achievements and New Perspectives*, Cheltenham 2013, 19.

27 *Ibid.*

28 Commission of the European Communities, Promoting innovation through patents – Green Paper on the Community patent and the patent system in Europe, 314 final, Brussels 1997, 1.

29 S. Luginbuehl, *European Patent Law: Towards a Uniform Interpretation*, Cheltenham 2011, 252.

30 “Unitary Patent, Internal Market”, available at: https://ec.europa.eu/growth/industry/intellectual-property/patents/unitary-patent_en, 6 June 2019.

31 Regulation (EU) No 1257/2012 of the European Parliament and the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection – UPR, *Official Journal of the European Union*, L361/1.

32 Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection

Patent Court³³ (hereinafter referred to as “*Unified Patent Court Agreement*”). Although the necessary legislation is present, it cannot be stated that harmonization in the EU on the field of patent protection is fully harmonized or established due to two reasons. First reason is that agreement on a Unified Patent Court is still not ratified by sufficient number of Member States, which represent the obstacle for the rest of the “patent package” to be applicable.³⁴ Second reason is that not all Member States (Spain and Croatia) are participating in establishment of Unitary patent based on enhanced cooperation.³⁵ Thus, the term “community” has been replaced by term “unitary”.³⁶

On the other hand, there is the European Patent Convention. Although, it is not a measure that could be associated with the European Union, its significance cannot be ignored for several reasons. First, all Member States of the EU are parties to the European Patent Convention.³⁷ Second, material law in all Member States is harmonized in such manner that it affects patent legislation on the level of the EU, which is evident from the references in Unitary Patent Regulation,³⁸ Translation Regulation³⁹ and Unified Patent Court Agreement.⁴⁰ Third, until the ratification of Unified Patent Court Agreement, this system is the closest substitute to truly unified patent system on the territory of the European Union.

with regard to the applicable translation arrangements – TR, *Official Journal of the European Union*, L 361/89.

33 Agreement on a Unified Patent Court – UPCA, *Official Journal of the European Union*, C 175/1.

34 UPR, Art. 18; TR, Art. 7.

35 S. M. Marković, D. V. Popović, *Pravo intelektualne svojine*, Belgrade 2014, 362.
36 *Ibid.*

37 G. Moens, J. Trone, *Commercial Law of the European Union*, London 2010, 275.

38 UPR, Art. 1.

39 TR, Art. 2.

40 UPCA, Art. 24.

3. ENTITLEMENT TO PATENT PROTECTION OF INVENTIONS CREATED UNDER EMPLOYMENT CONTRACT

As aforementioned, most intellectual goods nowadays are created within employment contract, and inventions are no exception. Statistics indicate that 90% of patent applications are filed by companies instead by individuals.⁴¹ Today, the nature of inventive work has changed. Inventive work is a business that is mostly conducted by companies which are capable of performing it in planned and systematic manner.⁴² This is all due to the fact that better supplied laboratories and other kind of resources which can be financially provided only by companies, are now more than necessary for any kind of research to be conducted.⁴³ It is evident that this issue is more than significant to be ignored.

However, that is exactly what international community opted to do. Most of international legal sources are silent on this matter, such as Paris Convention or TRIPS Agreement.⁴⁴ The only international document that mentions anything regarding this issue is European Patent Convention.⁴⁵ However, even the European Patent Convention was not much of a milestone on the path of harmonization when it comes to resolving this dispute since it only presents a conflict provision which further points to national laws of participating states.⁴⁶

41 M. C. Janssens, "EU perspectives on employee's inventions", *Business Innovation and the Law: Perspectives from Intellectual Property, Labor, Competition and Corporate Law* (eds. M. J. Pittard, A. L. Monotti, J. Duns), Edward Elgar Publishing, Cheltenham 2013, 111.

42 M. Janjić, *Pravni režim pronalazaka stvorenih u radnom odnosu*, University of Belgrade, Faculty of Law, Belgrade 1964, 274.

43 *Ibid.*

44 K. Bartenbach, F. E. Volz, M. J. Goetzmann, "Effects of the German Law on Employee's Inventions when Posting Employees Within the European Union", *Patents and Technological Progress in a Globalized World: Liber Amicorum Joseph Straus*, Springer, Heidelberg 2008, 307–328, 308.

