

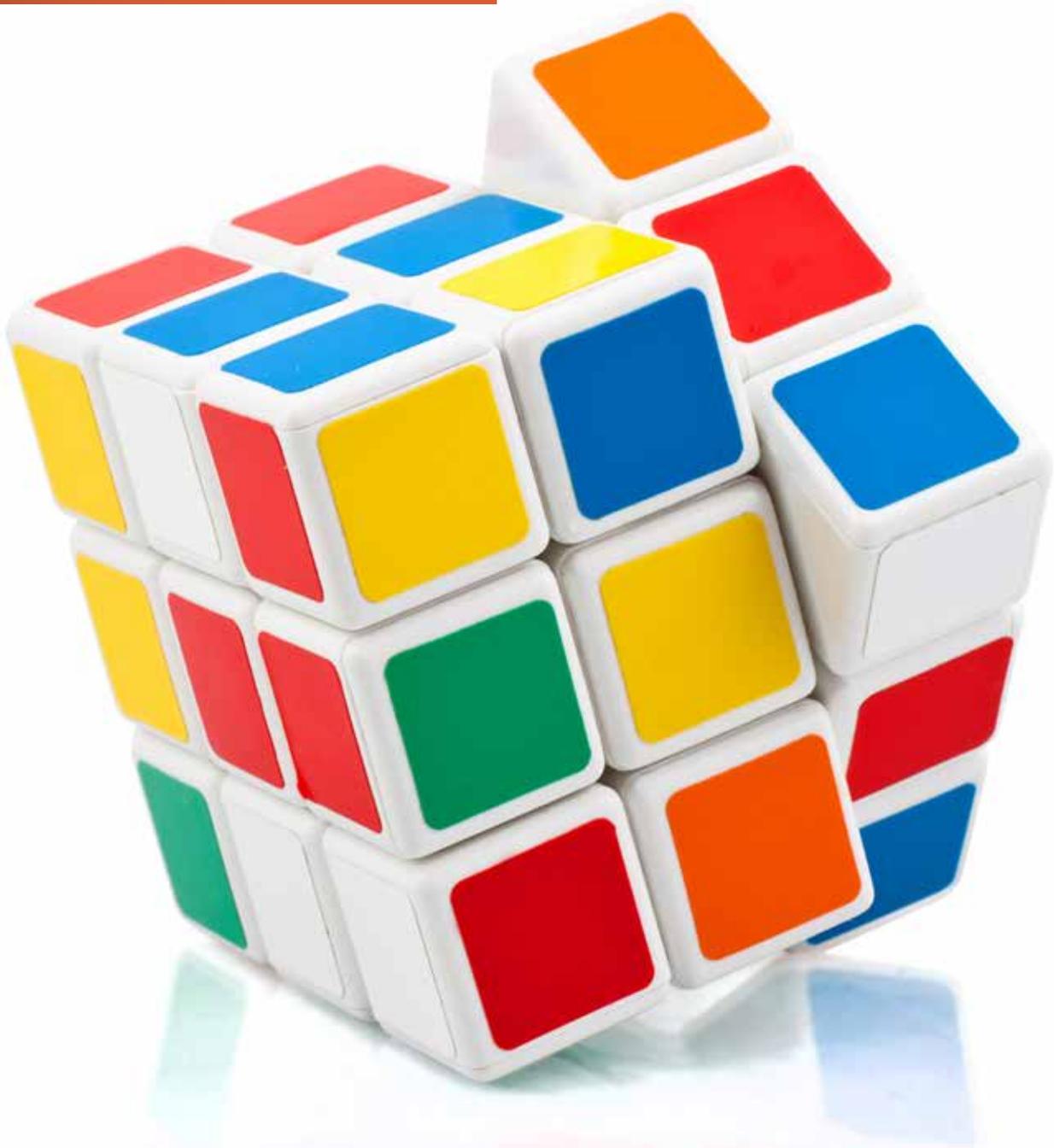


CEE LEGAL MATTERS

YEAR I, ISSUE 1
FEBRUARY, 2014

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE
EUROPE'S EMERGING LEGAL MARKETS

"Our mission is, simply, to be the go-to source of information about lawyers and legal markets in Central and Eastern Europe."



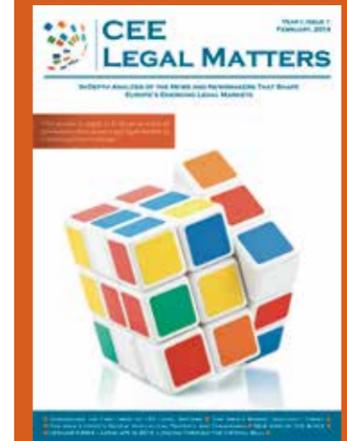
■ ACROSS THE WIRE: SUMMARY OF DEALS AND CASES IN CEE ■ MARKET SPOTLIGHT: TURKEY ■
■ EXPERTS REVIEW: INTELLECTUAL PROPERTY AND TRADEMARKS ■ ILF EXPANSION INTO CEE ■
■ UKRAINE'S M&A LANDSCAPE IN 2014 ■ EXPAT-ON-THE-GROUND INTERVIEW ■ TOPSITES ■



INTRODUCING

CEE 2014 CORPORATE COUNSEL HANDBOOK

Preparation for the first CEE Legal Matters Qualitative Study into General Counsel Best Practices is underway. To learn more about how you can participate, pre-order, or advertise, please contact us at research@ceelm.com



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If you like what you read in these pages (or even if you don't) we really do want to hear from you. Please send any comments, criticisms, questions, or ideas to us at:

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We believe CEE Legal Matters can serve as a useful conduit for legal experts, and we look forward to expanding our capacity to do so in the future. But now, later, and for all time: We do not ourselves claim to know or understand the law as it is cited in these pages, nor do we accept any responsibility for facts as they may be asserted.

