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Reflections on the contradictory history of the regulation of employee intellectual property

I. INTRODUCTION: MY PERSONAL BACKGROUND – WHY A LIFELONG INTEREST IN EMPLOYEE INTELLECTUAL PROPERTY?

I have a background in labour law. I defended my PhD thesis at the Faculty of Law, University of Helsinki, in the year 1979. The focus of the thesis was on collective labour law and did not have any bearing on intellectual property. My supervisor and professor at the Faculty of Law was Professor Berndt Godenhielm. He was the leading expert on intellectual property in Finland and had published his own dissertation on patent law in 1949.

As early as 1976, Professor Godenhielm recruited me to become the secretary of the Finnish Board for Employee Inventions. He was himself the chairperson of the Board. This Board was (and still is) an institution that was statute-based and had as its task to provide advisory opinions free of charge on the interpretation of the Finnish Act on Employee Inventions. Both, inventors and employers can ask for such an opinion, which, among other things, often relates to the amount of the fair compensation that the employee inventor is entitled to when the employer has used his power under the law unilaterally to take rights to the invention. For some reason, there were several cases in the late 1970s that we handled as part of the Board. My work experience here also served as my first introduction to the strange world of patent law. I used the experience and knowledge I had gained from working at the Board when I wrote a commentary on the Finnish Act on Employee Inventions, which was published in 1982. In fact, since this Act has undergone only minor changes

1 Godenhielm had a special interest in employee intellectual property. In 1975 he had published his contribution to the International Encyclopedia of Comparative Law, Volume XIV, Copyright and Industrial Property (ed. Ulmer, Eugen), Chapter 7 ‘Employee Inventions’.

2 N. Bruun, Uppfinnarrätt i anställningsförhållande, Helsinki, 1982.
since 1982, the book is still used today as the leading textbook on this topic, not only in Finland but also in the other Nordic countries. The reason for its Nordic relevance is the particular background of the (common) Nordic legislation on employee inventions.

During the postwar period after the Second World War, the Nordic countries were front runners in the harmonization of Intellectual property legislation. The Nordic countries prepared common Nordic legislation in a joint expert group with members from all Nordic countries. Furthermore, there were national committees supporting and implementing the suggestions from the joint expert group. This resulted in almost identical Acts on Copyright, Trade Marks and Patents in Finland, Denmark, Norway and Sweden.

When the common Nordic Patent Act, which came into force in the 1960s in the form of separate national Acts, was discussed, the starting point regarding employee inventions revealed considerable differences between the approaches of Denmark and Sweden on the one hand, and, on the other, in Finland and Norway. During the years after the Second World War, Sweden (1949) and Denmark (1955) had adopted special acts regulating employee inventions, while Finland and Norway regulated this issue through one or two clauses in the Patent Act. It was agreed that Finland and Norway should follow the Danish and Swedish example. Therefore, a combination of the Swedish and Danish law was put together, which was then adopted in both Finland and Norway. At least in Finland it was very much a by-product of or a spinoff from patent law. The Finnish industry was very interested in getting harmonised Nordic patent legislation. In the prevailing historical context, where intellectual property law was predominantly seen as a legal/technical exercise, not as a political or socio-economic issue, very little attention was paid to the separate Act on Employee Inventions. Therefore, the Finnish Act on Employee Inventions was adopted as a complete ‘legal transplant’ in 1967. It was only many years later that it became an object of national discourse.

During my career, I have tried to follow and make some contributions both in the field of labour law and in the field of intellectual property.

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What I have learned and seen are many paradoxes regarding the regulation of employee intellectual property as well as surprising and significant developments. I discuss a few of them in this essay.

II. THE PARADOX REGARDING THE STABILITY AND CONTINUITY OF LEGISLATION ON EMPLOYEE INTELLECTUAL PROPERTY, ESPECIALLY EMPLOYEE INVENTIONS

Society has obviously changed; we are now experiencing the digital information society. The regulatory regime for employee intellectual property, however, was very much designed as a result of and for the industrial society as it had developed in the 1960s and 1970s. This regulatory regime or legal framework has surprisingly remained very much the same as it was back then.

The economic, social and legal environments in which the regulation of employee inventions and employee copyright exist have changed immensely since the 1960s and 1970s. Here I will only shortly point out some of these changes and developments.

The intellectual property system has expanded. In 1991 there were around 300,000 patents granted worldwide. By 2018 there were 1.4 million patents granted. The copyright system covers new forms of work, such as software and databases. There are significant calculations on how copyright-based industries contribute to the national economy in different countries. The WIPO ‘Guide on Surveying the Economic Contribution of the Copyright-Based Industries’ was published in 2003. It gives methodological tools for assessing developments from this aspect. Surveys based on this methodology have been done in several countries.