45 EPC, Art. 60.

46 I. Muir, M. B. Dohrn, S. Gruber, *European Patent Law: Law and Procedure Under the EPC and PCT*, Oxford 2002, 210.

3.1. Current framework

This issue is not even mentioned in European Union's "patent package", nor is it harmonized between Member States by any other means. Currently, such differences present in national laws of Member States are so extreme that we have situations where on one hand this issue is regulated in such detail (e.g. Germany), while on the other in some other Member States this issue is not regulated at all (e.g. Belgium).⁴⁷ The European Union has only recognized the phenomenon in European Commission's Green Paper on the Community patent and the patent system in Europe, but it did not provide any further action after that.⁴⁸ However, it is worth mentioning that this exactly the same formulation can also be found in the article 4 paragraph 2 of the Proposal for the Original Community Patent Regulation, which was not adopted in the end.⁴⁹

The only manner to address this issue on the whole territory of the European Union is to refer to European Patent Convention. Although, it is not the measure conducted by the European Union itself, the significance of European Patent Convention for the Member States of the EU cannot be ignored due to aforementioned reasons, especially the fact that all of them are also participating states of European Patent Convention.

Article 60 paragraph 1 of the European Patent Convention states the following:

*"The right to a European patent shall belong to the inventor or his successor in title. If the inventor is an employee, the right to a European patent shall be determined in accordance with the laws of the State in which the employee is mainly employed; if the State in which the employee is mainly employed cannot be determined, the law to be applied shall be that of the State in which the employer has the place of business to which the employee is attached."*⁵⁰

47 A. Jolly, *Business Insights: Europe: A Practical Guide to Company Formation, Employment Law and Taxation Across the EU*, London 2009, 41.

48 Commission of the European Communities, Promoting innovation through patents – Green Paper on the Community patent and the patent system in Europe, 314 final, Brussels 1997, 17.

49 Proposal for a Council Regulation on the Community Patent (2000/C 337 E/45), *Official Journal of the European Communities*, C 337 E/278, art. 4.

50 EPC, Art. 60.

This article does not by itself regulate the relationship between employer and employee regarding inventions created within employment contract, but it merely indicates the applicable national law in case of such dispute, thus making it completely a private international law related issue.⁵¹ From the point where the applicable law is indicated, this issue will be resolved only by further application of private international law principles present in indicated national law. This will lead to new set of problems, such as interpreting and defining elemental terms, which differ between Member States.

Also, this provision bears significant limitations, since it only addresses the ownership of European patent and not rights conferred by it.⁵² Other issues such as assignment of rights or remuneration will be handled in accordance with applicable national law.⁵³ Also, this article does not cover ownership disputes regarding national patents, thus the issue on national level will be regulated by applicable national law and its private international law principles from the start.⁵⁴ Due to these limitations it can even be concluded that European Patent Convention does not provide with significant help in establishing legal certainty in this case.⁵⁵

3.2. *Issues regarding determination of applicable law*

In order to move on to all possible scenarios that can appear in this dispute, the issue of determining what is considered an employees' invention must be dealt with first. Member States have different understanding when it comes to categorizing employees' inventions. Some of them distinguish two categories, others may only prescribe one, while the most often case is that there are three defined categories ("free invention", "service invention" and inventions "in between").⁵⁶ Usually, service inventions are defined as those inventions created during employment agreement or while performing all contractual duties from

51 M. C. Janssens, *op. cit.*, 112.

52 EPC, Art. 64.

53 K. Bartenbach, F. E. Volz, *op. cit.*, 309.

54 M. C. Janssens, *op. cit.*, 113.

55 *Ibid.*

56 S. P. Ladas, *Patents, Trademarks, and Related Rights: National and International Protection, Volume 1*, Massachusetts 1975, 324.

that agreement, while all other inventions are free inventions.⁵⁷ That third “in between” category is usually consisted of inventions created outside employee’s duties but created by using knowledge, techniques, methods or resources of employer or by data provided by employer.⁵⁸ For example, Germany only recognizes service and free inventions, where those “in between” inventions are integral part of service inventions.⁵⁹ On the other side, there is the law of France that recognizes all three categories, but uses different terminology (“mission inventions”, “non-mission inventions” and “free inventions”).⁶⁰

