EU Intellectual Property Law and Ownership in Employment Relationships

Sanna Wolk

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1 Introduction

Traditionally, companies’ most important assets were limited to fixed assets, such as land, real property, machines and equipment, and similar. Even though manpower has always been regarded as essential for a business, it has also been considered replaceable. Employees could be replaced without jeopardising the company and its future. However, in our service-oriented, technologically innovative economy, human capital, such as key persons with know-how and creative ideas regarding a company’s products and services, is a valued asset. The outcome of such creativity may be an invention, design, database, computer program or another intellectual creation with could be protected by one or more intellectual property rights. There are different types of intellectual property, such as trade marks, patents, designs, copyright and neighbouring rights. The type of intellectual property protection a company need depends on what is created and what the company will use it for. However, it is common that the different intellectual property rights work together to offer complete protection of a product.

Nowadays many companies are also well aware of the value of intellectual property. The ownership and control of intellectual property rights are crucial to the success of any business, and in order to maximise the value of intellectual property assets, it is necessary to maintain and effectively manage all associated ownership rights as well.

Inventions, designs and copyrighted works can be created by various groups of persons, which can include contractors, employees or subcontracted manpower. Most frequently, however, development, research and creative activities are still performed by employees. This means that a significant number – and probably a majority – of intellectual property rights are created in an employment relationship.

Recent decades have brought an upsurge of interest in the legal ownership of intellectual property rights created by employees. This interest is reflected in international discussions from the beginning of the 1900s and which have continued since then. However, there are no international solutions regarding employees’ intellectual property rights. At present the nature of both employees’ and employers’ rights is defined by national legislation. Furthermore, there is no standard formula for the employers’ right at national level. In some countries the relevant rules on the employer’s right to employees’ intellectual assets are to be found in the national intellectual property acts. In other countries and for certain intellectual property rights, a transfer from the employee to the employer follows from general principles of law. Consequently, the methods of identifying the owner of, and establishing rights over an employee’s intellectual property assets, are relatively uncertain. Therefore, in our global economy with cross border research and development, clarification of these questions in the employment contract or within a specific contract could be useful to both parties.

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2 Different Approaches in Different Law Systems

From a legal perspective, the view on the right of employers to employees’ intellectual rights differs substantially between the two main legal systems in the world today, the common law system and the civil law system. This apart from those legal systems based on Asian and Arab-Islamic cultures.

In the common law system, e.g. in the United States and in the United Kingdom, the investor (employer) benefits from its employees’ intellectual creations. The situation is similar in the Netherlands. In those countries the employer is the initial owner of the employees’ intellectual property rights produced in the course of the employment. The employer is treated as the first owner, but not deemed to be the author. Therefore the duration of copyright, for example, is measured with reference to the life of the employed creator. Further on, the national laws in these countries make it clear that contractual provisions, whether expressed or implied, can affect the employer’s initial ownership.

In the civil law system, to which most of the countries of Continental Europe – Germany, France and the Nordic countries, for example – belong, a legal person such as an employer may not generally be deemed the first holder of an intellectual property right. Those rights are normally linked to individual persons. Therefore, an employer may normally only obtain intellectual property rights by assignment by law or in contract.

3 Ownership and Harmonisation Efforts at a European Level

At present no major international harmonisation efforts are in progress regarding employees’ intellectual property rights. The ownership and control of intellectual property rights are mainly managed in national legislation. However, within the European Union (EU), the Commission has, from the 1970s onwards, adopted and is continuing to introduce a number of measures which seek to harmonise ownership aspects of employee’s intellectual property rights throughout the Union.

3.1 Employees’ Inventions

During the 1970s an effort was made in the patent field to adopt a Community Patent Convention, a convention that has not yet come into operation. Patent protects new inventions, involving an inventive step, insofar they are capable of industrial application, as for example software inventions.

During the 1970s, the opinion within the EU was also that matters regarding employee inventions should be dealt with under the national laws of the member states, and not harmonised at the European level. The need for harmonisation in  

2 Otherwise called the Anglo-Saxon system.
3 Otherwise called the Roman-Germanic or written law system.
4 Compare Article 60(1) of the European Patent Convention (EPC). EPC has left patent ownership to the discretion of the states signatory to it and the right to a European patent is determined in accordance with the law of the State in which the employee is mainly employed. If the State in which the employee is mainly employed cannot be determined, the
the field of employee inventions was not considered urgent, hence the existing
differences in the laws of the member states. The EU has announced during the
1990s and 2000s that harmonisation as regards inventions created by employees
is not necessary, and that the matter should continue to be regulated by the
various national laws.\(^5\) Today, employer rights to employee inventions are often
regulated by national laws, whereby an employer can acquire the right to an
invention made by an employee in a number of different ways.

At present, on the national level, the rights to employee inventions are
regulated to a greater extent than rights to other intellectual property assets
created by employees. For instance, all member states of the EU have national
provisions regarding inventions developed by employees in the course of their
employment. However, there is a wide diversity of legal regimes in these
countries as to employee inventions, ranging from general provisions in patent
laws, for example in Austria, Estonia, France, Latvia, the Netherlands,
Portugal, Spain and the United Kingdom, to far-reaching regulations in specific
laws governing employer rights to employee inventions, as in Denmark,
Germany, Finland, Norway and Sweden.

