INTERNATIONAL ASSOCIATION OF YOUNG LAWYERS

# How to protect the employer's interests after the termination of employment contracts – aspects of labour law in general and sports law in particular

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## National Report of LATVIA


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# INTRODUCTION

When signing employment contracts, employers and employees usually do not think about the problems that may arise at the end of such cooperations. However, it is our task as their advising lawyers to protect our client's interests after the termination of such contracts. Therefore we would like to draw your attention on means to protect these interests of employers in general, such as restrictive covenants and garden leave – before we will have a look into the world of sports and see how it deals with respective problems.

## 1. Employment Law

**What are restrictive covenants?**

Information is key for the success of every business.

Thus, restricting the use of this information by employees after their employment has ended has proved to be vital to protect the business and/or customer contacts. A former employee having insider-knowledge of the prices, technology, market strategy, customer- or client-base is often an attractive asset to a competitor seeking to enter the market and/or enhancing its existing business.

In order to provide for a certain level of protection for employers they may want to protect the use of the information vital to their business by post termination restrictive covenants.

A contractually agreed restrictive covenant is typically designed to prohibit an employee from competing with his former employer for a certain period after the employee has left the business. Furthermore, it aims to prevent a former employee from soliciting or dealing with customers and or other employees of the former employer by using knowledge of those customers and the business gained during the prior employment.

Standard types of restrictive covenants, which are often used by employers, are:

- non-competition covenant,
- non-solicitation covenant,
- non-dealing covenant
- and non-poaching covenant.

**Garden leave**

Another opportunity to increase the impact of a post termination restrictive covenant – if lawfully agreed upon - is to agree on a garden leave clause in the initial employment contract. Based on such clause an employer can require an employee to spend all or part of the notice period at home whilst the employee continues receiving the regular remuneration.

Thus, a garden leave clause prevents the employee from taking up other employment with a competitor whilst still being employed with the employer. However, it also enables the employee's successor to establish himself and develop relationships with the employee's (former) customers and contacts. A further advantage of such a clause is that whilst on garden leave, the employee is no longer privy to the business' confidential information. Additionally, it has to be noted that all information such employees do have will become out of date until the garden leave ends.

Finally, at the end of the garden leave period the restrictions resulting from the post termination restrictive covenant may step in and further deter the employee from competing with the business of the former employer.

However, from the employee's perspective such garden leave provision contained in the employment contract, if lawfully agreed upon, may prevent the employee from further practicing (and training) his specific occupation. This may be considered a huge disadvantage when it comes to profession, where actively pursuing your occupation is key (e.g. for professional athletes, surgeons, etc.).

## 2. The Impact of Employment Law on the World of Sports

In some kinds of sports, athletes and coaches are employed by clubs or associations, so the rules of employment law apply. However, the world of sports has always the tendency to set their own rules of law, claiming that the regular laws are not suitable for the relationships in sports. Therefore we are interested in learning if the above mentioned means of protection the employer's interests at the end of an employment contract are found in sports employment contracts and/or if there are any special provisions in athlete's employment contracts in your jurisdiction..

**Transfer Fees**

Once upon a time, (football) sports clubs and associations have invented the transfer fee system: If a player wanted to switch the club (the employer) after the termination of his contract, the new club had to pay a transfer fee to the former club. The reason for this was mainly that the former club wanted to be compensated for the education and the improvements of the player. This was similar to the situation of "normal"

former employers who do not want their competitors to benefit from the know-how that a "normal" employee gathered during his employment.

This system had to be abolished in 1995 after the judgment of the European Court of Justice in the "Bosman" case, C-415/93. It was decided that the obligation for the new club to pay a transfer fee after the termination of a player's contract infringe the freedom of movement for workers.

Since then, transfer fees may only be claimed in the European Union, if a player wants to switch the club during the term of validity of his employment contract. Therefore the duration of the contract has become an important aspect of the player's contracts.

Now, how are these issues dealt with in your jurisdiction?

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# 1. Employment Law

## 1.1. Restrictive covenants

### 1.1.1. Is the principle of A POST TERMINATION RESTRICTIVE COVENANT known in your legal system? If yes, how can this principle be defined? Where does the principle have its origin? (Civil Code, case law, etc)

Yes, the post termination restrictive covenant principle is know and applied in Latvia. In employment relationship the restrictive covenants shall be applied in the same manner as any other contractual provisions.