Before clarifying all points of contact provided by Article 60 of European Patent Convention, the significance of employment contract regarding patent ownership must be explained. In most of the Member States of the EU, rule where the employer is granted ownership over inventions created under employment contract is considered as a general rule.⁶¹ However, this rule in some member states can be bypassed by stipulating the opposite solution in employment contract (e.g. Sweden, United Kingdom).⁶² Also, scenario that can appear is that the contract only directs to the applicable law. Internationally speaking, the autonomy of choice is an accepted principle due to its ability to simply overcome all difficulties present in determining applicable law.⁶³

However, it cannot be stated that it has the most significance in the case of ownership of European patent, since according to the article 60 of European Patent Convention, the contractual choice of law is not presented as point of contact at all, where the first point of contact is the state where employee is mainly employed.⁶⁴ Thus, the outcome in

57 D. G. Bucknell, *Pharmaceutical, Biotechnology, and Chemical Inventions: World Protection and Exploitation, Volume 1*, 161.

58 M. C. Janssens, *op. cit.*, 114.

59 D. G. Bunckell, *op. cit.*, 161.

60 M. Peberdy, A. Strowel, “Employee’s rights to compensation for inventions – a European perspective”, *PLC Cross-border Life Science Handbook 2009/2010*, 2009, 63–70, 66.

61 Commission of the European Communities, Promoting innovation through patents – Green Paper on the Community patent and the patent system in Europe, 314 final, Brussels 1997, 17.

62 K. Rosenblum, *Intellectual Property Law In The European Community: A Country-by-country Review*, World Trade Executive Inc. 2004, 197.

63 T. Varadi, G. Knežević, B. Bordaš, V. Pavić, *Međunarodno privatno pravo*, Beograd 2017, 372.

64 EPC, Art. 60.

these cases all depends on what the applicable law's stance is on the role of the autonomy of choice when it comes to determining applicable law, and whether this issue is understood as an intellectual property matter or as a labor law matter, since those two outcomes greatly differ. What is colliding in this case are principles of labor law where the employer is entitled to results of his employees' labor and intellectual property law's "inventor principle" where the original inventors enjoy all rights from their labor.⁶⁵ It is an internationally accepted principle that employment regime in this case is more applicable than principles governing intellectual property rights, especially regarding employees' remuneration rights.⁶⁶ Thus, the faith of the contract that directly prescribes who enjoys the patent protection or stipulates the applicable law will solely depend on the stance of first law indicated by article 60 of European Patent Convention.

Also, in the case of existence of contract, the significance of Regulation on the Law Applicable to Contractual Obligations (hereinafter referred to as "*Rome I Regulation*") cannot be ignored. Article 8 of Rome I Regulation does not provide the absolute autonomy of choice when it comes to stipulating applicable law.⁶⁷ Limitation that is present here is that all mandatory provisions of applicable law in case of absence of choice (i.e. the law of the state where employee habitually carries out his work in accordance with employment contract) cannot be derogated by the contract.⁶⁸ This adds another layer to the issue of contract application since provisions such as ownership or remuneration rights may or may not be considered as mandatory between Member States, or even between scholars.⁶⁹

As aforementioned, article 60 of European Patent Convention has to be consulted in the first place, while the contract is taken into account later on, depending on the stance of indicated national law. Points of contact provided by the European Patent Convention are: first, participating state where the employee is mainly employed; sec-

65 M. C. Janssens, *op. cit.*, 111.

66 K. Bartenbach, F. E. Volz, *op. cit.*, 315.

67 Regulation (Ec) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) – Rome I Regulation, *Official Journal of the European Union*, L 177/6, Art. 8.

68 *Ibid.*

69 J. J. Fawcett, P. Torremans, *Intellectual Property and Private International Law*, New York 2011, 731.

ond, participating state where the employer has the place of business to which employee is attached.⁷⁰

It can be noticed that these two points of contact are formulated in similar manner as in article 8 of Rome I Regulation when it comes to determining applicable law to employment contracts.⁷¹ Thus, interpretations of Rome I Regulation and related case law of EJC will provide with great assistance in clarifying these points of contact.

