TRANSFER OF COPYRIGHT OVER THE WORK OF AUTHORSHIP AND COMPUTER PROGRAM IN EMPLOYMENT RELATIONSHIP

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Today, perhaps more than ever before, commercial use of Software is of great value and many Software developers design and develop Software for licensing or sale to end users, or those serving a commercial purpose in an ever-growing market.

Computer program is a sequence or set of instructions in a programming language for a computer to execute. It represents one component of software, including the documentation and other intangible components. On the other hand, a software is a set of programs that enables the hardware to perform a specific task. Therefore, technical difference exists between the two, meaning that software represents a set of computer programs, but for these purposes, computer program, accompanied components and software will collectively be addressed as ''Software".

This substantial setting of Software's commercial use has been duly recognized by the Law on Copyright and Related rights (''Law"). Law, in general, regulates the rights of authors of literary, scientific, professional and artistic works (''copyright"), the right of performers, the publishing right, the rights of producers of phonograms, video grams, broadcasts, databases and the right of publishers of printed editions as rights related to copyright (''related rights"), as well as the manner of exercising copyright and related rights and judicial protection of those rights.

The Law defines work of authorship (''copyright") as an original creation of the author, expressed in a certain form, regardless of its artistic, scientific or other value, its purpose, size, content and manner of expression, as well as the permissibility of public communication of its content. The Law prescribes that written works (e.g. books, brochures, articles, translations, computer programs in any form of their expression, including their preparatory design material and other) are, in particular, deemed as work of authorship. An author is a natural person who created work of authorship and is presumed as holder of rights over the work enjoying moral and property rights over his work of authorship from the moment of its creation, pursuant to the Article 8 of Law. However, apart from the author alone, the holder of the rights can be other person(s) or entity (who is not the author), if they acquired the rights over such work in accordance with the Law.

General rule provided under the Article 98 of the Law stipulates that, if an author has created a work of authorship as an employee in the performance of his/her duties, the employer shall be authorized to disclose such work and to hold exclusive pecuniary rights on its exploitation within the scope of the employer's registered business for the period of 5 (five) years from completion of that work, unless otherwise provided by employer's general act or employment contract. The author has the right to special remuneration, depending on the proceeds of the work's exploitation thereby.

Upon expiration of the 5 (five) years term referred in Article 98 of Law, the author shall acquire the exclusive pecuniary rights on the work. This means that the employer has the exploitation rights over copyright work within first 5 (five) years as of its completion, whereas the author becomes the exclusive holder of exploitation rights after that term expires.

On the other hand, when the work of authorship is a computer program (''Software"), pursuant to Article 98 paragraph 4 of the Law, the permanent holder of all exclusive pecuniary rights on such work shall be the employer, unless otherwise provided in the employment contract. However, the author has the right to special remuneration and shall be the exclusive holder of pecuniary rights on the work, only if this is stipulated under the employment contract. This means that the basic rule of the Law concerning the mechanism on acquiring the rights over Software is different from obtaining the rights over copyright work in general, given that the employer becomes holder of exclusive pecuniary right over Software without any time limitation, unlike for other copyright work where the term of 5 years limit is imposed under the Law.

Legal presumption provided under the Law for acquiring rights by the employer over copyright work is limited in time and shall cease after expiration of 5 (five) years from the completion of work. On the contrary, when the employer acquires copyright over Software, legal presumption is set without any time limitation. The Law provides the possibility to regulate the transfer of rights differently under the employment contract. This underlines the possibility for both the employer to acquire pecuniary rights over copyright work without time restraint and, for the employee-author of the Software to retain its rights thereover, without transferring them to the employer.

It is worth mentioning that the "purpose of transfer" doctrine, where, in general, if the third parties (e.g., freelancers, contractors, sub-contractors, shareholders, and management) were involved in the development of the specific copyright work, the underlying agreements would have to be assessed for the rights to be obtained by the employer. Without such agreements with third parties, there is a risk that any rights obtained by the employer are limited by the "purpose of transfer". The doctrine, in essence, claims that an author of the work protected by copyright generally, only grants rights in respect of this work limited to what is required to achieve the "purpose" of the transfer at the time of the transfer. Subject doctrine is not practically relevant under the Serbian law, since the Law explicitly regulates the manner of transferring such rights.

On the other hand, ordering party of the Software, which is produced on the grounds of the agreement with a legal nature of ''agreement on producing the ordered copyright work", prescribed by the Law under the Article 95, acquires exclusive exploitation rights over the Software, while the remaining rights are retained by the engaged author, if not differently regulated under the agreement. For example, freelance agreements have the identical legal nature and, when it comes to Software, same applies if it arose from the said agreement or, if the rights were acquired by the employer, pursuant to the general rule of the Law. Both provisions of the Article 95 paragraph 3 of Law, regulating the agreement on producing the ordered copyright work with exclusive right to acquire exploitation powers over Software and, Article 98 paragraph 4 of the Law, regulating the general rule of employer's right to acquire Software, procure similar legal and commercial outcome. The Law provides the same transfer mechanism when it comes to pecuniary rights over Software, if obtained either on basis of employment or under the agreement on producing the ordered copyright work. However, in order to exclude any misunderstanding and/or possible disputes, even though it falls within the employer's power to exploit developed Software, it is more beneficial to regulate the transfer mechanism more clearly and precisely by agreement or employment contract.

When it comes to the general rule under the Law, it is clear that intellectual property rights transfer can be regulated differently under the employment contract, representing an exception from the general rule, i.e. if the employment contract explicitly provides that the employee shall withhold copyrights, application of the general rule is excluded.

However, when drafting the employment contract, an explicit provision therein should stipulate that intellectual property rights, including but not limited to software, source code, all project documentation, etc. are transferred to the employer permanently and exclusively, without any subject, territory, time and scope restrictions. These provisions need to be entered into employment contract in order to exclude the application of the general rule under Law. Moreover, clear provisions under the employment contract regulating the employer's legal ground to acquire intellectual property rights from the employee, furnish the employment relationship and prevent possible disputes, which may arise thereafter, affecting the commercial outcome for both employer and employee. It is of great, both commercial and legal importance, to regulate the relationship between employee, as an author, and employer, as a potential right holder, given the vague general stipulation provided under the Law and potential great value of Software on case-by-case basis.

In conclusion, transfer of pecuniary rights over Software is explicitly regulated under the Law. However, the transfer of any other intellectual property rights and its exploitation is not directly provided under the Law, hence, the best commercial and legal assessment is detailed regulation under the employment contract, with intellectual property rights clause, where transfer would be regulated thoroughly, with respect to subject, scope, time, territory and/or whether the employer or employee would have any limitation on exploitation. Due to the general provisions on remuneration which employee may have pursuant to Article 98 paragraph 1 of the Law, it should be determined specifically under the employment contract whether this remuneration is consumed with the regular pay/salary or whether the employee has right to additional compensation as provided under the Law, irrespective of determined salary. Employment contract needs to be specific when regulating transfer, in order to avoid any possible disputes or interpretations due to the general rule under the Law, but also to secure more solid and long-standing employment relationship as an environment for further creation of Software and other original creations.