Since the 1960s and 1970s, we have also experienced a huge increase in the number of employees that contribute to the creation of inventions and works protected by copyright. Also the numbers of small companies and entrepreneurs that are involved in innovative and creative industries have increased significantly.

Globalisation and internationalisation have changed the perspective of the big companies. They are not any more ‘national champions’. Instead, they have become global players. Their intellectual property strategies have also changed. Patent portfolios are built up for big markets, and the intellectual

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5 Also in Finland, several studies have been conducted. See for instance Finnish Copyright Society, Economic contribution of copyright-based industries in Finland 2009–2012. Publication No. 32 (2014).
property protection that the EPO, the US patent system and the European Union can offer has become important.

The changes in organisations that hire these professional workers have resulted in a tendency towards less stable employment relationships for these employees as compared to the situation in the 1960s and 1970s. At that time, the mainstream management policy for employers was that professional workers had stable life-long employment contracts, and this group of workers was not affected by work force reductions during redundancies and collective dismissals. These employees were seen from a strategic point of view as key employees and they usually had deep insights into the key technology or activities of the employer.

One important global development among big multinational groups of companies is that they have outsourced their R&D activity to a large extent. These companies, which some time ago had huge research departments, have usually made – at least some – efforts to slim down that form of internal R&D organisation and to partly replace it by outsourcing various projects, by entering into different forms of joint research with other companies, and by cooperation with universities and research organisations and with start-up companies. From the point of view of management strategy, these policies will decrease the number of permanent employee positions and create more fixed-term positions within projects and more risk-taking small entrepreneurs.

As a result of this development, the labour law status of this part of the workforce has changed profoundly. The position of numerous professional employees has become very similar to that of the rest of the workforce. Redundancies and work force reductions apply similarly to everyone. The direct employer is now rarely a large corporation and more often a subsidiary to a multinational group of companies. Professional employees are employed for fixed-term projects by flexible network organisations with many parties, sometimes including also universities or other educational institutions. Restructurings, transfer of undertakings, start-ups and venture companies also create a permanent flux in the structures and activities of the employers. For professional employees, therefore, we have seen a transformation from the perspective of having stable employers offering permanent employment and life-long careers towards a situation with unsecure, often fixed-term employment and frequently with multinational employer companies. Rapid changes and a risk allocation, where professional workers cannot count on lasting employment, have become the new normal. A professional worker can only rely on his or her knowledge and capabilities to find new employment (employability) in a situation of redundancy. In some countries, for instance the Nordic ones, this changed status of professional workers and their vulnerability have led to their increased unionisation.
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The rationale for rewarding inventors and creators has changed. What in the 1960s and 1970s was discussed in terms of individual fairness and reward for extraordinary individual performance is now discussed in terms of innovation systems and enhancement of human resources, knowledge and competence. The reward in the form of monetary compensation has become a part of the human resource management and employment system; it is not any more seen as being linked to intellectual property licensing.

To my understanding, there are two main reasons for the stability and continuity of the regulation regarding employee intellectual property and especially employee inventions. The legislation creates an important procedural framework for organising the innovation process within a company. These procedural rules help to keep track of and document how inventions are made, which is important both for the identification of the inventor in the patent application and for assessing the date of the making of the invention. In both the copyright and the patent system the moral rights, or the right of the employee to be recognised as creator or inventor, are important, a matter I will discuss further below.

III. ON THE LACK OF SIGNIFICANCE OF THE THEORETICAL CONCEPT OF THE INITIAL RIGHT HOLDER OF INTELLECTUAL PROPERTY

One of the first things I learned about employee intellectual property was that in this field harmonisation of the laws is impossible because the starting points for the legal approaches to the issue differ so much in the different parts of the world. The entrepreneurial approach represented by the US doctrine of ‘Work Made for Hire’ is once and for all incompatible with the personalist approach to employee intellectual property adhered to by the Continental European countries, first and foremost by Germany and France.6

This distinction between the approaches, I came to appreciate, is very fundamental. Later I found out that this distinction basically has an ideological dimension. The complex economic and social reality of countries shows a spectrum of different legal solutions and structures between these pure ideal models, with the harmonisation of intellectual property law in the EU offering illustrative examples of this fact. In Europe, we also can find some examples of

6 The terminology used here is borrowed from A. Quaedvlieg, Personalist vs. Entrepreneurial Approaches, in Research Handbook on Intellectual Property and Employment (N. Bruun, M.-L. Mansala, eds), Edward Elgar 2021 (forthcoming).
legislative solutions that are highly inspired by the US doctrine of Work Made for Hire. I am thinking of the famous Article 7 in the Dutch Copyright Act.\footnote{Article 7 states: ‘Where labour which is carried out in the service of another consists in the making of certain literary, scientific or artistic works, the person in whose service the works were created is taken to be the maker, unless the parties have agreed otherwise.’ See further J. Seignette, Authorship, Copyright Ownership and Works Made on Commission and under Employment, in A Century of Dutch Copyright Law (B. Hugenholz, A. Quadvliegand D. Visser, eds.), Auterswet 1912–2012, deLex 2012. 115 pp.}