It can be assumed that origin of the principle thereof is established by Constitution of the Republic of Latvia (Satversme) (in effect as of 07.11.1922, as amended) Article 106 whereof states that everyone has the right to freely choose employment and workplace according to his/her abilities and qualification. Whereas Article 116 of the Constitution states that rights of an individual in respect to freedom of employment may be subject to restrictions in circumstances provided for by law in order to protect the rights of other people, democratic structure of the country, and public safety, welfare and morals. In other words, these rights can be restricted if the restriction is duly established by law, it has legitimate purpose and is commensurate.

Restrictive covenants in respect to employment shall be sought in and established in accordance with laws and regulations related to employment relationship, including but not limited to

- Civil Law of Latvia (in effect as of 01.03.1993), the Contract Law part, establishing general principles of the employment relationship;
- Labour Law (in effect as of 01.06.2002) wherein principles of EU laws and requirements are introduced; and
- Several other laws and regulations related to specific aspects of the employment relationship.

### 1.1.2. At what stage in the employment relationship between employee and employer are post termination restrictive covenants agreed upon in your jurisdiction? Is there any relevant case law?

It can be assumed that the only post termination restrictive covenant recognized in Latvia is the non-competition restriction applied after termination of employment relationship (Article 84 of the Labour Law of Latvia). There was a time when employers considered necessity to apply this restriction only once they came to a dismissal case, however as time goes and employees get smarter and well aware of their rights and duties, the employers also had to improve their skills. Thus today the non-competition clause after termination of employment is introduced already upon signing of the Employment Agreement with the new employee.

Employer though is entitled to change his mind and prior to termination of employment relationship release the employee from the restrictive covenant (Article 85 of the Labour Law). Defined moment of "prior to termination of employment relationship" was not always unambiguously interpreted therefore the Supreme Court of Latvia has analyzed this aspect and concluded that an employer shall be entitled to recall the non-competition covenant only prior to receipt of termination notice from the employee; prior or concurrently with employer's notice; or before Employment Agreement is terminated on other grounds than dismissal (Summary of Case Law of the Supreme Court of Latvia "On applicability of laws when resolving in court disputes related to amendments to or termination of employment agreements" 2004).

### 1.1.3. Once the employment contract is signed, is there a general obligation of non-compete also in the absence of an express agreement after the termination of the employment? Are there specific statutory provisions or precedents referring to this? Could whistle blowing be regarded as a part of the employee's post termination restrictive covenant?

No, the applicable law does not provide for statutory non-compete obligation.

During employment term employer shall be entitled to establish a restriction for the employee to enter into employment relationship with other employers providing that it is significant precondition for proper performance of employee's obligations with this employer (Article 92 of the Labour Law). In practice this tool is often used also without any significant necessity.

Whereas in respect to post termination covenants it is explicitly established that a non-compete covenant shall be concluded between employer and employee in writing, indicating the type, extent, place and time of restriction on competition and the compensation to be paid by the employer to the employee during the restriction period (Article 84 of the Labour Law).

As regards whistle blowing, Article 9 of the Labour Law of Latvia prohibits the employer to apply any sanctions on an employee or to otherwise directly or indirectly cause adverse consequences for him/her in case the employee has during his/her

employment exercised any statutory rights he/she has including whistle blowing in respect to fraud, breach of rights of an employee or regarding suspicions with respect to committing of criminal offences or administrative violations at the workplace. Whereas if whistle blowing is performed after employment relationship is terminated the former employer would have no instrument to influence choice of the employee to act so. Of course any actions performed by employee either during employment or thereafter shall be legitimate and permissible. If the employee would have acted in excess of permissible limits employer could sue him/ her for defamation.

Case law in this respect is limited and mainly related to adverse consequences for the employee when she/he has reported on the employer. As a result of that the employer has in accordance with Article 29 of the Labour Law to indemnify to the employee losses cased or even compensate the non-pecuniary damage, if claimed. Amount of the non-pecuniary compensation shall be established by court (the Supreme Court, case No. SKC-54, 08.02.2006).