Introduction To CEE Legal Matters



The current world record for completing a marathon run is held by Wilson Kipsang (2:03:23). Chuck Engle won most marathons in history coming in first in 171 races.

Marathons represent a commemoration of the fabled run of Pheidippides, a Greek soldier and messenger of the battle of Marathon to Athens. Aside from its origins in a CEE market and that, on a personal level, our cover features a picture from the Prague International Marathon, held in a city that this authors feels is one of the most beautiful in the region and beyond, the cover spoke to us because, just like Pheidippides, our magazine will go to considerable lengths in our efforts to inform our readers of the most relevant news and newsmakers that shape the legal world in Central and Eastern Europe.. and we are in it for the long run!

Before looking at this issue, we need to extend a thank you to you, our readers. The feedback we received from you after our launch has been extremely supportive and engaging. We set out to become the go-to source of information for and about lawyers in CEE and are particularly thrilled that, as this issue goes to print, we are days away (if the trend continues) from reaching the landmark of 1 million unique hits to our website in less than 4 months since its launch. We can only look forward to building on this trend of growth and are excited to have you by our side in this journey.

We promised our readers in our previous editorial that our magazine would not be one thing: Static. As such, we have expanded our Frame section to analyse even more jurisdictions in this issue to offer our readers greater insight into the trends and events that are shaping the legal industry in their markets. We looked at why law firms are moving into Russia (or not), we analysed the outlook of the Czech legal market after the crisis, and explored the ramification for law firms of the current geo-political situation in Crimea.

Around the month of March, which passed between our issues, it is also fashionable for law firm to announce various gender equality initiatives or awards. As such, we decided to carry out a comprehensive survey of ranked firms in the CEE region to understand what the status-quo is with regards to women's participation at all levels in law firms. This issue includes the first part of our report which will focus on presenting the results of the survey with analysis and comments to be covered in part two in the following issue of the magazine.

At the same time, our Market Spotlight, which focuses on Romania, includes an overview of the impact of, and reactions to, the new advertising regulations of the bar association in the country. The President of the Romanian Union of Bar Associations, Gheorghe Florea, was kind enough to comment on the changes and the rationale behind them, which, we hope, will offer our readers a great deal of insight into a market which, at the moment is in "stand-by" mode with regards to law firm marketing efforts.

With these, and many more, we take that one more step in our long run ahead.

David Stuckey, Executive Editor



Guest Editorial: CEE Status

We are certainly still close enough to the beginning of the year for a bit of productive looking back, accessing the present, and planning for the future.

Like the rest of the world, the financial crisis negatively affected the CEE and all of us who practice law within this dynamic region. The affect may have been uneven as among our various countries and practice areas, but no one escaped the impact entirely.

For many of us these past few years have been the most challenging time in our careers. The legal community's reaction to the changing circumstances has varied. Some firms withdrew or considerably downsized within the region. Others adapted more subtly to changing market conditions, allowing themselves to stay the course, maintain the most important parts of their firm cultures and, in some cases, to even grow.

And what of the "now" for CEE lawyers? There is surely recovery but it too is uneven as among various countries and practice areas. But whatever our concerns are as to the status of the real economies, and other lingering economic and political problems in our respective jurisdictions, few would question that we are seeing a return to a type of normalcy in our practices. That "normalcy" in many firms is mainly being fueled by restructuring and insolvency work

And the future? Few expect a return to our pre-crisis glory days. Although M&A activity is definitely up, business and political realities will continue to check any quick general surge in new real estate, renewable energy and foreign investment work. But no matter

what, the long-term regional need for infrastructure and other improvements remains intense and will eventually and inevitably drive more legal work for all of us. In this respect those of us who practice in the CEE enjoy an advantage that our colleagues in more developed markets simply do not. It is just a question of how long the intervening short term will be.

Nonetheless, some in our community are outright negative about the future of our profession. It is with that group that I must strongly disagree.

The lawyer's role in CEE economic affairs and development is as strong or stronger than it has ever been. For sure, politics or economic issues of the moment are challenges but they are challenges that we need to help our clients overcome. We all have a vital role to play in moving the CEE region forward. We can't just be spectators. We need to be out there helping to write the positive story of CEE.

With such a role and responsibility our profession can and should be personally fulfilling in both economic and non-economic terms. Being a lawyer is something of which we should be genuinely proud.

Make no mistake, though, none of us can expect business as usual, particularly because of the intense pricing pressure and competition that is now an absolute reality for a growing part of any firm's book of business. Simply put, the market is constantly and relentlessly cutting away at the amount of work that is still "non-generic" enough to not be taken in-house or competitively tendered and awarded on price alone.

