# Artificial Intelligence 2024

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**Montenegro: Trends and Developments**
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# MONTENEGRO

## Trends and Developments

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**Schoenherr Attorneys at Law** is a leading full–service law firm operating for more than 70 years, with 15 offices and several country desks in Central and Eastern Europe. The Montenegrin office, active since 2002, consists of 10 people, including associates, attorneys at law and partners. The firm's practice is client–oriented, featuring specialised practice groups that deliver industry–focused services to meet the demands of a competitive, evolving and rapidly changing marketplace. The firm's client list includes leading companies, financial institutions, organisations and governments. The firm advises various IT clients and startups on relevant matters, including AI, shaping the AI legal landscape in the region.

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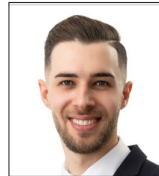
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## Introduction

Montenegro lacks specific legal regulations or national strategies that directly regulate AI–based technology and its practical applications. For the time being, the deployment and operation of AI–based technology is guided by the general principles of various existing laws, which are applied depending on the specific context of AI use.

The absence of specific laws or strategies governing AI in Montenegro can be attributed to several factors. Primarily, as an EU candidate country, Montenegro seeks to align its national legislation with the EU acquis communautaire. This requirement for alignment stems from the Stabilisation and Association Agreement, effective from 2010. Consequently, it was unlikely that Montenegro would enact any AI–specific legislation before the EU established its own. Additionally, political dynamics in Montenegro have significantly influenced the legislative process. The change in government in 2020 triggered a period of political transition marked by a dynamic political landscape, with three different governments taking power by 2024. These changes shifted the legislative efforts to amending laws related to the judiciary, security, economy and other crucial sectors, leaving AI regulation on the backburner.

Despite this, awareness of and interest in AI among the population in the country is relatively high. According to a study conducted by the Damar Research Institute in December 2023, nearly six out of ten Montenegrin citizens (59.1%) claim to be familiar with AI. Additionally, there have been several initiatives aimed at promoting the safe and controlled development and use of AI in Montenegro. These efforts demonstrate a public readiness to engage with AI technology and influence its future regulation.

## Key Remarks on the Applicable Legal Framework

Since Montenegrin legislation does not specifically address AI, and there is no established market practice or case law to provide guidance, applying general legal principles to AI–related transactions or projects is not straightforward. This absence of clear directives makes it essential to engage in thorough legal interpretation and seek expert consultation to effectively navigate the legal landscape when dealing with AI in Montenegro.

In 2023, representatives from various state authorities (including the Ministry of Public Administration and the Ministry of Science and Technological Development) stated that the lack of legislation specifically addressing AI does not

hinder the development of AI projects in Montenegro. However, the successful development of any AI project depends on the legal and lawful use of AI–based products. Consequently, the lack of clear legal guidelines on AI–related issues may deter investor confidence due to uncertainties regarding project outcomes, affecting all stages of development.

For instance, there is no established legal precedent in Montenegro for applying the Contract and Torts Act ("Official Gazette of Montenegro", nos. 47/08, 04/11 and 22/17) to automated and blockchain–enabled smart contracts, although these are by now the market standard in AI applications. Moreover, the said Act's rules on general liability have not been tested in situations where AI systems harm third parties. Likewise, the Montenegrin Labour Act ("Official Gazette of Montenegro", nos. 74/19, 8/21, 59/21, 68/21 and 145/21) is facing challenges with integrating AI in the workplace, affecting everything from algorithmic fairness during hiring processes to the use of AI in daily operations. The application of Consumer Protection Act ("Official Gazette of Montenegro", nos. 2/14, 6/14, 43/15, 70/17, 67/19 and 146/21) also faces issues as AI becomes more embedded in consumer products and services, leading to concerns about consumer rights, product liability and misleading advertisements. Furthermore, how the Competition Protection Act ("Official Gazette of Montenegro", nos. 44/12, 13/18, and 145/21) will handle AI–induced market changes, such as algorithmic price fixing or monopolistic control, is still uncertain. Lastly, sector–specific legislation, including telecommunications and cybersecurity laws, should also be considered due to their relevance to AI applications. This underscores the need for explicit and wide–ranging regulations that address not just AI concepts but also their practical applications and potential legal implications.