As for the first point of contact i.e. state where the employee is mainly employed, in order to fully understand this point of contact, meaning of term “employee” must be first defined. However, on the level of EU it cannot be stated that there is a uniform definition as such. Depending on the context, different definitions, terminology and methods have been used to define this term, not only by the ECJ, but by different regulations and directives as well.⁷² The ECJ has made significant attempts to define it, but mostly in aspect of free movement of workers prescribed by article 45 of Treaty on Functioning of the European Union (hereinafter referred to as “TFEU”).⁷³ In all other aspects in rest of directives, the matter of defining is left to Member States. The best examples of such is article 2 of Directive on approximation of the laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of undertaking or businesses⁷⁴ (hereinafter referred to as “*Acquired Rights Directive*”) and article 2 of Directive concerning the posting of workers in the framework of the provisions of services⁷⁵ (hereinafter referred to as “*Posted Workers Directive*”). It is interesting to notice how this method of defining the term “employee” is sometimes in accordance with ECJ jurisprudence and on other occasions in contrast to the ECJ case law on article 45 of TFEU regarding free

70 EPO, Art. 60.

71 Rome I Regulation, Art. 8.

72 A. C. L. Davies, *EU Labor Law*, Cheltenham 2012, 174.

73 *Ibid.*

74 Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses, *Official Journal of the European Communities*, L 82/16, Art 2.

75 Directive 96/71/EC of the European Parliament and the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services, *Official Journal of the European Communities*, L 18/1, Art 2.

movement of workers, where ECJ supported the point that the term should have uniform meaning.⁷⁶ Another layer to this contradiction is added by the fact that Commission has pointed several times that uniform definition should be established for the purposes of EU labor law.⁷⁷ Due to all of these inconsistencies, it can be concluded that even the ECJ has not established uniform definition, but instead ECJ defines the term in accordance with circumstances at hand, which cannot be applied in other aspects of labor law later on. This leads to another set of problems regarding the qualification of the term employee, since the task of defining the term is in most cases left to Member States. Some member states have narrow definitions of term “employee” (e.g. United Kingdom) which could exclude some individuals from enjoying employment regime, while others may have to broad definition where even in some cases self-employed individuals are included under the scope of labor law.⁷⁸

In order to determine the place where employee is mainly employed, taking into account only one criteria is not going to cut it. It is necessary to consider all facts of the case at hand in order to determine the real place where employee is mainly employed. This case does not provide with any hardship when we have an employee that constantly works in one state. However, it gets complicated when an employee carries out his work in more than one state. For example, in case of sales manager who on one hand organizes work in one place, but makes frequent business trips to other states, criteria for determining the state of employment would be the one where employee has established the effective center of working activities i.e. the permanent center in this case would be the place where employee organizes work.⁷⁹

On the other hand, we have employees that constantly spend their working hours on trip between several countries such as a cook on the cruises. In this case, since we do not have permanent center of activities, the criteria that would additionally be applied is time criteria i.e. where has the cook been working for the longest.⁸⁰ The best

76 C. Barnard, *EU Employment Law*, Oxford 2012, 602.

77 B. Bercusson, *European Labour Law*, New York 2009, 650.

78 A. C. L. Davies, *op. cit.*, 176–177.

79 I. Carr, P. Stone, *International Trade Law*, New York 2013, 557.

80 S. Hardy, M. Butler, *European Employment Laws: A Comparative Guide*, Ongar 2011, 24.

illustration for this is the *Koelzsch v Luxembourg* case of ECJ. In this case ECJ held that the state where heavy goods vehicle driver habitually carries out his work must be understood as a place where employee actually carries out his work as some kind of center of activities, while in the absence of such center, the place where employee carries out the majority of activities would be sufficient.⁸¹ Some of the criteria that have been taken into account in this case is the place from which employee carries out his transport tasks and from where he receives instructions, the place where employees tools are located and the place where the employee returns after completing a task.⁸² In the end, the court and the advocate general have concluded that all factors which characterize the activity of employee must be taken into account.⁸³

Another scenario that can arise is the secondment of employee. In this case, we have an employee being transferred from one state to another for certain amount of time. In this case, the employee gets another center of activities. However, according to the article 8 of Rome I Regulation, state where work is habitually carried out will not be changed in case of temporary employment in another country.⁸⁴ In this case, the criterion is not the time itself (it is not relevant for how long does secondment last), but whether it is stipulated in the contract that employee will definitely return after certain period of time.⁸⁵