The Work-Made-for-Hire doctrine is difficult to accept when it is presented as a legal form that rests on the assumption that the employer must be regarded as the creator of the subject matter that is protected by intellectual property rights. In the end, legal persons cannot create anything. Actually, the Work-Made-for-Hire doctrine is a form of making the employer the rightsholder of the intellectual property by virtue of the law (\textit{ex lege}) and of creating a legal fiction that the employer is the author. Similarly, the construction of company inventions can ‘\textit{ex lege}’ make the company an \textit{ab initio} rightsholder. These ‘\textit{ex lege}’ constructions will not exclude the possibility that the creator or maker of an invention, the natural person, can be identified and designated. The important point here is that, in fact, the Work-Made-for-Hire doctrine is not primarily allocating authorship to the employer, but primarily ownership. From an ideological point of view, this solution is more radical than the German or Nordic approach under patent law even though the employer in these systems can unilaterally claim rights and is entitled to obtain them.

The European Union Directive 2009/24/EC of 23 April 2009 on the legal protection of computer programs addresses this question in its Article 2.\footnote{Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs, OJEU L 111, 16.} It provides that the author of a computer program shall be the natural person or group of natural persons who created the program or, where the legislation of the Member State permits, the legal person designated as the right holder by that legislation. Where collective works are recognised by the legislation of a Member State in the EU, the person considered by the legislation of the Member State to have created the work shall be deemed to be its author. Where a computer program is created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the program so created, unless otherwise provided by contract.

life of the author and for 70 years after his death’. Where a Member State provides for particular provisions on copyright in respect of collective works or for a legal person to be designated as the rightsholder, the term of protection shall run for 70 years after the work is lawfully made available to the public, except if the natural persons who have created the work are identified as such in the versions of the work which are made available to the public. Here we see that EU law is based on the idea that there always is a natural person who has created a work, although, due to national legislation, the rightsholder (‘author’) might be a legal person.

The personalist theory has always been especially strong within copyright systems where the work of the author is regarded as the expression of his or her personality and an emanation of his/her soul. It is, therefore, a paradox that the right to attribution of the inventorship of a patentable invention seems to be stronger than the corresponding right of an author. The moral rights under the Berne Convention have been diluted ever since a large number of States with no strong ideological heritage in personalist theory have joined the Berne Convention. Also the fact that the TRIPS Agreement and its approach to integrating the Berne Convention do not cover moral rights might have contributed to such a tendency.

In patent law, the ‘moral right’ to attribution or recognition is strong. Article 4ter of the Paris Convention states that the ‘inventor shall have the right to be mentioned as such in the patent’. This right is also made an integrated part of the TRIPS Agreement, and it is also fully accepted and recognised by the US patent system, a fact that sometimes has created surprises for European applicants for US patents.

I think this analysis shows that the questions of ownership and attribution can be solved without focusing heavily on ab initio ownership. If we start from identifying the natural person, the creator or inventor, we can then continue to allocate different rights to separate entities in accordance with applicable law. In different legal systems, ‘ownership rights’ will be allocated to the employer through different mechanisms and legal constructions, but in certain situations some rights may be claimed by the creator/employee.

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The Rome Convention\textsuperscript{13} secures protection in performances for performers, in phonograms for producers of phonograms and in broadcasts for broadcasting organisations. The position of a performing artist has also been considered as a question of labour law. The performing artist has not obtained author status based on the Berne Convention, and legislation on the performing artist varies by country.\textsuperscript{14}

The point of departure is that transfers of any neighbouring rights require an agreement. Only in some countries has the legislation taken a stand, mainly on the position of a performing artist in an employment relationship. In Lithuania and Slovenia, a performing artist in an employment relationship is in the same position as are copyright holders, i.e., the performing artist's rights are transferred to the employer for a fixed period. If the legislation contains provisions on the transferral to the employer of a work made in an employment relationship, the same provisions apply to performing artists.

IV. THE CHANGING ROLE OF UNIVERSITIES AND ITS SIGNIFICANT IMPACT ON EMPLOYEE INTELLECTUAL PROPERTY AND ACADEMIC RESEARCH

There is one significant exception to my general claim that the legal regulation of employee intellectual property and especially of employee inventions has remained unchanged during the long postwar period. Indeed, this claim is definitely not true if we look at the situation of university researchers. Here, the tradition has been that countries with a detailed regulation on employee inventions have excluded university employees from the application of this legislation (the so-called teacher’s exemption). The reason traditionally has been that universities are not expected to apply for protection or to exploit intellectual property. In this context, principles of academic freedom have also been relied upon for justifying the rights of academic staff.