**1.1.4. Which obligations regarding post termination restrictive covenants exist on the employer's side in the absence of an express agreement? Are there specific statutory provisions or precedents governing employer's duties after the termination of the employment in your jurisdiction?**

No, neither Labour Law of Latvia, nor case law up to now have established explicit duties for an employer in respect to post termination restrictive covenants in the absence of express agreement between the parties.

**1.1.5. What kind of different restrictive covenants that may be available and can be agreed between employer and employee in your jurisdiction? (see the examples in the introduction). Please describe how these can be defined and how they work in your jurisdiction.**

Employment structure in Latvia stands for protection of employee rights and therefore sometimes it is even difficult for the employers to impose rules against future actions of the employees. Restrictive covenants like non-competition covenant, non-solicitation covenant, non-dealing covenant and non-poaching covenant are some more, some less applied in practice in Latvia, however only one is explicitly provided for by the Labour Law, namely, the non-competition covenant (Article 84).

Non-competition as sole statutorily provided post termination restrictive covenant has rather broad limits – it is restriction not only in respect to future employment but also in respect to future business plans and professional activity of the employee. Due to this non-competition restriction is like an assessment threshold and there are

always attempts to include in the non-competition rule all possible restrictions one could expect from a former employee to comply with.

Another approach often applied – establishing restrictive covenants of all possible types up to reasonably possible limits though keeping in mind limits applied on and discussed in practice in respect to non-competition covenant. For instance, non-competition covenant could be complemented with non-dealing covenant as part of restrictions imposed on employees professional plans in future.

Except for non-competition covenant in respect to which there are explicit statutory rules to be complied with and accordingly case law evaluating permissible scope of the restriction and consequences thereof, other restrictions are more often deemed as incommensurate restriction of the rights of employee.

### 1.1.6. What are the conditions for a valid post termination restrictive covenant in your jurisdiction? (e.g. prerequisites like minimum age, minimum salary, minimum employment period; way of termination of employment, etc.). Please describe the conditions applicable and how these work in your jurisdiction.

As mentioned before, the only post termination restrictive covenant explicitly established by the Labour Law of Latvia is the non-competition restriction. The restrictive covenant can be imposed on any employee, however providing that this covenant corresponds to Article 84 of the Labour Law.

Agreement between employee and employer shall be executed in writing and it should correspond to the following criteria:

- purpose of the agreement shall be to protect the employer against such occupational/ professional activity of the employee, which may cause competition for the commercial activity of the employer;
- term for the restriction on competition shall not exceed 2 years as of the date of termination of employment relationships; and
- it establishes duty for the employer to pay the employee adequate monthly compensation for compliance with the non-competition covenant and compensation thereof shall be paid for entire term of the said agreement.

Lack of these criteria would result in the agreement being void.

It is established by law that unfair and excessive non-competition agreements shall be deemed null and void. And still main discussions and case law is regarding proportionality of the restriction.

Although it is statutorily required to apply restrictive covenant only to the field of activity the employee was engaged in during the period of employment relationship, employers sometimes try to expand the restriction to each aspect possible thus leaving no employment choice for the employee whatsoever. One of the most significant samples in this respect was a case where employer, a car dealer in Latvia for a secretary leaving established restrictive covenant of the following scope – "for

two years after termination of employment relationship the former employee shall be prohibited to perform professional activity as well as work for any other employer in the territory of Latvia, Lithuania and Estonia, if that could create or foster competition for commercial activity of the employer, and concurrently the employee shall be obliged not to use any information obtained within the terminated employment relationship, not to enter into employment relationship with any company who is active in the field of sale, repair, lease or leasing of transportation vehicles and/ or their parts and accessories, neither become shareholder of such company, nor provide any services and professional advising to such companies". The former employee became employee of a competitor firm, however in a position more involved in sale of cars. The former employer considered it as a breach of the established non-competition restriction and brought an action to court against the former employee. The court established that the non-competition restriction established and imposed on the employee who left was excessive and unfair, and employer lost the case (the Supreme Court, case No. SKC–6, 09.01.2008, and same case, decision No. SKC-99/2009, 11.03.2009).