The state where the employer has the place of business to which employee is attached as a point of contact will be referred to only in cases when the state where employee is mainly employed cannot be determined. Just like with the term “employee”, the term “employer” has not been provided with uniform definition either, but it is also left to Member States to solve in most cases.⁸⁶ However, there have been some attempts on the level of European Union to do so. The best illustration of such is Directive on the introduction of measures to encourage improvements in the safety and health of workers at work (hereinafter

81 I. Carr, P. Stone, *op. cit.*, 557.

82 Judgment of the Court (Grand Chamber) *Heiko Koelzsch v État du Grand-Duché de Luxembourg* (*Koelzsch v Luembourg*) 2011 C-29/10, Reports of Cases 2011 I-01595 (March 15).

83 *Ibid.*

84 Rome I Regulation, Art. 8.

85 K. Bartenbach, F. E. Volz, *op. cit.*, 310.

86 A. C. L. Davies, *op. cit.*, 226.

referred to as “Health and Safety Framework Directive”) has defined employer as any natural or legal person who has an employment relationship with the worker and has responsibility for the undertaking and/or establishment.⁸⁷ However, this definition is also not uniform, and cannot be applied for other aspects of labor law.

This point of contact can be considered as a perfect substitute to previous one, since its simplicity offers final conclusion to already complicated case of determining the place where employee is mainly employed. It entails that now contact point is the place of business of employer, which does not change as often as the place of employee. Thanks to the term “engaged”, this point of contact is not attached to employees’ place of work, but rather it refers to the conclusion of the employment contract itself.⁸⁸ Now, less circumstantial criteria is applied, such as conclusion of the contract, place of business that published the recruitment notice or the place that has carried out the recruitment interview.⁸⁹ Also, the employer’s place of business does not need to have legal personality, thus undertakings such as subsidiaries, branches or offices where the employee was hired would be considered as relevant place of business.⁹⁰ The stable structure of such place is necessary, thus agents from undertakings from other states who appeared only for the purposes of hiring the employee will not be considered as place of business.⁹¹

However, this does not mean that this point of contact is free of any complication. Although it rarely appears, this issue can get additionally complicated if the employee is in two different employment relationships governed by two different legal systems, where the invention was made under instructions of one employer, but by know-how or resources from another employer.⁹² Due to all differences between Member States, the choice of applicable law can have significant impact on the outcome, since approaches regarding the qualifications of

87 Council Directive of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work (89/391/EEC), *Official Journal of the European Communities*, No L 183/1, Art 3.

88 I. Carr, P. Stone, *op. cit.*, p. 558.

89 P. Stone, *EU Private International Law: Third Edition*, Cheltenham 2014, 214.

90 *Ibid.*

91 I. Carr, P. Stone, *op. cit.*, 558.

92 K. Bartenbach, F. E. Volz, *op. cit.*, 325.

invention, patent ownership and remuneration.⁹³ There is no uniform solution on the level of EU nor in the European Patent Convention for this issue, thus it is considered as big legal gap that is recommended to be remedied.⁹⁴

4. FURTHER HARMONIZATION DILEMMAS

As mentioned above, despite all difficulties in determining patent ownership and despite all discussions held on international level and regional level of EU, harmonization of national laws on this matter is still left on unsuccessful attempts.⁹⁵ However, it is also interesting to notice that not only Member States cannot agree whether harmonization is beneficial or not, but scholars cannot reach an agreement on the matter either. Those opposed to harmonization, finding it unnecessary and useless, mostly call upon the fact that current systems operate properly since there are not many legal proceedings involving this issue.⁹⁶ Due to the fact that in most cases employees intentionally stay silent forced by their wish not to jeopardize their jobs because of asymmetry of power in employment relationship, it is actually impossible to state that systems operate effectively without new empirical research.⁹⁷ On top of that, inventor employees from small or medium size enterprises are in fact not aware of their rights of patent ownership in most of the cases.⁹⁸

Those in favor of harmonization usually present two arguments. First of the arguments would be establishing legal certainty. All differences regarding ownership and remuneration issues present among Member States and sole reliance on principles of private international law mostly affect multinational companies that need to form their policies regarding the ownership over intellectual goods created within employment contract in advance.⁹⁹ On top of that, additional uncertainty is increased by the fact that this issue is granted mandatory char-

93 *Ibid.*, 324.