All of us must learn to better deliver our services at a price which our increasingly sophisticated clients are willing to pay and which also meets our own reasonable needs and expectations. This can be done. We can learn to better quote for our work in advance

(just like other businesses must do) and then to professionally manage the delivery of our services and costs to more often stay within our quotes and still exceed client expectations. For some of us there will be more occasions when we decline work over pricing, but smart practice should make such occasions rare events.

We must also dedicate the time and resources to the training of our more junior lawyers, not as an expense and burden to our clients but as part of our own standard offering. This has always been the right thing to do but now the market has made it the required thing to do.

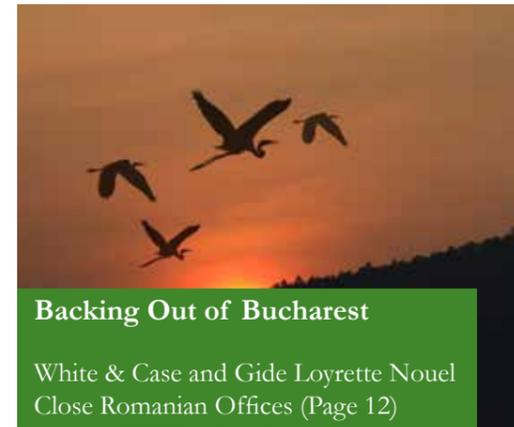
In my view there can be no better place in the world than CEE to address our profession's challenges. Extra effort, individual creativity and differentiation still get you ahead in this region.

It is particularly fortuitous that CEE Legal Matters is inaugurating its operations in the here and now. It promises to be an important and vital tool to help all of us navigate the future by showcasing the best practices, knowledge, know how, successes and failures of the region's legal community. I encourage all of you to contribute to and read the publication. The best way to raise the bar is to learn from one another.

I am particularly delighted that Co-Editors David Stuckey and Radu Cotarcea are part of the team launching CEE Legal Matters. We have known each other and worked together for many years. David and Radu are consummate professionals with a deep understanding of the challenges and opportunities of practicing law in the CEE. Their involvement will undoubtedly help assure this publication's success.

Welcome to the neighborhood, CEE Legal Matters!

Ronald B. Givens, Partner, Wolf Theiss



Backing Out of Bucharest

White & Case and Gide Loyrette Nouel Close Romanian Offices (Page 12)



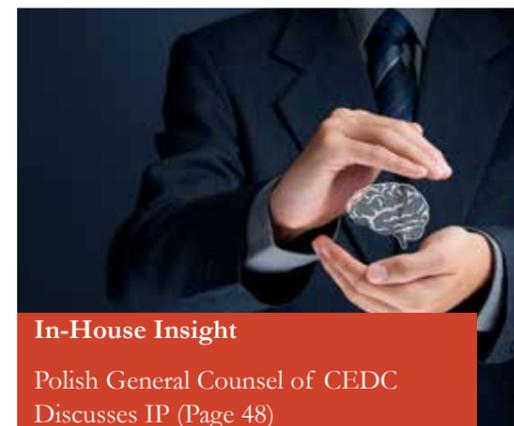
Looking Through the Crystal Ball

Ukrainian M&A Partners Consider the Effects of the Country's Ongoing Crisis (Page 20)



Expat-on-the-Ground

American Dan Matthews Leads Baker & McKenzie In Istanbul (Page 41)



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Polish General Counsel of CEDC Discusses IP (Page 48)

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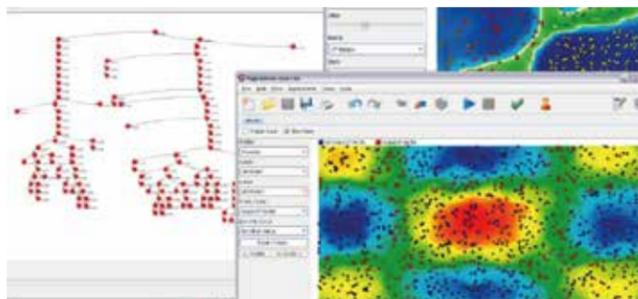
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Legal Ticker: Selected Deals and Cases

Austria

Wolf Theiss Advises RapidMiner on Earlybird and Open Ocean Investment



RapidMiner foto credits: mloss.org

In a first financing round, Wolf Theiss has advised IT company RapidMiner on taking on USD 5 million in new capital from Earlybird Venture Capital and Open Ocean Capital.

RapidMiner, founded in Germany in 2007, offers software solutions and services in the field of “predictive analytics, data and text mining.” Global players such as Cisco, EADS, eBay, Intel, Lufthansa, PayPal, PepsiCo, Siemens and Volkswagen are among the users of the software the company has developed, and the funds RapidMiner has obtained from Earlybird and Open Ocean, two venture capital investors specializing in high tech companies, are expected to support RapidMiner’s bid to capture the American market as well.

The Wolf Theiss team advising RapidMiner on the transaction was led by Partner Clemens Philipp Schindler, who was assisted by Partner Martin Abram, Senior Associates Martina Gatterer and Katharina Schindler, and Associate Markus Taufner. RapidMiner was also advised by teams from Pollath + Partner in Germany and Cooley in the USA.