Around the turn of the millennium, the role of universities in promoting national innovation was much debated, and a wind of regulatory change was blowing, partly inspired by the US Bayh Dole regime.\textsuperscript{15} In Denmark (1999), Germany (2002), Norway (2003), Japan (2003) and Finland (2006) the law...

\textsuperscript{13} Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, October 26, 1961, 496 U.N.T.S. 43.

\textsuperscript{14} ILO, Rights of Performers in broadcasting, television and the mechanical reproduction of sounds. Geneva 1940.

was changed and the teachers’ exemption abolished. This change means that universities are entitled to acquire rights to inventions made by faculty members. In Sweden, a similar reform was under discussion, but the reform culminated in leaving the matter to contractual practice.

In fact, the changed role for universities has to do with their new role within national innovation systems, the financing of big research consortia in the EU and a long-standing pressure by international organisations, such as, e.g., the OECD. Universities are very much seen as engines of economic development and their financing as national investments in knowledge creation, which in turn is expected to contribute to national value creation. Some authors have even launched the term ‘the entrepreneurial university’.

Today universities and other academic institutions face many challenges and problems. They are expected to conduct long-term basic research and, at the same time, to produce knowledge that can be commercialised in a fast manner. They are expected to promote openness and knowledge sharing at the same time as they are expected to create revenue. Research results are expected to be openly accessible, but patenting should be promoted. Researchers are expected to publish in open access journals, but publishing in them is becoming increasingly expensive and their status in terms of academic reputation is a mixed bag.

Digital technology, new research tools, data mining and bioethical issues create huge challenges for managing intellectual property in academic institutions. European universities are not very well prepared for handling intellectual property management or intellectual property licensing. What is clear is that these challenges cannot be met by easy ‘one size fits all’ regulatory solutions, but must be carefully handled within the framework of policies calibrating different values, goals and interests. In this essay, I cannot deal with this complex subject matter. However, I want to point out that it is a matter of concern that research from several different countries indicates that European universities still lack clear and transparent intellectual property strategies, including policies for handling employee intellectual property, and struggle with the costs that technology transfer activities are causing them.

V. THE IMPACT OF HUMAN RIGHTS ON INTELLECTUAL PROPERTY AND EMPLOYEE INTELLECTUAL PROPERTY

In the context of intellectual property law and labour law we see many analyses explaining how in the new digital environment the impact of the individual diminishes and the impact and significance of the investor, the employer becomes more important. The development of human rights, which places the individual in the centre, is a countervailing power to these developments.19

Article 6bis of the Berne Convention, adopted in 1928, has formed a traditional ‘human rights’ element in copyright law. This element was developed long before the contemporary human rights discourse, which has evolved after the Second World War. The increased importance of the Berne Convention, which is a consequence of its global implementation, has also brought increased attention to moral rights. Moral rights have also been a strong source of inspiration for how human rights instruments have approached intellectual property.

The human right to benefit from the protection of the moral and material interests of the author or creator has been recognised in a number of international instruments starting with the Universal Declaration of Human Rights (UDHR), where it is stated that ‘Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author’ (Art. 27).20

The UN International Covenant on Economic, Social and Cultural Rights (ICESCR)21 has incorporated language from the Universal Declaration. Article 15 (1)(c) recognises the right of everyone ‘to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author’.


20 UN General Assembly, Universal Declaration of Human Rights, 10 December 1948, 217 A (III) (hereinafter ‘UDHR’).

The interpretation of Article 15(1)(c) has been clarified by a General Comment developed by the competent Treaty body, the CESCR.22 Three aspects in this Comment can be noted:

First, it is considered that only the ‘author’, namely the creator, whether man or woman, individual or group of individuals, of scientific, literary or artistic productions, such as, inter alia, writers and artists, can be the beneficiary of the protection by Article 15(1)(c). This follows from the words ‘everyone’, ‘he’ and ‘author’, which indicate the drafters of that article believed authors of scientific, literary or artistic productions to be natural persons, without realising at that time that they could also be groups of individuals. Under the existing international treaty regimes of protection, legal entities are included among the holders of intellectual property rights. However, because of their different nature, their entitlements are not protected at the level of human rights.23

Second, the protection of the ‘moral interests’ of authors was among the main concerns of the drafters of the ICESCR. Their intention was to proclaim the intrinsically personal character of every creation of the human mind and the ensuing durable link between creators and their creations. In line with the drafting history of Article 27(2) of the UDHR and Article 15(1)(c) ICESCR, it is held that the term ‘moral interests’ in Article 15(1)(c), includes the right of authors to be recognised as the creators of their scientific, literary and artistic productions and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, such productions that would be prejudicial to their honour and reputation. In its General Comment, the Committee further stresses the importance of recognising the value of scientific, literary and artistic productions as expressions of the personality of their creator, and notes that, regardless of the legal system in force, protection of moral interests can be found in most States, albeit to a varying extent.