Another field for discussions is the statutory term "adequate monthly compensation" as there are no strict guidelines on the amount of the compensation an employer should pay. The case law has already established criteria of insufficiency thereof (the Supreme Court, case No. SKC–6, 09.01.2008 and same case, decision No. SKC-99/2009, 11.03.2009), therefore in each case it is as a matter of fact at discretion of the employer to decide what kind of compensation would be truly appropriate for the specific employee. Amount of the compensation would depend on the term of the restrictive covenant, position the employee was employed at with the employer, area of the professional practice as well as other aspects relevant for the specific market and professional competition.

Agreement on non-competition restrictions applied on former employee shall be deemed independent covenant and having no influence on the employment relationship the parties had in past. Due to this it may establish and apply contractual penalties on the employee in case he/she would act in breach of the established restrictions, when at the same time in employment relationship itself contractual punishment except for reproof, reprimand and dismissal is not allowed (the Supreme Court, case No.SKC-377/2008, 04.06.2008).

### 1.1.7. What is the potential scope of a post termination restrictive covenant in your jurisdiction? (e.g. taking into consideration time, geographical scope, content, interest, activities; etc.). Please describe how that works in your jurisdiction and what pitfalls have to be observed for both employers and employees.

As mentioned before scope of the restrictive covenants shall be fair and commensurate. It concerns any aspect of the restriction, the scope in essence, the territory the restriction shall be applied to, as well as activities of the employee to be or not performed. The main pitfalls for employer would be:

- If compensation is inappropriate and does not reasonably cover employees' everyday necessities as a result of which the employee does not have work, nor does he/she have sufficient financial means, the post termination restrictive covenant can be disputed in court and after all recognized as unfair;
- If the employee is a high level professional in a specific field where his/her know-how is highly appreciated and the former employer restricts him/her to work in this field, thus leaving the employee with no choice of employment whatsoever, the restrictive covenant could be recognized as unfair as well;
- For an employee of administrative function who still had access to know-how and commercial secrets of the former employer it may be better to establish a more strict confidentiality cause (post employment non-disclosure of commercial secrets of the former employer) than the competition restrictions.

As pitfalls for employee could be mentioned:

- Non-compliance with the post termination restrictive covenant could be brought to court by the former employer as material issue and indemnification of losses caused to the employer could be claimed;
- If the restriction established by the agreement is too general and diffuse the employee could have practical problems to understand his/her obligations under such agreement and easily come into breach at some point.

### 1.1.8. What are the possible sanctions against the employee in the event of a breach of a post termination restrictive covenant? Describe how that works in your jurisdiction and provide for practical information about the dos and don'ts.

As mentioned in this report, it is strictly prohibited in Latvia to apply any contractual sanctions against the employee within the employment relationship. Even if the law stipulates that employer is entitled to deduct from the work remuneration of the employee a compensation for losses caused to the employer due to illegal, culpable action of the employee, it is mandatory requirement to obtain written consent of the employee before such withholding is made (e.g., Article 79 of the Labour Law).

It is strictly stated by the Labour Law of Latvia that provisions of employment contract or other documents (agreements, regulations, orders of the employer etc.) establishing terms and conditions in respect to employment of an individual, which contrary to applicable statutory regulation aggravate legal status of an employee, shall be deemed null and void (Article 6 of the Labour Law). Therefore non-competition covenant as the sole statutorily available protection tool for interests of the employer after employment relationship has been the only basis for discussions regarding sanctions.

On June 4, 2008 the Supreme Court of the Republic of Latvia (Case No. SKC – 377/2008) adjudged that non-competition covenant either included as a single clause in Employment Agreement or concluded as a separate agreement between the employer and the employee shall be deemed as independent agreement between the parties and therefore not subject to restrictions imposed by Article 6 of the Labour Law of Latvia. Main argument is that this covenant shall be attributed to post employment period and thus does not have any impact on status of the employee while she/ he is employed by respective employer, nor does it form part of terms and conditions of the respective employment. Agreement of the parties whereby contractual penalty is established for breach of the professional restrictions established between the parties shall come into effect only after employment relationship between the employer and the employee has been terminated and therefore employee will have no longer protection established by the Labour Law.