January 14, 2014

Schoenherr and Vavrovsky Heine Marth Advise OVAG on Sale of Financing Portfolio

The European Schoenherr law firm has advised Osterreichische Volksbanken-AG on the sale of a financing portfolio with an approximate value of EUR 428 million to CA Immobilien Anlagen. They were assisted on the project by the new Austrian Vavrovsky Heine Marth law firm.

The Schoenherr team was led by Partner Sascha Hodl, who was assisted by Associate Sascha Schulz. Vavrovsky Heine Marth Founding Partner Dieter Heine led that firm’s team in the matter.

The buyer, Immobilien Anlagen, and was advised by Partner Wilfried Seist from Doralt Seist Csoklich.

January 27, 2014

Belarus

Raidla Lejins & Norcous and Stepanovski Papakul & Partners in Belarus Consortium

A consortium consisting of the Baltic Raidla Lejins & Norcous (RLN) and the Belarus Stepanovski, Papakul and Partners (SPP) law firms, along with KPMG offices in Hungary and Belarus, was selected to attract and generate investment to several Belarus state owned enterprises.

The consortium was selected from over 30 applicants by the Ministry of Economy of the Republic of Belarus and the Belarus National Agency of Investment and Privatization. The contract authorizes and empowers the consortium to attract investment to the “Baranovichi Reinforced Concrete Products Plant”, “Belsantekhmontazh-2”, “Construction and Mounting Trust No 8”, and “Avtomagistral” open joint-stock companies.

The consortium will conduct financial, operational, and legal due diligence of the SOEs and an independent stock assessment in accordance with Belarussian and international methodological standards. They will also conduct investment risk analysis, develop strategies for attracting investors, and implement a marketing campaign. It is expected that the project will have identified and selected strategic investors by the end of 2014.

Irmantas Norkus, the Managing Partner of RLN’s Lithuania Office, claimed that the project is part of the firm’s “obligation to provide highest quality services to potential investors in Belarus.” The team leader of the consortium is Tamas Simonyi, the Head of KPMG CEE Financial Institutions, M&A Advisory, and Director of Corporate Finance Advisory at KPMG in Hungary.

January 7, 2014

Greece

English and Greek Firms Advise on Greek Motorway Restructurings

Norton Rose Fulbright has advised on all legal aspects of two motorway restructurings in Greece with a combined value of GBP 3.1 billion, with Hogan Lovells and Linklaters across the table on the two deals.

NRF acted for project company Aegean Motorway on the restructuring of the EUR 1.3 billion Maliakos-Kleidi motorway. The shareholders of Aegean Motorway are HOCHTIEF PPP Solutions, Vinci Concessions, AKTOR Concessions, J&P AVAX, AEGEK, and Athena. The lenders were advised

by Hogan Lovells, and the Koutalidis Law Firm advised on the Greek legal aspects of the restructuring.

Norton Rose Fulbright also acted for the lenders, including 26 banks and the European Investment Bank, on the restructuring of the EUR 1.8 billion Elefsina-Korinthos-Patras-Pyrgos-Tsakona motorway. Linklaters advised Olympia Odos, the project company, and Karatzas and Partners advised on the Greek legal aspects of the restructuring.

Both restructurings closed on December 17. Construction work on the motorways was expected to resume in early 2014 and the motorways are expected to be operational by the end of 2015.

Partner Madhavi Gosavi, who led the restructurings for Norton Rose Fulbright, said that, “the successful conclusion of these two motorway restructurings has increased investor confidence and demonstrates the Greek Government’s commitment to supporting new and existing infrastructure.”

Gosavi was assisted by Norton Rose Fulbright Partners Charles Whitney, Jeffrey Barratt and Peter Hall, and by Associates Ann Vesely, Phil Hanson, Christina MacGilp, Ben Sealy, Eleanor Cochrane, and Jessica Bethell-Jones.

January 31, 2014

Latvia

Borenius Advises on Acquisition of Norvik Bank

Latvia’s Borenius Law Firm has advised Grigory Guselnikov, the owner and leading partner of London-based investment fund G2 Capital Partners, in his acquisition of 50%+1 share of Norvik Bank.

As a result of the acquisition, Guselnikov became a majority shareholder and strategic investor of the bank. In addition to its role as legal advisor in the transaction, Borenius participated in the structuring of the transaction, drafted transaction documents, and represented Guselnikov before Latvia’s Financial and Capital Market Commission in relation to his receipt of permission to acquire the shares of the bank.



Norvik Bank foto credits: atrium-azur.lv

January 10, 2014

Poland

White & Case Advises Play on High Yield Bond Issue and New Revolving Credit Facility

White & Case has advised Polish mobile telecoms operator P4, which trades as Play, on its groundbreaking, inaugural EUR 870 million and PLN 130 million dual-tranche high yield bond issue and entry into a new super senior revolving credit facility.

Play is a portfolio company co-owned by Olympia Development and London based investment firm, Novator.

White & Case Partner Jill Concannon, who advised on the bond issue, declared it to be “the largest debut high yield bond deal since 2010, the largest Central & Eastern Europe high yield deal ever, the second largest European telecoms debut ever and the first ever Polish zloty-denominated high yield bond issued on the international capital markets.”