It is clear from the language of the ICESCR that it covers copyright of authors. It is more ambiguous as to whether it also covers the entitlement to be recognised as the inventor of an invention in a patent application. That would be consistent, but the language of the ICESCR does not explicitly mention inventors.

Third, the protection of ‘material interests’ of authors by Article 15(1)(c) ICESCR reflects the close linkage of this provision with the right to property, as recognised by Article 17 of the UDHR and by regional human rights instruments, and with the right of any worker to fair remuneration as provided for by Article 7(a) ICESCR.

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23 Ibid. at no. 7 in fine.
Chapman has summarised the States’ duties under Article 15(1)(c) ICESCR as an obligation to implement copyright as a human right and to put in place an appropriate regime of protection of the interests of authors and creators. States do enjoy broad discretion as to the design of the legal form of that protection, but they all must meet certain guidelines.24

The conclusion to be drawn from the human rights approach is that employees should be recognised and respected as authors or inventors. Since altogether 171 States have ratified the ICESCR, it is an important global obligation.

It is slightly surprising that the abundant literature on human rights and intellectual property has drawn very little, if any, attention to the fact that also as employees authors and inventors are entitled to human rights protection.

I want to emphasise the close link between human rights and moral rights, especially the right to recognition or to attribution of authorship or inventorship in the modern business environment. Recognising any of his/her extraordinary achievements must be regarded as part of the requirement of decent treatment of an employee. It is even much more so today than it was formerly: In the good old days in the 1960s and 1970s, innovative and creative employees could count on a lifelong career with the same employer and on increased wages and other benefits; today they must be prepared to compete for new positions several times during their career.

VI. EU LAW AND EMPLOYEE INTELLECTUAL PROPERTY

A. The regulatory framework

Most European IP lawyers would probably say that EU law in no way regulates employee intellectual property, but that this issue is left to the national legislator. At most we might find some relevant private international law rules in the Rome I Regulation,25 which confirm the choice of law regime laid down

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24 See A. R. Chapman, Approaching Intellectual Property as a Human Right: Obligations Related to Article 15(1) (c), XXXV, (3) Copyright Bulletin, 7 (2001). Among these guidelines are the following: Copyright must be consistent with the understanding of human dignity in the various human rights instruments and the norms defined therein, copyright related to science must promote scientific progress and access to benefits, and copyright regimes must respect the freedom indispensable for scientific research and creative activity.

in the European Patent Convention (EPC). According to its Article 60, the right to the European patent for an employee invention shall be 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 law to be applied shall be that of the State in which the employer has his place of business to which the employee is attached.

In the following, I will argue that EU intellectual property law potentially applies also to employee copyright and employee inventions and that there are strong legal arguments in favour of such an interpretation.

The development of EU law, especially the entering into force of the Lisbon Treaty in 2009, seems to have brought about some potential impact on EU law regarding employee intellectual property, which we can perhaps call a kind of spill-over effect.

Article 17(2) of the Charter of Fundamental Rights of the European Union (CFREU) is very concise: ‘Intellectual property shall be protected.’ CFREU also defines its field of application. It is addressed to the institutions of the European Union generally and specifically to its Member States, but applies ‘only when they are implementing Union law’ (Art. 51).

Pursuant to Articles 114 and 118 TFEU, the EU has a broad competence to regulate intellectual property rights. It seems unlikely that moral rights, which form an integrated part of international copyright law, could be regarded as being outside this competence. Especially in light of the fact that the CJEU has adopted an autonomous EU-concept of author and authorship, it is not possible to exclude moral rights, the less so when taking into account that all Member States are bound to the Berne Convention, which according to Article 53 CFREU, must be considered as providing a guarantee of a minimum level of protection.

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30 Art. 53 CFREU reads: ‘Nothing in this Charter shall be interpreted as restricting or adversely affecting human rights and fundamental freedoms as recognised, in their
The situation was different prior to the Lisbon Treaty and this explains why moral rights have been left outside the scope of earlier secondary copyright legislation. This was the approach when Directive 2009/24/EC on the protection of computer programs (as first adopted in 1991), Directive 2006/116/EC on the term of protection of copyright (as first adopted in 1993) and the Directive on copyright in the information society of 2001 were adopted.

For so long as the EU does not use its possible competence to regulate moral rights Member States do not fall into a situation where they would be implementing EU law regarding moral rights. When the EU uses its competence to introduce EU wide regulation it has, arguably as a consequence of Article 17(2) CFREU in combination with the requirements under Article 53 CFREU and the Berne Convention, to respect moral rights. The fact that intellectual property is labelled ‘property’ under the CFREU does not change this.