3.2 Employees’ Copyright
In the late 1980s and in the early 1990s, copyright was at the centre of attention
within the EU. Copyright protects creations of the mind insofar they are original
and expressed in a particular form. Copyright protection covers a very broad
range of creations, such as software, databases, web pages and multimedia
works.

In the late 1980s the European Commission published its proposals for
copyright within the EU.\(^6\) The Commission’s efforts led among other to the
Programs. Article 2(3) of the Directive contains a mandatory requirement on
employees’ programs.\(^7\) The employer shall exclusively be entitled to exercise all

\(^5\) See further the Green Paper on the Community Patent and the Patent System in Europe,
COM(97) 314 final and the Proposal for a Council Regulation on the Community Patent

\(^6\) See the Green Paper on Copyright and the Challenge of Technology – Copyright Issues
Requiring Immediate Action, COM(88) 172 final and the Follow-up to the Green Paper –
Working Programme of the Commission in the field of Copyright and Neighbouring Rights,
COM(90) 584 final.

\(^7\) Article 2 of the Directive on Computer Programs deals with authorship of programs,
collective works and employees’ works. Article 2(1) sets out that the author of a computer
program is the natural person or group of natural persons who have created the program or,
where the legislation of the Member States permits, the legal person designated as the
rightholder. Where collective works are recognised by national legislation the person
considered by the laws of the Member State to have created the work will be deemed its
author. From Article 2(2) it follows that where a computer program is created by a group of

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economic rights in an employee’s computer program, where a program is created in the execution of the employee’s duties or where the employee is following instructions given by the employer. It is an automatic legal transfer of the copyright in computer programs. However, if the parties agree, the employed author of the computer program can recover the rights through a specific clause in the employment contract or a separate agreement on the exploitation of the computer program made by the employee (waiving the legal automatic transfer of rights).

A similar provision to Article 2(3) of the Directive on Computer Programs was included in the first draft of the Directive 96/9/EC on the Legal Protection of Databases. However, it was deleted from the final version of the Directive and recital 29 only states that nothing prevents Member States from stipulating in national laws that where a database is created by an employee in the execution of the duties or following the instructions given by the employer, the employer exclusively shall be entitled to exercise the rights in the database so created. Yet, during early 2000s the European Commission has announced as regards ownership of employees copyright that: “At this point, it would seem advisable to analyse the issue further and, in particular, identify specific situations where harmonisation would yield added value and address Internal Market needs.”

Summing up, today only employee’s computer programs are harmonised at European level and the question of employees’ copyrighted works in general is left to different national solutions. In some countries, such as in the Netherlands and the United Kingdom, national copyright acts regulated employees’ copyright. In other countries, such as Germany, France and the Nordic countries, a transfer from the employee to the employer follows from general principles of law. Nevertheless, all Member States have included in their national copyright laws provisions implementing the mandatory requirement on employees’ computer programs in Article 2(3) of the Directive on Computer Programs. Moral rights, however, such as right of paternity and right of integrity, are left outside the scope of the Computer Program Directive and are therefore currently regulated by national provisions. In the Member States belonging to the civil law system, moral rights are considered to arise directly in the author and to be inalienable even by voluntary transfer (cession) to an employer. On the other hand, in the Member States belonging to the common

natural persons co-operating together, the exclusive rights will be owned jointly. However, this means that Member States having jurisdiction and neither recognising that corporations can be authors, nor recognising the concept of collective works, do not have to change their laws.

8 Compare Article 3(2)a Directive 87/54/EEC on the Legal Protection of Topographies of Semiconductor Products (a non-mandatory provision regarding employees’ chips).


11 See also Article 6bis of the Berne Convention for the Protection of Literary and Artistic Works of 1886.
law system, employees have no moral rights as the copyright is vested in the employer. Yet, the employer normally does not have a right to the moral rights.

3.3 Employees’ Designs

The protection of industrial designs is growing in importance. A design is the ornamental or aesthetic aspect of an article. Designs are applied to a great variety of products from different industry and trade sectors, from complex instruments with a special or exclusive use, such as machines, vehicles, tools, computers, to simple or everyday articles, such as clothes, electrical appliances, web pages, toys and furniture.

In the 1990s, after having dealt with patents and with selected areas of copyright, the European Commission turned its attention to the harmonisation of industrial designs within the EU. The first effort was the adoption of Directive 98/71/EC on the Legal Protection of Designs. However, since ownership of rights in design is an area where the laws of Member States differ, there is no provision in the Directive dealing with employees’ designs. Nevertheless, since 2002 there is a Community-wide right of design protection. This was established through Regulation 6/2002/EC on Community Designs. The Regulation is binding in its entirety and directly applicable in all Member States since 6th March 2002. As to Community design, all design rights are automatically vested in the employer, where the design is developed in the execution of the employee’s duties or when the employee is following instructions given by the employer. This follows from Article 14(3) of the Regulation. However, this unless otherwise agreed or specified under national law. As a design right is intended to be an economic right, rather than a moral one, a transfer of a design can therefore be total (compare with copyright).