Based on this case law a non-competition covenant can include contractual penalty in the same manner as a rule of this type would be attached to any other contractual arrangement entered into without deception, false and constraint.

**1.1.9. What are the possible sanctions against the new employer in the event of a breach of a post termination restrictive covenant by the employee of the former employer? Is it a matter of unfair competition in your jurisdiction?**

There are no sanctions neither in law, not developed in practice against the new employer if employee has acted in breach of the non-competition covenant concluded with the former employer. There are also no sanctions in respect to other post termination restrictive covenants used on the market, because any restrictions related to previous employment relationship are sole liability of the employee.

**1.1.10. When an employer has invested money in an employee's training, is there any possibility for the employer to get a refund from the employee, in case of breach of the post termination restrictive covenant, and under which conditions?**

Until January 1, 2015 it was a mandatory rule that employer shall cover all and any expenses related to education and professional training of the employee if he/she has been assigned to attend the studies during employment with the respective employer. Today a new regulation has been introduced (Article 96 of the Labour Law, as amended) whereby employer under certain circumstances has gained rights to claim from employee indemnification of expenses related to his/her education and professional training.

Employer shall be entitled to claim indemnification of expenses provided that:

- the education or professional training shall be related to employment duties, however should not have key role in performance of the individual as of employee;
- employer and employee have entered into a written agreement regarding education and professional training of the employee and indemnification of expenses thereof;
- employer shall be entitled to claim indemnification of losses if the employee shall submit termination notice prior to expiry term of the agreement on education concluded with the employer, save for termination based on serious reasons - any condition based on considerations of morality and fairness due to which it is no longer possible for the employee to continue employment relationship.

The agreement of the employer and employee in respect to expenses of the professional education shall correspond also to the following criteria:

- the employee has consented to attend studies or professional training;
- term of the agreement does not exceed 2 years as of the day certificate regarding qualification gained by the employee has been issued to him/her;
- validity term of the agreement in respect to education is proportionate to amount of the expenses to be indemnified by the employee;
- the amount of expenses to be indemnified by the employee does not exceed 70% of the total amount of the expenses related to the education/professional training;
- in case of termination of employment with the respective employee the amount of expenses he/she should indemnify to the employer shall be reduced in proportion with the number of days the employee has been on duty after agreement on education has been concluded.

Agreement on indemnification of expenses related to education of the employee shall *inter alia* be void if signed with a minor; concluded during trial period established for the employee; or agreement is concluded in respect to professional education expenses whereof according to statutory rules shall be covered by the employer.

If expenses related to education of the employee per annum do not exceed statutorily established minimum salary (in 2015 it shall be 360 EUR/month) the employer shall have no right at all to claim indemnification of expenses.

And several additional qualifying and exceptional aspects provided for by Labour Law shall be noted in this respect.

Refusal of the employee to attend educational or training programs the employer has chosen and offered to him/her may not be used as basis for termination of the employment by the employer or other limiting actions against employee's rights.

**1.1.11. What are the possibilities of lawsuit for the employee in case of the employer's disadvantagous actions during a period covered by a restrictive covenant (e.g. the employer prevents the employee from finding a new job by spreading out rumours)?**

The employee would be entitled to bring an action in the court against the employer for acting in breach of the non-competition covenant, claim recognition of the covenant terminated (null and void), as well as claim indemnification of losses the employer has caused to him/her.

## 1.2. Garden Leave

**1.2.1. Does the concept of "garden leave" exist in your jurisdiction? How does it work, what is the scope and what are the prerequisites?**

The Labour Law of Latvia does provide rules for applicability of a garden leave, though more like general suspension from work than instruction to stay away from work duties during termination notice period of the employee (Article 58 of the Labour Law).

The general rule of the garden leave under Latvian laws is that the suspension should be well justified, the garden leave should not exceed three months (in case of termination of employment it would not be an issue as maximum statutorily established notice period is one month) and during this period the employer is entitled withhold salary of the employee.

In order to apply garden leave in its full essence employers often do keep salary payments to the employee active, thus kind of diminishing potential risk of employee claims in respect to unreasonable suspension from work. Nevertheless active payroll is not always sufficient, the basis for suspension has to be explained in writing to the employee when giving effect to the restrictions applied.