94 *Ibid.*, 326.

95 M. C. Janssens, *op. cit.*, 116.

96 *Ibid.*, 120.

97 *Ibid.*, 121.

98 *Ibid.*, 118.

99 *Ibid.*

acter depending on a country.¹⁰⁰ Second argument presented in favor of harmonization would be establishment of equal treatment. This is especially relevant for cases where we have multinational companies with many subsidiaries and several employees working on a common project, but different national laws are applicable for different employees. In case of an invention resulting from this project, those employees would be subjected to different national rules.¹⁰¹ This automatically leads to inconsistent and unjust treatment that can survive no longer in order for innovation to be promoted.

If this issue is to be harmonized between Member States, the European Union has to consider what course of actions it will take. Existing dilemmas before the EU legislator are of instrumental, as well as material nature. Instrumental dilemmas entail what kind of legal instrument the EU use and what scope such instrument should cover. On the other side are material dilemmas which include deciding on who should be vested with patent ownership and what the stance of the EU on remuneration should be.

4.1. Instrumental dilemmas

Regarding the nature of legal instrument that is to be used to regulate this issue, the European Union has great disposal which goes from non binding recommendations and opinions all the way through to binding decisions, directives and regulations.¹⁰² The instrument will be chosen depending on the delicacy of the issue and how aggressive does the EU legislator intends to act. On one side of the scale, if the EU chooses to be cautious, the EU legislator might show more tendencies towards the least aggressive instruments, which are recommendations.¹⁰³ However, due to their non binding character, it cannot be said that they usually provide with wanted effect.¹⁰⁴ On completely opposite side of the scale, there are binding regulations with their direct effect as the most aggressive measure.¹⁰⁵ Due to far reaching differences between

100 *Ibid.*

101 *Ibid.*

102 H. Lelieveldt, S. Princen, *The Politics of the European Union*, Cambridge 2015, 13.

103 M. C. Janssens, *op. cit.*, 121.

104 *Ibid.*

105 C. J. M. Smith, *Direct Effect Of European Law*, Luxembourg 2013, 24.

Member States' laws on the topic of patent ownership that could not be exceeded over night, it cannot be stated that this would be the most appropriate choice, but a premature and hasty one instead.¹⁰⁶ Since this is very touchy subject, more balanced solution needs to be applied. This would be best accomplished with directives, which are legislative instrument with goal to harmonize, or even unify national laws, depending on how much discretion is left (or is not left) to Member States.¹⁰⁷ Since they do not have direct effect, they need to be implemented by Member States, which cannot happen immediately, leaving Member States additional time to provide with best possible solutions to implement them in their setting.¹⁰⁸ The proof of directive efficiency would be experiences from Trademark Directive and Designs Directive.

As for the second dilemma i.e. the scope of such instrument, if it is directive the EU legislator has chosen, further choose that has to be made is whether this issue will be regulated with fully statutory regime, with little to no discretion given to Member States when it comes to implementation, or whether there would be only minimal provisions with only precise mandatory principles, giving more options to Member States to enact additional provisions if they intend to.¹⁰⁹ Due to existing differences, it may be advised by the scholars to opt for providing with minimal principles and to try to harmonize and not to unify national laws of Member States by force. However, this minimalistic approach can in no way presume that directive should be limited only to vague concepts, but instead it should use precise and clear terms which would prohibit Member States from amending their laws in any other direction other than the one provided by the directive.¹¹⁰

4.2. Material dilemmas

In order for the EU legislator to solve this issue in fair and just manner, balance between two opposite interests must be struck.

106 M. C. Janssens, *op. cit.*, 122.

107 K. B. Woelki, *Unifying and Harmonising Substantive Law and the Role of Conflict of Law*, Hague 2010, 41.

108 A. Jolly, *The Handbook of European Intellectual Property Management: Developing, Managing and Protecting Your Company's Intellectual Property*, London 2012, 6.