The scope of the concept of ‘intellectual property’ is not clear. The Explanations on Article 17(2) CFREU mention the core forms of intellectual property: Copyright, patents and trademarks and associated rights. This means that at least design rights and probably trade names are included. On the other hand, it is unlikely that the protection of trade secrets – which is not regarded as an intellectual property right in many EU Member States – would be covered.

It seems rather clear that the starting point for EU intellectual property law is that the real ‘author’, ‘inventor’ or ‘creator’ must be regarded as being a natural person and that all possible limitations or exceptions to this approach must be carefully justified.

B. Moral rights

I have argued that Article 17(2) CFREU must be interpreted as covering moral rights in spite of the fact that, thus, their protection would result from a paragraph on property rights. The reason for this is not only that all Member States are bound by the Berne Convention and the ICESCR, but also that there exists an intrinsic link between moral and economic rights. Especially in the context

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32 Comp. Recital 16 Directive (EU) 2016/943 of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, OJEU 2016 L 157, 1.
of the internal market, an understanding of moral rights that differs from one Member State to another might actually have an adverse impact on the free movement of goods and services. Thus, the Swedish Supreme Court is likely to rule that a transformation of a certain film, which originally was produced in black and white, into a colour version without the permission of the film director, constitutes a breach of his moral rights. Such an interpretation of the law will clearly have implications for the distribution of such a film on the internal market. The Berne level of protection must apply, and it is reasonable to expect Article 17(2) CFREU to have an impact in this respect when the EU is regulating this field. Under EU law it is, therefore, possible to conclude that employees as inventors or authors of intellectual property-protected subject matter have the right to be recognised as such, but there are not many guidelines on the content and extension of this right.

C. Right to protection of material interests

Article 18 of the new DSM Directive lays down principles on fair remuneration in exploitation contracts of authors and performers. Accordingly:

Member States shall ensure that where authors and performers license or transfer their exclusive rights for the exploitation of their works or other subject matter, they are entitled to receive appropriate and proportionate remuneration. In the implementation in national law of this principle, Member States shall be free to use different mechanisms and take into account the principle of contractual freedom and a fair balance of rights and interests.

This provision also applies to employees as authors and performers. The rather open language in Article 18(2) DSM Directive allows Member States to generally regard agreed upon wages as ‘appropriate and proportionate’. However, the employee should have legal avenues to test whether in individual cases the wages fulfil the requirement of ‘appropriate and proportionate’.

The concept of fair remuneration is defined as ‘appropriate and proportionate’ in relation to the economic value of the author’s rights. Member

33 Comp. Supreme Court of Sweden of 18 March 2008, Case T-2117-06, NJA 2008, 305, which held that a television company’s practice of interrupting a movie film for sending commercials constitutes an infringement of the moral rights of the film director, namely of his right to object ‘to any mutilation, deformation or other modification of the work that would be prejudicial to the author’s honor’ (in Swedish ‘egenart’).


35 See DSM Directive Recital 73.
States can choose to implement the fair remuneration principles by relying on different or already existing mechanisms such as collective bargaining. Recital 73 DSM Directive gives guidance by referring to the ‘actual or potential economic value of the rights, taking into account the author or performer’s contribution to the overall work and other circumstances of the case, such as market practices or the actual exploitation of the work’.

To allow authors and performers to get an idea of how the economic value of their work develops over time, Article 19 DSM Directive sets up a mechanism whereby authors and performers are entitled to receive ‘up to date relevant and comprehensive information on exploitation of their works and performances’ at least once a year from the parties exploiting their work, so as to enable authors and performers to ‘assess the economic value of the rights’. Article 19 DSM Directive does not contain an exhaustive list of information that should be provided but Recital 75 DSM Directive notes that the information should cover ‘all modes of exploitation and on all relevant revenues worldwide with a regularity that is appropriate in the relevant sector’. This is a significant new right for employees as authors.

Under Article 19(3) DSM Directive, Member States have the option of placing a proportionality threshold on this transparency obligation in cases where the administrative burden would be ‘disproportionate’ having regard to the revenues generated by the exploitation of the work or performance. Instead, rightsholders are entitled to the ‘types and level of information that can reasonably be expected in such cases’, a proviso that might indicate that not very much will change for employed authors and performers whose works do not generate easily assessable material amounts of revenue.

D. The Luksan case

The Luksan case might illustrate the future practice of the CJEU regarding the remuneration rights of employed authors and performers. Here the CJEU dealt with the question of the right to remuneration of the author in a preliminary ruling requested from an Austrian court.

Mr. Luksan was the scriptwriter and principal director of a documentary film. The defendant in the main proceedings, Mr. van der Let, produced cinematographic and other audiovisual works commercially. The parties had concluded a ‘directing and authorship agreement’ (audiovisual production contract) stating that Mr. Luksan was the scriptwriter and principal director

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36 Ibid., Recital 75.
of the film in question and that Mr. van der Let would produce and exploit it. Under that contract, Mr. Luksan assigned to Mr. van der Let all copyright and/or related rights held by him in the film. However, that assignment expressly excluded certain methods of exploitation, namely making available to the public on digital networks and broadcast by closed circuit television and by pay TV.