In terms of ownership of employee’s designs, then, there have to be a distinction between national design protection, valid only within the Member State’s territory, and Community design protection, that provides right holders with a right which is valid throughout the EU. However, Community design can

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12 See e.g. Sections 79(3) and 82(1) the United Kingdom Copyright, Designs and Patents Act of 1988 on employee’s copyright, Section 40(a) of the Swedish Copyright Act of 1960 and Section 59 of the Danish Copyright Act of 1993 on employees’ computer programs. Nevertheless, it is questionable if these provisions are in line with Article 6bis of the Berne Convention.

13 See the Green Paper on the Legal Protection of Industrial Design (III/F/5131/91).

14 The Green Paper on the Legal Protection of Industrial Design made elaborate provision for employee designs a provision that was based on Article 60(1) of the EPC. Yet, the provision was abandoned in the initial 1993 Draft Proposal.

15 See further ECJ C-32/08 FEIA v. Cul de Sac (Article 14(3) which refers to designs being developed by an employee in the execution of his duties belonging to the employer was not relevant to the ownership of commissioned community designs).

16 Compare ECJ C-32/08 FEIA v. Cul de Sac. The ECJ held in this case that there was no room for national law to determine the issue of ownership of an unregistered Community design and that thus the issue of ownership had to be determined by reference to Article 14(1). From Article 14(1) it follows that the right to the Community design shall be vested in the designer or the designer’s successor in title.
be available next to a Member State’s national design, especially during the short period of unregistered design and national registered design. In practice it can happen that there is a clear provision on employees’ Community design, but no national provision, or a conflicting one, regarding the transfer of national design rights from the employee to the employer. The Design Regulation does not declare whether the Community provisions on employees’ design or national law should prevail in those situations.\(^1\)

One more cautionary note is in order. Since a design can also be protected by copyright, in those situations national provisions on copyright may be applicable at the same time as the provisions in the Design Regulation. National provisions that do not always stipulate the same as in Article 14(3) of the Design Regulation.

4 Conclusion

There is no harmonisation of laws across Europe in the matter of ownership of intellectual property rights. National laws still vary to a great extent from country to county, and each intellectual property right is based on whether or not the applicable legislation provides guidance. Nevertheless, similarities also exist between the national legislations concerning ownership of employees’ intellectual property rights created during the course of employment. Furthermore, one common thread for all intellectual property areas is that a properly drafted agreement can help ensure that the party seeking ownership of the relevant intellectual property rights will get what it bargained for and secure the value of its intellectual property assets.

The legal situation concerning employee intellectual property rights have been described above. The final issue to be addressed is whether EU legislation in the field of employee intellectual property rights is necessary, and if so, how it should be formed. This is a challenging question today at the beginning of the twenty-first century.

The existence of differences between national laws on employee intellectual property rights causes complications and problems for cross-national development and research, both within multinational enterprises and for cooperation between companies. Divergent rules concerning employee and employer rights create uncertainty. Furthermore, intellectual property rights have shown an increasing tendency to overlap, and a given object of intellectual creativity may be covered by several and perhaps as regards ownership, conflicting rights. Consequently, creating uniform European rules in this area is desirable.

However, there are a number of questions that have to be considered before it can be possible to create uniform European, rules regarding employers’ rights to employees’ intellectual creations.\(^1\) Nevertheless, in the work with uniform

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\(^1\) Compare ECJ C-32/08 FEIA v. Cul de Sac.

\(^1\) See also the AIPPI Resolution of the Q183 on Employers’ Rights to Intellectual Property at “www.aippi.org”.
rules, it is important to find a proper balance between the interests of the employee and the employer. On one hand, a system giving employers control of employee intellectual property rights would be desirable, on the other hand, recognition of creativity is important.

It is suggested that employers should be able to acquire the entire right to employee inventions, and employee inventors should be entitled to reasonable remuneration in compensation for the rights transferred to the employer. Especially when some employed creators, depending on what intellectual property rights are created, are economically compensated through mandatory national provisions for the rights that are transferred to the employer. For instance several European Member States have mandatory provisions regarding employed inventors’ right to reasonable remuneration for the rights in inventions transferred to the employer. Statutory employee investor compensation schemes have been established in e.g. Austria, Bulgaria, Denmark, France, Germany, Greece, Hungary, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom. For other intellectual creations, national solutions vary as regards the employed creator’s right to economic compensation and there is no European homogeneity. Nevertheless, it is important to have fair and coherent principles applicable to all intellectual property rights.

- The ownership of employee’s intellectual assets can be laid down in a contract, e.g. in the employment contract or in a separate contract.
- In the absence of any particular contractual clause, there is no international guidance that provides for specific solutions regarding employee’s intellectual property rights.
- The ownership and control of intellectual property rights are mainly managed in national legislation. However, at a national level there is no standard formula for the employers’ right.
- Within the European Union, the Commission has adopted and is continuing to introduce a number of measures which seek to harmonise ownership aspects of employee’s intellectual property rights throughout the Union.