Two particularly important topics include how general data protection and intellectual property rules apply to AI.

### Data protection and privacy
AI systems typically process large volumes of personal data, which raises significant privacy concerns. Consequently, in the EU, compliance with data protection regulations like the GDPR is crucial. However, despite several announcements, Montenegro's Personal Data Protection Act ("Official Gazette of Montenegro", nos. 79/08, 70/09 and 44/12) has not yet been aligned with GDPR standards. As a result, the 2008 Montenegrin data protection legislation has been criticised for not even meeting the minimal EU standards regarding data protection and privacy. This gap in regulation not only fails to provide guidelines and standards for addressing data protection and privacy issues related to AI but also potentially facilitates the misuse of data through AI technology, given Montenegro's lack of an effective legal framework for general data protection.

The Montenegrin Personal Data Protection and Free Access to Information Agency has yet to address these issues, with no official statements or guidelines issued thus far. However, in July 2023, the Agency published a Montenegrin translation of the "Overview of the Council of Europe Activities on AI" on its official webpage. This publication may indicate the Agency's intention to wait for further European guidelines and align its practices with those used across Europe, particularly within the EU.

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### Intellectual property

The Copyright and Related Rights Act ("Official Gazette of Montenegro", nos. 37/11, 53/16 and 145/21) (CRRA) was enacted in 2011 and most recently amended in 2021.

When it comes to use of copyright works for AI training purposes, the CRRA does not contain any copyright exceptions which would allow text and/or data mining for commercial purposes. In fact, the copyright exceptions are drafted rather narrowly and apply in very limited cases, none of which could be interpreted to apply to the use of copyright materials for AI training purposes.

On the output side of the generative–AI process, it seems that, at present, the works generated by AI cannot enjoy copyright protection in Montenegro. The CRRA defines a copyrighted work as an individual's spiritual and intellectual creation in literature, science and art, which must be expressed in a certain manner. Accordingly, for a work to be considered a creation of intellectual and spiritual merit, it must originate from a natural person, reflecting their unique, personal expression. In addition, the CRRA stipulates that the author must be a natural person who has personally and spiritually created the work. Thus, for a work to be protectable as copyright and for its creator to be acknowledged as the author, it must be produced by a natural person, adhering to the additional criteria set forth in the CRRA.

### Selected Announcements, Initiatives and Projects in AI

Despite the absence of a clear legal framework or national AI strategies, several initiatives aimed at promoting AI in Montenegro have emerged from both public authorities and the private sector.

### Government's general stance on AI

Although the government of Montenegro has not yet undertaken any concrete measures, it has shown several signs of support for AI development within the country. In October 2023, the President of Montenegro, Mr Jakov Milatović, stated his belief that Montenegro has the potential to become a regional hub for AI. His comments came after a meeting with Jeff Huber, former president of Google and an AI expert, where they discussed opportunities for advancing AI technologies in Montenegro.

Furthermore, the Ministry of Public Administration hosted a training course on AI and machine learning in October 2023. Over two days, participants gained a comprehensive understanding of essential concepts such as AI, machine learning and deep learning, as well as their interrelationships. The training also covered various AI algorithms and applications in detail.

### Integration of AI into national strategic planning

Although there has been no official announcement of a national strategy specifically addressing AI, the technology has been referenced in several sector–specific strategies that are currently in the process of adoption.

For instance, the draft Strategy for Higher Education in Montenegro for the Period 2023–2026 (the Strategy) is nearing adoption by the government. This document highlights the promotion of academic integrity as one of the primary challenges over the next few years, with a special focus on AI and cybersecurity. Additionally, the draft recognises the need for the modernisation of educational content and the enhancement of the efficiency of the educational process. As a first step towards achieving this goal, the strategy calls for providing infrastructural support for

teaching and learning across all higher education institutions. This support is envisioned to include various mechanisms, such as the application of AI for independent learning. Furthermore, the strategy aims to adopt best practices from across Europe, which includes incorporating the use and regulation of AI technology within higher education settings.