The White & Case team advising Play was co-led by Partners Jill Concannon and Ian Bagshaw, and included Partners Ross Allardice, Jeremy Duffy, Rob Mathews, Marcin Studniarek, and Rob Irving, Local Partner Nicholas Coddington, Counsel Gregorz Jukiel, and Associates James Greene, Rafal Kaminski, and Aneta Urban.

February 7, 2014

Romania

Gide Advises on the First Motorway PPP in Romania

Gide Loyrette Nouel has advised a consortium comprising of VINCI Concessions, STRABAG and AKTOR on a 29-year public-private partnership contract covering the Comarnic-Brasov section of the Bucharest-Brasov motorway in Romania.

The project covers the financing, design, construction, operation and maintenance of a 54 km motorway section on the A3 motorway, which crosses the Carpathian Mountains and is the main artery linking Bucharest and Transylvania with Western Europe. The work will include the construction of three major interchanges, 39 bridges, and three dual-tube tunnels with a total length of 19.4 km.

The consortium advised by Gide had been named as the preferred bidder by the Romanian Ministry of Transport and Infrastructure. Gide claims that the deal constitutes the first motorway PPP in the country.

The Gide team acting on the project was headed by Partner Stephane Vernay, and included Associates Anne Framezelle, Frederic Pia, and Pierre Bernheim in France, and former Gide Partners (see page 12) Bruno Leroy and Andreea Toma and Associates Adina Damaschin, Cristina Togan and Catalin Barb, in Bucharest.

January 7, 2014

Legal Ticker: Selected Deals and Cases

Musat & Asociatii Assists Sterling Resources in Share Sale of Midia XV



The Romanian firm Musat & Asociatii has advised Sterling Resources in its sale of 65% of its shares in the offshore Midia XV deep water perimeter.

Midia XV is an area in the Romanian waters of the Black Sea with a surface of 46,539 hectares. It represents 11% of the total area under concession to the Midia and Pelican companies, and is adjacent to the “Neptun” perimeter of Exxon and OMV Petrom, which already hosts the first deep sea exploration rig in the Romanian Black Sea.

The buyers of the shares were ExxonMobil Exploration and Production Romania and OMV Petrom. In the same transaction, Petro Ventures Europe transferred its 20% shares in the Midia XV perimeter, also to ExxonMobil and OMV. Gas Plus, which owns the final 15% of shares, opted not to sell.

Musat & Asociatii advised on the entire transaction. The team was led by Musat Partner Miruna Suciuc.

February 3, 2014

Russia

Baker, Orrick, and Herrington & Sutcliffe Advise in Major Russian Gas Acquisition

Even in Russia, deals for (almost) 3 billion dollars don't happen every day.

Baker & McKenzie has announced that it advised Yamal Development, a 50/50 joint venture between Novatek and Gazprom, on a USD 2.940 billion acquisition of a 60 percent stake in Artic Russia from the Italian Eni oil and gas company. Artic Russia owns a 49 percent interest in Sever-Energia, a Russian oil and gas company operating in the Yamal-Nenets region of Russia.

Baker & McKenzie's multi-jurisdictional team included Partners Jeroen Hoekstra and John Paans in Amsterdam, Hugh

Stewart in London, and Sergei Voitishkin in Moscow. Support was provided by Associate Koen Bos in Amsterdam, Mark Richardson in London, and Sergey Krokhavev and Kirill Manshin.

Orrick, Herrington & Sutcliffe advised Sberbank on the financing to Yamal Development.

The cross-border Orrick team was led by Moscow Corporate Partner Leo Batalov and Associate Maria Kazakova, as well as London Partner Anthony Riley, Of Counsel Richard Moudiotis, Associate Kirill Kholod.

January 24, 2014

Schoenherr and Vavrovsky Heine Marth Advise OVAG on Sale of Financing Portfolio

Noerr has advised Siemens on an agreement with Russian Machines Corporation in the establishment of a joint venture for the production and sale of subway cars.

The two companies will invest a total of EUR 160 million in the joint venture, which will be based in the Moscow region of Russia and employ up to 800 people. The joint venture expects to participate in the tender of the Moscow Metro, which is modernizing and planning the purchase of more than 2,000 cars.

Moscow Partner Bjorn Paulsen led the Noerr team advising Siemens on the transaction. Noerr Partner Hannes Lubitzsch and Lawyer Olga Mokhonko assisted.

February 5, 2014

Dentons Advises E.ON Connecting Energies on Russian Acquisition

Dentons has advised the electricity and gas provider E.ON Connecting Energies (ECT), a new international unit of E.ON Group, on the acquisition of the Russian Noginsky Teplovoy Center company from AMG Industrial Investment Corporation.

Noginsky Teplovoy Center provides heat and energy through a cogeneration plant to the Noginsk Industrial Park, located about 50 kilometers from Moscow. Tenants of the Noginsk Industrial Park include the chemical and pharmaceutical group Bayer, the retail chain Metro, and the Russian mobile service provider MegaFon. Closing of the transaction is conditional to obtaining Russian merger control approval and is scheduled to take place in spring 2014. Additionally, ECT and DEGA, the Swiss parent company of AMG, entered into a long-term joint-venture agreement to build, own and operate on-site combined heat and power generation facilities for future similar industrial parks in Russia.