**1.2.2. Talking about garden leave provisions: do employees – or certain types of employees – have a right to be "actively employed" in your jurisdiction, e.g. so that a garden leave provision would not – or not be fully – be enforceable for an employer and the employee would have a "right" to continue working until the end of the employment? What is the respective legal framework in your jurisdiction?**

According to Latvian laws a garden leave can be applied in limited cases, namely,

- in case it has been requested by state authorities of Latvia;
- if the employee, when performing work or being present at the workplace, is under the influence of alcohol, narcotic or toxic substances;
- in other cases when failure to suspend an employee from work may be detrimental to his/her safety or the health or safety of third parties,

- in cases when failure to suspend an employee from work may be detrimental to the substantiated interests of the employer or third parties, or
- in other cases stated by other laws or regulations apart from the Labour Law of Latvia.

The suspension should have legal and actual grounds.

It is assumed that interpretation of these suspension criteria shall not be extended, therefore if the suspension from work is not justified enough, e.g. is related to simple employer's dislike against the employee in question, subject to decision of a court the suspension could be recognized as unjustified and employer held liable for payment of average earnings to the employee for entire period of the said garden leave, as well as held liable for indemnification of losses to the employee caused in this respect. Receipt of average earnings and losses though would not be possible if the court rejects the claim submitted by the employee.

### 1.3. Are there any other specific means to protect the employer's interest at the end of an employment contract in your jurisdiction? Please explain in detail and provide for practical guidance.

As the only additional rule of protective nature for the benefit of the employer could be deemed statutory rights of the employer to determine rights of the employee to withdraw termination notice he/she has submitted to the employer. It is recommended to establish order in this respect already in the Employment Agreement or in the Collective Agreement to be applied on the employee.

# 2. The World of Sports and Employment Law

## 2.1. General questions

### 2.1.1. Does employment law apply to the relation between athlete's and sports clubs/Associations in your jurisdiction? Are there relevant differences between the kinds of sports and between professionals and amateurs?

According to Article 19 of the Sports Law of Latvia a professional athlete shall be deemed an individual who on the basis of an employment contract and for the agreed remuneration prepares himself/herself for sports competitions and participates therein. In practice there are numerous agreements of another type concluded with athletes, and where though employment relationships are concluded contents thereof is different from common practice of employment. Moreover the sports organizations like federations, associations, Latvian Olympic institutions and other sports support entities have established their own structures and rules for cooperation with athletes.

Amateur sports form significant part of sports environment in Latvia. Here athletes do conclude agreements related to sports they do; however these agreements are more related to approval of involvement in one or another type of sports supporting entity rather than legal frame for any kind of material benefit the athlete could be entitled to gain.

### 2.1.2. Are there specific employment law provision (statutes, rules of sports associations) applicable for athletes in your jurisdiction? In particular regarding post termination restrictive covenants and/or garden leave provisions and/or the right to continue to work?

If employment relationships would be established with an athlete he/she would be subject to regular statutory terms and conditions of employment as any other employee would. In addition to general regulation of Employment Law or even giving privilege to that – the athletes would be subject also to internal rules of their professional organizations (bylaws, statutes, etc.). However internal rules are more a practice applied.

In majority of sports areas no post termination restrictive covenants are applied. Investment in athletes and thus post termination interest of the sports organizations is in Olympic sports and few professional fields of sport present in Latvia like football, basketball and hockey.

**2.1.3. Is there a specific court or arbitration system for employment matters between athletes and clubs in your jurisdiction? Are those arbitration proceedings obligatory before going to court?**

No, if any dispute shall be resolved between an athlete and his/her employer/contractual party – sports organization it shall be resolved in regular state court.

However due to specifics of contracting an athlete sports organizations sometimes give priority to dispute resolution within the sports organization itself and in case the parties do not come to an agreement the dispute maybe forwarded to supervising international sports organization for further examination. Local courts do not have sufficient knowledge and practice in respect to sports regulations and developed common practice, due to which such litigation might lead to unenforceable solution. Nevertheless athletes sometimes bring an action to regular courts.