### Government's promotion of AI as an innovative activity

In 2020, Montenegro enacted the Innovation Activity Act ("Official Gazette of Montenegro", no. 82/20), which governs innovations and innovative activities within the country. This legislation details the organisation, conditions, financing and promotion of innovation activities. It is designed to enhance Montenegro's economic growth by developing innovative capacities and infrastructure.

In June 2023, representatives from the Ministry of Public Administration and the Ministry of Science and Technological Development affirmed that the Innovation Activity Act can also be applied to AI technology. Therefore, entities engaged in AI could benefit from comprehensive administrative and state support to further develop their projects. These incentives could significantly boost the advancement of AI in Montenegro.

In June 2021, Montenegro established the Innovation Fund with the aim of significantly bolstering innovative entrepreneurship within the country and enhancing its capacity to access EU funds. To achieve this goal, the Innovation Fund provides support through ten different programmes, offering ongoing assistance and non–repayable financial aid at various stages of startup development.

The current director of the Innovation Fund, Ms Bojana Femić–Radosavović, has publicly emphasised the importance of promoting promising business ideas in Montenegro, highlighting that global topics such as AI should also be applicable within the country. Consequently, the Innovation Fund has actively encouraged young entrepreneurs to incorporate various AI mechanisms into their businesses through startups, facilitating the integration of AI into everyday practices within the Montenegrin economy.

### Non–governmental organisations dedicated to promoting AI

In September 2022, the Montenegrin AI Association (MAIA) was established as a non–governmental organisation. Its mission is to bring together Montenegro's AI community to foster research in AI technologies and enhance awareness of its significance throughout the nation.

In May 2023, among its various initiatives, MAIA entered into a cooperation memorandum with the Science and Technology Park of Montenegro, an entity created through a collaboration between the government of Montenegro and the University of Montenegro. This memorandum sets forth a plan for joint activities over the next three years, focusing on creating value through the exchange of knowledge and experiences and the execution of collaborative projects in the realms of the innovative economy and AI.

### AI use by the IT sector

The local IT community has actively pursued advancements in AI development. For instance, in 2019, the British–Montenegrin startup, Uhura Solutions, developed a low–code platform designed for intelligent contract analysis, making AI technology readily accessible to business users. The company successfully secured USD1.8 million in an initial funding round, led by

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SuperSeed Ventures and supported by Newable Ventures and South Central Ventures.

### AI use in the media industry

AI technology has been successfully implemented in the Montenegrin media sector. Since mid–2023, the portal "DAN" features virtual anchors named Ana, Sara and Mara, who deliver content in the Montenegrin language. This marks the first initiative of its kind in Montenegro. The process starts with an editor selecting news and photos, which are then processed and presented by AI technology. Reacting to this development, both the Institute for Media and Journalism and the Montenegrin Trade Union of Media have expressed concerns. They advocate for the responsible use of these systems, emphasising that their deployment should be motivated by a genuine desire for innovation, not merely by entrepreneurial aims to reduce labour costs. Additionally, they have highlighted the lack of clear guidelines in media–related laws and strategies that could effectively govern such initiatives.

### Conclusion

Despite the lack of a clear timeline and agenda, it is expected that Montenegro will eventually align with the EU's stance on AI, particularly as outlined in the Artificial Intelligence Act. However, the current absence of proactive measures from the government may lead Montenegro to fall significantly behind its neighbouring countries and EU member states. The absence of an official position on AI implementation, coupled with a lack of concrete legal framework or well–established legal practices, portrays Montenegro as an uncertain environment for AI–related investments.

Moreover, given the rapid evolution of AI technology, any delay in aligning national laws with EU regulations could exacerbate the situation, leaving Montenegro to contend with emerging issues that demand swift legislative responses. In that respect, it is essential to recognise that while the Artificial Intelligence Act provides a foundation, it is not comprehensive in regulating every aspect of AI use. Therefore, Montenegro is expected to enact national strategy or even additional legislation to define its stance on critical concerns such as AI ethics. This is essential not only for safeguarding national interests, but also for fostering further AI development.

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