Mr. van der Let made the film in question available on the internet and assigned the rights for this purpose to Movieeurope.com. The film could thus be downloaded from that website by means of video on demand. The producer also made the trailer for the film available on the internet, through YouTube, and assigned the pay TV rights to Scandinavia TV.

In those circumstances, the director, Mr. Luksan, brought proceedings against the producer, Mr. van der Let, before the national court. He contended that, given the methods of exploitation reserved for him by the contract (the right to broadcast to closed circles of users by video on demand and by pay TV), the producer’s exploitation of the film at issue in the main proceedings breached that contract and his copyright.

Mr. van der Let submitted in response to those arguments that, on the basis of the ‘statutory assignment’ provided by the Austrian Copyright Act (§ 38(1) Urhebergesetz, UrhG) all exclusive exploitation rights in the film in question vested in him as the producer of the film and that agreements diverging from that rule or a reservation having the same effect were void.

The CJEU noted that the national court did in essence ask, whether the right to equitable remuneration, such as the fair compensation provided for by the ‘private copying’ exception (Art. 5(2)(b) InfoSocDir. 2001/29), vests by operation of law, directly and originally, in the principal director, in his capacity as author or co-author of the cinematographic work.

The CJEU pointed out that, in the Member States, which have decided to establish the private copying exception, the rightsholders concerned must, in return, receive payment of fair compensation. It is clear from such wording that the EU legislature did not wish to allow the persons concerned to be able to waive payment of that compensation to them.

Furthermore, since Article 5(2)(b) Directive 2001/29 establishes an exception to the author’s exclusive reproduction right in his work, that provision must be the subject of a restrictive interpretation. The provision at issue authorised an exception solely to the reproduction right and could not be extended to remuneration rights.
The CJEU concluded that EU law precludes a provision of domestic law which allows the principal director of a cinematographic work to waive his right to fair compensation:

European Union law must be interpreted as not allowing the Member States the option of laying down a presumption of transfer, in favour of the producer of a cinematographic work, of the right to fair compensation vesting in the principal director of that work, whether that presumption is couched in irrebuttable terms or may be departed from.38

In its judgment the Court also referred to Article 17(2) CFREU.39 Interestingly enough, the main emphasis, however, is on Article 17(1) CFREU, and fair compensation is regarded as a form of property. Article 17(2) CFREU and its wording is quoted, but no conclusions are drawn from it.

E. Employee intellectual property

The conclusion that can be drawn from the DSM Directive and the landmark Luksan case is that there is a prohibition under EU law to introduce a direct legislative regime by which the author loses his or her rights to authorship and to the remuneration rights connected to authorship.

In the Luksan case, the director had a right to his/her original position as author under the copyright regime. The interesting question is whether this principle can be applied more generally to EU law and the position of employees as authors.

The judgment seems to be clearly applicable to the employee/employer relationship. If the author is in an employment relationship, the original intellectual property rights are with the employee. The concept of author is an autonomous EU concept. However, secondary law can stipulate certain exceptions regarding assignments. Under the Database Directive,40 Member States may decide on different options, and the same is true for Directive 2006/116/EC on the term of protection of copyright and certain related rights.41 According to its Article 2(1) the principal director of a cinematographic or audiovisual work shall be considered as its author or one of its authors. Member States shall be free to designate other co-authors.

38 Ibid., para. 109.
39 Ibid., para. 68.
41 Supra n. 9.
In the light of what has been said above, it is possible to conclude that employees as inventors or authors have a right to a fair remuneration for intellectual property rights that are assigned to the employer. These entitlements can be based on Article 17(1) and 17(2) CFREU read in conjunction with Articles 1, 13 and 31 CFREU. Also the balancing practice exercised by the CJEU supports such a conclusion. On the other hand, Article 17(2) CFREU, which extends the guarantees of Article 17(1) CFREU to intellectual property, is of a general character. Although the DSM Directive prescribes an ‘appropriate and proportionate’ remuneration to be paid, the level of harmonisation of compensation for employee intellectual property within the EU intellectual property-regime remains on a very general level. Therefore, legislation or practice, common in several Member States, where the intellectual property remuneration is regarded as forming part of the ordinary wages of the employee, can hardly be contested under the CFREU or secondary EU law.

VII. THE PARADOX OF OPENNESS VERSUS CONFIDENTIALITY

In the context of the digitisation, there is much discussion about openness, open access, open source and knowledge and information sharing. On the other hand, the digital environment seems to create enhanced requirements regarding trade secrets and confidentiality.