## 2.2. Transfer Fee System and termination of contracts

**2.2.1. a) For the EU Member States: Describe how the Bosman case has changed the situation in your jurisdiction and if/how the sports associations and the legislator have responded to this judgement. b) For the NON-EU Members States: Was there a similar judgement or event that changed the system in your jurisdiction?**

The Bosman case has had impact on contractual arrangements of sports organizations in Latvia; however it is just due to these organizations inter alia being subject to international regulation and requirements applicable in their field of sports. The sports organizations have rather flexibly restructured terms and conditions applicable on cooperation with athletes, though no changes in laws of Latvia have been introduced in this respect.

For instance, in football it is established that:

- there are only two periods for transfer actions available within a year – in summer and in winter;
- transfer of sportsmen shall be subject to three type of compensations, depending on age of the athlete and his professional qualification: Youth Development Compensation (right for compensation in this respect shall have only those football clubs (sports schools), who participated in the preparation of the player; this compensation shall be paid only upon signing of first professional contract of the specific athlete), Solidarity Compensation (to be paid to each club/ sports school where the athlete was educated and had trainings between age of 12 to 23 years) and Transfer Fee.

**2.2.2. Are there specific laws or regulations of sports associations (different from the general rules) dealing with the termination of athletes' employment contracts in your jurisdiction? Are such contracts usually open-ended or do they run for a fixed term? Are there any restrictions for fixed-term contracts in your jurisdiction?**

Yes, sports associations have their own internal rules on terms and conditions of employment of an athlete; however from legal point of view these bylaws cannot be considered as prevailing the statutory requirements established in respect to employment.

Such internal bylaws establish different and more appropriate for sports area rules, for instance, the employment contract shall be concluded for a period not less than length of season; the agreement has more than two contractual parties because employment contract of an athlete might require approval of supervising association; validity of the employment contract shall not be subject to receipt of a work permit by foreign athlete (in case of regular employment relationships this would be material breach); unilateral termination of the employment contract is permitted only in cases provided for by the internal bylaws (in case of regular employment termination of the employment contract is permitted exclusively in cases listed in Articles 100 and 101 of the Employment Law and couple of additional rules of the Employment Law).

The contracts signed with athletes mainly are for a fixed term. Common practice is – the younger the athlete the longer the validity term of the contract established. From the perspective of Employment Law fixed term employment contracts are permitted only in areas listed by applicable regulation and as soon as validity term of the fixed term employment contract concluded between same employer and employee have reached 5 years in total (including extensions thereof) such employment contract shall become open-ended.

As an opposite – if a service agreement would be concluded with an athlete terms and conditions thereof would be at sole discretion of the contractual parties and it would be easier to apply internal bylaws of sports associations.

**2.2.3. Can a player switch the club during the term of the employment contract for a certain transfer fee without the consent of the former club in the absence of a respective clause? Is it obligatory in your jurisdiction to agree on such a clause and a certain transfer fee?**

No, athletes cannot switch the club during term of employment contract in lack of explicit transfer agreement. Transfer fee is not a precondition, whereas written agreement between involved parties on the transfer itself is mandatory requirement.

**2.2.4. What are the remedies for the former club in your jurisdiction, if a player switches the club during the term of the employment contract**

**without the consent of the former club and without the payment of an agreed transfer fee?**

As the sports society is rather small in Latvia and moving around of athletes is possible at a limited scale, switching of sports association the athlete belongs to is limited as well. In some sports fields the sports associations have obligation to officially announce the interest in the athlete to present employer before approaching the athlete himself/herself. If though this rule is not complied with the sports association shall be entitled to impose internally established sanctions on the trespasser.

**2.3. Are there any further conflicts between employment law and the employment practice of sports clubs and associations in your jurisdiction? Please describe relevant cases or judgements.**

The conflict between general employment regulation and rules established internally by sports associations is rather big. In team sports it is more common to keep internal control over contractual relationships with athletes and potential dispute matters arising thereof. In individual sports the practice is different and therefore more possible that an action to court would be brought by an athlete. However legal proceedings where an athlete would be a claimant in respect to his/her employment/ contractual relationships with a sports association are very seldom.

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