The Berlin and Moscow Dentons team led by Berlin Partner Christof Kautzsch advised the buyer during the entire transaction – from due diligence to drafting and negotiating contracts (including contracts under Swiss law) and merger control approval in Russia. Others on the team included Partners Alexei Zakharko and Marat Mouradov, Senior Associate Judith Aron, Counsel Daniel Barth, Of Counsel Nadezhda Gryazeva, and Associates Dennis Azara, Sergey Gurdzhian, and Artashes Oganov.

February 10, 2014

Turkey

Baker & McKenzie Advises on Acquisition of Turkish Dairy



Ayran (yogurt beverage and Turkish national drink)

Baker & McKenzie, working primarily through the Esin Attorney Partnership, its Turkish member firm, has advised on the acquisition of a leading Turkish dairy products distributor.

The firm advised the Abraaj Group – a leading private equity investor operating in high-growth markets – in connection with the acquisition of a majority stake in Yorsan Group, a Turkish manufacturer and distributor of dairy products, including milk, cheese, and the popular Turkish Ayran. Esin advised Abraaj on (i) the acquisition financing (the lead arrangers of which were Turkiye Garanti Bankasi and Yapi Kredi), and (ii) the co-investment of the European Bank for Reconstruction and Development and the Yoruk Family. The deal was closed on 16 January 2014.

Managing Partner Ismail Esin and M&A and Banking & Finance Partner Muhsin Keskin led the Esin team, while Baker's team was led by Global Head of Private Equity Simon Hughes, M&A Partner Kuif Klein Wassink, and Banking & Finance Partner Fedor Tanke.

January 21, 2014

Ukraine

DLA Piper Advises Leroy Merlin on Hypermarket Construction

DLA Piper has advised Leroy Merlin, one of the largest European DIY retail networks, on the construction and opening of its second hypermarket in Kiev.

The transaction consisted of an acquisition of a Ukrainian company which held the land titles for the plot and subsequent construction of the hypermarket. DLA Piper advised on various Corporate, Tax, Finance & Projects and Real Estate matters throughout the transaction.

Partner and Head of Real Estate in Ukraine Natalia Kochergina, who led the DLA Piper team on the transaction, said that “this is the second Leroy Merlin hypermarket in Ukraine, and we have provided full legal support on both. It is expected that in 2014 a further hypermarket will open, and we are also advising the client on that project.”

Kochergina's team included DLA Piper Senior Associate Dmytro Pikalov, Associate Sergiy Portnoy, and Legal Directors Illya Sverdlov and Illya Muchnyk.

January 31, 2014

Sayenko Kharenko Advises on M&A Deal in Animal Feed Market



The Ukrainian Sayenko Kharenko law firm has advised the Dutch Nutreco International on an M&A deal in the animal feed market and establishment of a joint venture in Ukraine.

As a result of the completed transaction, Nutreco International has indirectly acquired a stake in Dutch Feed, a Ukrainian company with a large sales and distribution network throughout Ukraine.

Sayenko Kharenko provided full transactional support on the deal, including legal due diligence, general advice on multiple Ukrainian law matters, deal structuring, obtaining merger clearance from the Antimonopoly Committee of Ukraine, assistance with preparation and negotiation of transaction documents, and assistance in the closing of the transaction.

Sayenko Kharenko's Corporate team for the transaction included Counsel Vitaly Kravchenko and Associates Oleksandr Nikolaichyk, Daria Gulinska, and Hanna Dobrynska. Also assisting were Sayenko Kharenko Antitrust Counsel Dmitry Taranyk and Associate Maksym Nazarenko. Both teams worked under the supervision of Partner Vladimir Sayenko.