109 M. C. Janssens, *op. cit.*, 123.

110 *Ibid.*

Interests that are colliding in this case are the interests of a employer and of an employee, since none of the invention created under employment contract are not solely as a result of employees' contribution, but the employer's contributions (e.g. know how, resources, investments, etc.) have to be taken into account as well. The EU has hard assignment ahead of it since every effort must be rewarded, without stifling the desire to innovate.¹¹¹

With that being said, the first issue of material nature that needs to be resolved is who should be vested with patent protection. Depending on a Member State, employer can acquire patent protection in number of different ways.¹¹² Usually, those ways would be either by automatic transfer in accordance with some statutory provisions or by contractual mechanisms of transfer of rights.¹¹³ However, this is not that big of an issue to be solved, since in Europe it is general rule that inventions made under employment contract belong to the employer.¹¹⁴ This is all due to the fact that employer is the one holding considerable resources, thus making him the one that could find the best ways to exploit the invention the most. Also, in favor to this policy, solutions that are currently prescribed for other intellectual goods in other instruments such as Community Design Regulation and Computer Programs Directive have to be taken into consideration in order to avoid heterogeneous treatment of other creations.¹¹⁵

Other dilemma which concerts employees' remuneration leads to much greater debates. Regimes between Member States are so different, that it can in no way be assumed that there is unified formula on European level to be applied regarding the calculation of employees' remuneration.¹¹⁶ While some Member States (e.g. France) have set criteria to determinate it in their legislature, there are other Member States (e.g. Germany) which only provided with nothing more than

111 S. Wolk, "Remuneration for employee inventors – is there a common European ground? (Part 2)", *International Review of Industrial Property and Copyright Law (IIC)*, Vol. 42(3), 440–445, 445.

112 S. Wolk, "Remuneration for employee inventors – is there a common European ground? (Part 1)", *International Review of Industrial Property and Copyright Law (IIC)*, Vol. 42(3), 352–358, 353.

113 M. C. Janssens, *op. cit.*, 124.

114 S. Wolk (2011a), *op. cit.*, 352.

115 M. C. Janssens, *op. cit.*, 123.

116 S. Wolk (2011a), *op. cit.*, 352.

non binding guidelines for those purposes, although often referred to in practice.¹¹⁷ On the other hand, there are Member States that provide the employee with remuneration only in limited cases (e.g. Spain and UK).¹¹⁸ Also, some Member States (e.g. France, Germany, and Sweden) are very employee-friendly regarding compensation, while others are not as much (UK and its “outstanding benefit” requirement).¹¹⁹ In this case, the main issue is that these provisions all operate on basis of vague terms that cannot be easily determined in reality, such as value of the invention or importance of employees’ duties.¹²⁰ Due to harmonization purposes of directives, it can be said that the most logical solution would be in the end that directive provides with minimal criteria for determining the amount of remuneration, while it also provides with some non binding guidelines for avoiding accomplishment of any other goals other than those set by directive.¹²¹ Also, Member States should not be prohibited to provide better treatment and higher remuneration to employees, thus agreeing on more favorable terms for the employee should not be prohibited.¹²²

5. CONCLUSION

Over the years, we have witnessed drastic change in process of creating intellectual goods. From the creation of concept of intellectual property, the basic rule was that creators are to enjoy all fruits from their labor and investments, regardless of type of intellectual goods. However, just like many of legal provisions over time, this rule also could not prevail in original form to the end. New phenomena have caused for this rule to change in some aspects, and many exceptions were formed. One of those exceptions is exactly the case of intellectual goods created under employment contract. With appearance of globalization and new technologies that provide with fast transfer of content and information, intellectual property became even more profitable business activity. Thus, the significance of innovation was finally

117 *Ibid.*, 355.

118 S. Wolk (2011b), *op. cit.*, 445.

119 *Ibid.*, 444.

120 S. Wolk (2011a), *op. cit.*, 354.

121 M. C. Janssens, *op. cit.*, 126.

122 *Ibid.*, 127.

seen by most of the business enterprises, which in the end resulted in increase of competition on the field of business of intellectual property. This had an effect on most of the industries, such as technology and entertainment. However, it also had an effect on food service industries, transportation and oil filed industries.

With such increase of competition, the bar for quality has been raised. Limited human and financial resources that were enough earlier were not going to cut it anymore. In order to create any kind of intellectual good nowadays (e.g. invention, movies, and songs) it is necessary to have expensive equipment and a team of coordinated researchers, experts or creators. For this kind of endeavor, companies with financial resources usually hire creators as their employees for these purposes. This has become the usual way of conducting business with intellectual property based revenue.