In the digital economy, it has, indeed, become extremely easy to copy technology, know-how and business plans of commercial actors. This has resulted in strict confidentiality practices in many companies, including the introduction of internal rules for protecting trade secrets. There has also been pressure for introducing strict liability rules in case confidentiality is not respected.

The EU Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure was adopted on 8 June 2016; Member States were required to comply with it by 9 June 2018.

The overall aim of the Directive is to harmonise the protection of trade secrets across the EU by defining the concept of ‘trade secret’ and creating


\[43\] Art. 19 Directive (EU) 2016/943, supra n. 32.

\[44\] Under the new definition (Article 2 Dir. 2016/943), information is considered a trade secret if:

- it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information
a minimum level of protection. The Directive sets out what under national law should be considered a lawful acquisition, use and disclosure of a trade secret and what should constitute an act of infringement. It also clarifies the remedies available to trade secret holders, both in terms of interim and final relief. As a result of the Directive, we have a similar civil law approach of Member States to the protection of trade secrets within the EU.45

The protection of trade secrets attempts to strike a balance between exclusivity on the one hand and, on the other, access to information. Employees leaving to move to competitors naturally desire to be able to move freely between employers bringing with them all the knowledge, information, skills and capabilities they have developed during their earlier career. Conversely, the former employer wants to retain control over knowledge of technology and strategy as well as over knowledge of customers’ identity and contracts.46

Trade secrets differ from patents and copyrights in that they will not necessarily be made public at any stage (secrecy might last forever), and there are no ‘moral rights’ involved, such as the right to attribution of authorship. The employee will usually not get public recognition for having developed a trade secret, but he or she will for a patentable invention or a significant work protected by copyright. There is no entitlement to extra compensation although in some organisations internal reward systems might apply. When a trade secret becomes public it is free for everyone to use, and the investments made for developing it can usually not be recovered.

Trade secrecy will deprive the employee of the recognition of the status as inventor or author. The achievements the employee has made might remain hidden forever. To some extent, this can be compensated by a nice recommendation letter from an employer. However, in many cases, such a letter might have much less weight than a list of patents where the employee is named as an inventor.

From the point of view of employees, the strong trade secrecy protection is also problematic in some other respects. It is not always easy to draw the line between trade secrets on the one hand, and, on the other, experience and skills gained by employees in the normal course of their employment or information generally known among, or readily accessible to, persons within the circles in question; it has commercial value because it is secret; it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

that generally deal with the kind of information in question. For that reason, employers also want to resort to contractual non-compete obligations in order to ensure that up-to-date knowledge is not transferred to the new employer.

For an employee it is a serious problem that, by definition, the author or inventor of a trade secret will not obtain general recognition for or attribution of authorship of his or her achievement. It is, of course, possible to internally cooperate to reward an inventor or author of a trade secret, but there are no legal obligations for the employer to introduce such systems.47

The knowledge of the trade secret might in a complicated way be part of the intellectual capital of the employee. It is a challenge for modern intellectual property and labour law to introduce some rights for an employee, who has been deprived of his moral rights or right to attribution of authorship, to ensure that she/he obtains recognition for her/his ‘secret’ achievements.

VIII. FINAL REFLECTIONS

In my short essay, I have tried to map trends and developments regarding employee intellectual property as I have experienced them during my lifelong activity as an academic in the fields of intellectual property and labour law.

I have contested the myth that there exists a huge divide between the personalist and entrepreneurial approach in intellectual property. The different approaches mark some ideological divergences, but, as I have tried to explain above, from a legal or technical point of view, the differences are rather small. Therefore, I think that harmonisation of the regulation of employee intellectual property is not a mission impossible, although it is not an easy task.

It seems that issues related to employee intellectual property very rarely receive special attention by the law or policy makers. The employee as a creator or inventor can be described as the forgotten hero in intellectual property law. In fact, this might be an advantage and an explanation of why legislation on the right to employee inventions has not changed much during the last 50 years. Instead, employee intellectual property is developed by different spill-over effects, which come about indirectly through the development of regulation in different fields. These spill-over effects sometimes undermine the employees’ rights to intellectual property and on other occasions they strengthen them. The

47 When the AIPPI-organisation discussed employers’ rights to intellectual property in Geneva in 2004 (Q 183) it was agreed that employers’ rights should not restrict the employee’s entitlement to the recognition of the creative achievement in an appropriate form (adopted resolution, Q 183). I had the honour of being the chair of the committee for that resolution in Geneva and was later congratulated by Joseph Straus, then Director of the Max Planck Institute for Intellectual Property and Tax Law, for the achievement of finding a consensus on an ‘impossible topic’.
increased focus on human rights and individual rights offers some possibilities for employee authors and inventors to strengthen their claims to obtain attribution and recognition of intellectual property achievements. Strict rules on trade secrets tend to undermine employees’ rights. Some groups of employees, in particular university employees, might face problems as a result of the changes in the role and organisation of universities in Europe.