January 31, 2014

Legal Ticker: Summary of Deals and Cases

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
1/1/14	Schoenherr, CMS Reich-Rohrwig Hainz	Seven Mile Capital acquired the Microporous lead-acid battery separator facilities in Tennessee, in the United States, and Feistritz im Rosental, in Austria.	USD 120 million	Austria
1/14/14	Wolf Theiss, Pollath + Partner, Cooley	Wolf Theiss advises IT company RapidMiner on taking in new capital from Earlybird Venture Capital and Open Ocean Capital.	USD 5 million	Austria
1/27/14	Schoenherr, Vavrovsky Heine Marth, Doralt Seist Csocklich	Schoenherr advises Osterreichische Volksbanken-AG on the sale of a financing portfolio to CA Immobilien Anlagen, with assistance from the new Austrian Vavrovsky Heine Marth law firm	EUR 428 million	Austria
2/5/14	CHSH Cerha Hempel Spiegelfeld Hlawati	CHSH advises KGAL, one of Germany's largest asset managers, on its purchase of the Shopping Horn in the northern Austrian town of Horn.	N/A	Austria
2/5/14	Watson, Farley & Williams	Watson, Farley & Williams advises Leobersdorfer Maschinenfabrik on a new financing agreement with European private capital fund manager Metric Capital Partners.	N/A	Austria
1/17/14	Specht Bohm	Specht Bohm represents the Nordic Tieto IT service company in its acquisition of Siemens Convergence Creators' telecom research and development division.	N/A	Austria, Croatia, Slovakia
1/7/14	Raidla Lejins & Norcous, Papakul and Partners	Raidla Lejins & Norcous and Stepanovski, Papakul and Partners, along with KPMG offices in Hungary and Belarus, are selected to attract and generate investment to several Belarus state owned enterprises.	N/A	Belarus
1/10/14	Latham & Watkins	Latham & Watkins advises U.C.E. Synttech Holdings on its cash offer for IG Seismic Services.	USD 312.5 million	Cyprus
2/7/14	White & Case	White & Case advises Avast Software and a selling shareholder consortium on the sale of a significant minority stake to CVC Capital Partners, one of the world's leading private equity and investment advisory firms.	N/A	Czech Republic
1/15/14	Papapolitis & Papapolitis, White & Case, Van Doome, Ardent & Medernach	Papapolitis & Papapolitis acts for York Capital Management (UK) Europe Advisors, in acquisition of a 66% stake in NBG Pangaea Real Estate Investment Company from the National Bank of Greece.	EUR 653 million	Greece
1/21/14	Reed Smith, Karatzas and Partners, Bonelli Erede Pappalardo, Baker & McKenzie, Sidley Austin	Reed Smith advises Invel on its acquisition of a 66% stake in NBG Pangaea Real Estate Investment Company from the National Bank of Greece.	EUR 653 million	Greece
1/31/14	Norton Rose, Hogan Lovells, Linklaters	Norton Rose Fulbright advises on two motorway restructurings in Greece with Hogan Lovells and Linklaters across the table.	GBP 3.1 billion	Greece
1/30/14	King & Wood Mallesons SJ Berwin	King & Wood Mallesons SJ Berwin advises CEREAL Partenaire on acquisition of Speciality Chemical Packaging from Irving Place Capital and Oaktree Capital Management.	N/A	Hungary
2/10/14	Specht Bohm	Specht Bohm assists in Hungarian management buy-out of Brinks' Hungarian subsidiary.	N/A	Hungary
1/10/14	Borenienus	Latvia's Borenienus Law Firm advises Grigory Gusevnikov, the owner and leading partner of London-based investment fund G2 Capital Partners, in acquisition of 50%+1 share of Norvik Bank.	N/A	Latvia
1/8/14	GESSEL	GESSEL advises mBank on debt financing to purchase shares of Stone Master, a leading Polish manufacturer of decorative elements and facade coverings of stone on the Polish market.	N/A	Poland
1/21/14	GESSEL	GESSEL represents Tesgas in settling a dispute with PBG Energia and Bioelektrownia Szarlej.	N/A	Poland
2/7/14	White & Case	White & Case advises Polish mobile telecoms operator P4 on inaugural, dual-tranche high yield bond issue and entry into a new super senior revolving credit facility.	EUR 870 million and PLN 130 million	Poland
1/7/14	Gide Loyrette Nouel	Gide Loyrette Nouel advises VINCI Concessions, STRABAG and AKTOR on a 29-year public-private partnership contract covering motorway in Romania.	N/A	Romania
1/8/14	Reff & Associates/ Deloitte	Reff & Associates assists New Europe Property Investments in acquisition Greek shopping center.	N/A	Romania
1/15/14	Clifford Chance, Voicu & Filipescu, Popovici Nitu & Asociatii	Hydroconstrucia, the largest hydro-energy and construction company in Romania, received a EUR 60 million credit from a bank consortium consisting of BRD-Groupe Societe Generale and Allianz-Tiriac Insurance.	EUR 60 million	Romania

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
1/20/14	Tuca Zbarcea & Associates	Tuca Zbarcea & Associates advises the State Oil Company of Azerbaijan on reacquisition of subsidiary shares from Romanian shareholders.	N/A	Romania
1/20/14	Tuca Zbarcea & Associates	The Bucharest Court of Law has ordered the cancellation of insolvency procedures against Carrefour Romania initiated by one of the retailer's suppliers, which claimed unpaid debts.	EUR 180,000	Romania
2/3/14	Musat & Asociatii	Musat & Asociatii advises Sterling Resources in sale of 65% of shares in the offshore Midia XV deep water perimeter.	N/A	Romania
1/20/14	Specht Bohm	Specht Bohm achieves victory in Russian Court of first instance for family of 2002 Nord-Ost siege conflict victim in Moscow.	N/A	Russia
1/24/14	Baker & McKenzie, Orrick, Herrington & Sutcliffe	Baker & McKenzie advises Novatek and Gazprom joint venture on the acquisition of a 60 percent stake in Artic Russia from the Italian Eni oil and gas company.	USD 2.940 billion	Russia
1/27/14	Baker & McKenzie	Baker & McKenzie advises Vneshprombank on debut Eurobond offering.	USD 200 million, USD 25 million	Russia
1/31/14	Morgan Lewis	Morgan Lewis advises Russian VTB Bank on cash tender offer closings. The tender offer involved USD 750 million Loan Participation Notes due February 2018, its USD 2 billion Loan Participation Notes due May 2018 and its USD 1 billion Loan Participation Notes due October 2020.	USD 750 million, USD 2 billion, USD 1 billion	Russia
2/5/14	Noerr	Noerr advises Siemens on joint venture agreement with Russian Machines Corporation for the production and sale of subway cars.	EUR 160 million	Russia
2/10/14	Dentons	Dentons has advised the electricity and gas provider E.ON Connecting Energies (ECT), a new international unit of E.ON Group, on the acquisition of the Russian Noginsky Teplovoy Center company from AMG Industrial Investment Corporation.	N/A	Russia
1/27/14	Egorov Puginsky Afanasiev and Partners	Egorov Puginsky Afanasiev and Partners in Moscow and Kiev successfully represents Dole Food Company CEO David Murdoch in request for regulatory approval for purchase of the final 60% of the company.	USD 1.6 billion	Russia, Ukraine
1/20/14	Jankovic Popovic & Mitic	Jankovic Popovic & Mitic provides legal support to Microsoft in obtaining clearance from the Serbian Commission for Competition for purchase of Nokia's Devices & Services business, license of Nokia's patents, and license and use of Nokia's mapping services.	N/A	Serbia
1/21/14	Baker & McKenzie	Baker & McKenzie advises on acquisition of leading Turkish dairy products distributor.	N/A	Turkey
2/10/14	Baker & McKenzie	Baker & McKenzie advises Monitise on cross-border acquisition of 100% of the issued share capital of Turkey's leading mobile money company.	N/A	Turkey
1/16/14	Dentons	Dentons acts as Ukrainian legal counsel to the Black Sea Trade and Development Bank in connection with a committed trade finance facility to the Bank Vostok public joint-stock company.	N/A	Ukraine
1/17/14	Asters	Asters law firm advises the International Finance Corporation on financing leading Ukrainian agroindustrial company.	USD 65 million	Ukraine
1/31/14	DLA Piper	DLA Piper advises Leroy Merlin on construction and opening of second hypermarket in Kiev.	N/A	Ukraine
1/31/14	Sayenko Kharenko	Ukrainian Sayenko Kharenko advises Nutreco International on an M&A deal in the animal feed market and establishment of a joint venture in Ukraine.	N/A	Ukraine
2/5/14	Integrites	Integrites successfully represents the National Vodka Company in a trademark dispute in Kazakhstan.	N/A	Ukraine