Even though that is the case, it does not in any way entail that this issue's legal framework is problem free. Before any research is conducted, the impression may be that this issue is uniformed on domestic and international level. However, that is not the case. Comparing domestic laws of Member States of the EU, it can be concluded that there are a lot of divergent solutions present. Usually, the tendency is to vest the employer with all the rights, but present distinctions are of different nature. They are usually consisted of whether such transfer is automatic or not or how are moral rights of the creator regulated, but mostly the difference is in rules regarding remuneration. Some of them are more employee-friendly providing with more circumstances for employees to be rewarded, while others are not as much with their restrictive provisions for employees. On the other hand, even in case of those employee-friendly regimes, the manner of calculation may differ. In some Member States, strict and precise, yet bounding rules of calculation are set, while in other cases provisions are substantiated with non-binding guidelines issued by their ministries.

With present problems at national level, it cannot be expected that the European Union is somewhat more successful on this field. The EU is not quite in enviable position when it comes to establishing of harmonization and uniformity. First the EU has to reconcile conflicting interests and to properly credit employers for their investments and employees for their creative work, all while ensuring the motivation for innovation and progress is not stifled. What additionally com-

plicates the path toward supranational uniform regime is the fact that the EU has not quite established basic rules related to patent protection, which is still regulated by European Patent Convention which is not measure that could be associated with the EU.

On the path to harmonization, EU has many dilemmas to consider, both material and instrumental. Material dilemmas would be consisted of questions such as who will be vested with ownership and in what manner would be the other side compensated. Taking into account Community Design Regulation, Computer Program Directive and other proposals that did not make the cut in the end, it can be concluded that the EU is of the same understanding as its Member States when it comes to employer's initial ownership. However, the EU has not yet provided with any provision regarding employees' compensation. On the other hand, there are instrumental dilemmas, which are consisted of what instruments should be used and what would be the scope of such instrument. In disposal from recommendations and opinions to regulations as the most aggressive measure, it can be concluded from past experiences that directive with minimal provisions that set necessary objectives is the best solution. Unlike regulations, directives are more suitable for situations sensitive as this since they allow Member States to adapt their domestic laws before ratification. In the end, whatever choice prevails, it is important to establish fair, equal and uniform principles in order for all interest to be reconciled, without stifling the motivation to innovate.

Stefan Despot, master

PROBLEM PRAVNE ZAŠTITE PATENTA NAD
PRONALASCIMA STVORENIM U RADNOM
ODNOSU NA TERITORIJI EVROPSKE UNIJE

Rezime

Uz pojavu globalizacije, poslovne aktivnosti zasnovane na intelektualnoj svojini postale su veoma profitabilne, što je dovelo do povećanja konkurencije i povećanja standarda kvaliteta intelektualnih tvorevina. U te svrhe, privredni subjekti su počeli da zapošljavaju pronalazače, što je dovelo do pojave da većina pronalazaka nastaje u okviru radnog odnosa. Iako je to postalo učestalo, ne može se reći da su rešenja konzistentna. Kad bi se povukla paralela između država članica, može se zaključiti da postoji mnoštvo različitih rešenja na nivou državnog zakonodavstva. Uzimajući u obzir sve prisutne neusaglašenosti, može se zaključiti da Evropskoj Uniji ne predstoji lak zadatak što se tiče harmonizovanog rešavanja ovog problema. Radi što boljeg razumevanja zašto je Evropska Unija ostala pasivna po ovom pitanju, autor se dotakao izvora prava vezani za patentnu zaštitu u okviru Evropske Unije i ukazao na činjenicu da su osnovni principi po pitanju patentne zaštite neusaglašeni. Kasnije, autor se osvrnuo na analizu ovog problema kroz perspektivu međunarodnog privatnog prava. Na kraju, autor je predložio mere koje bi Evropska Unija mogla da preduzme. U ovom delu, autor je takođe izneo dileme koje Evropska Unija mora rešiti na putu ka harmonizaciji.

Ključne reči: *Patent. – Radno pravo. – Intelektualna svojina. – Evropski patent. – Radni odnos. – Naknada. – Harmonizacija.*