Full information available at: www.ceelegalmatters.com

Period Covered: January 1, 2014 - February 11, 2014



Did We Miss Something?

We're not perfect, we admit it. If something slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at press@ceelm.com

On the Move: Firm and Partner Moves

Firm Moves

Mediterranean Exarchou and Rosenberg Granted ABS License to Practice as Law Firm in England and Wales

The Exarchou and Rosenberg International law firm announced on January 21 that it has received a license from the British Solicitors Regulation Authority to operate as an alternative business structure in the UK.

The firm will transfer its head office operations from its current headquarters in Athens to its existing London office. According to Director George Rosenberg, the move is aimed at “developing [the firm’s] presence in London in order to promote its ability to service clients in the UK as well as take advantage of the esteem in which English law firms are held elsewhere in the world.”

Exarchou & Rosenberg International - which also has offices in Cyprus and Oman - has 13 lawyers and consultants, and focuses on high-value construction work in the Middle East and North Africa, with additional energy, project finance, and corporate law capabilities. ing of its second hypermarket in Kiev.

Austrian Schoenherr Launches Full Brussels Office to be Headed by Volker Weiss

The Austrian and Regional Schoenherr law firm announced on January 30 that it is expanding its office in Brussels and transforming it from a representative to a full-fledged operational office.

Partner Volker Weiss will head the office. Weiss specializes in Competition Law, and the Brussels office will focus on EU and Competition matters as well, particularly on matters with CEE impact.

Schoenherr has been present with a representative office in Brussels since late 1994, coinciding with Austria’s accession to the EU. In a statement released today, the firm asserted that its move to now launch a fully-fledged Brussels office “reflects the considerable growth of the firm in the CEE region and the growing importance of EU law and Competition law matters to the firm’s clients situated there.”

“We want to bring CEE closer to Brussels - and Brussels closer to CEE,” Weiss stated. “We see a lot of market potential in advising companies in those countries which have recently acceded to the EU or are set to do so. Our clients will benefit from our presence in Brussels. This is a move planned and achieved together with the colleagues of our

competition practice group in CEE. To this end, we are integrating members from our CEE-based EU & Competition

White & Case and Gide Loyrette Nouel Close Romanian Offices



The list of international law firms in Romania has shrunk by two. Both White & Case and Gide Loyrette Nouel announced that they closed their offices in Bucharest as of February 1, 2014, and the former managing partners of those offices will continue as partners of independent Romanian law firms in their names. Former Gide Managing Partner in Romania Bruno Leroy will take the helm of the new “Leroy si Asociatii” firm in Bucharest. According to Eszter Kamocsay-Berta, Partner and Co-Head of Gide’s Budapest office, the move is “in line with Gide’s strategy in South East Europe, which is to coordinate a network of independent firms from our central platform in Budapest, as we have done these past three years for Serbia.”

And White & Case will, going forward, operate in Romania through an exclusive alliance with Bondoc & Asociatii, the firm led by former co-Executive Partner of White & Case Pachiu, Lucian Bondoc (Delia Pachiu, the other co-Executive Partner will not be participating in the new arrangement). Of the change, Bondoc said that “The Romanian partnership has achieved healthy growth in recent years and the new relationship with White & Case will support the continued development and growth of Bondoc & Asociatii while ensuring the ongoing delivery of the high quality legal services our clients expect.” For its part, White & Case Executive Committee member Oliver Brettle insisted that the new arrangement “will have no effect on the services provided to clients in Romania, the wider CEE region, or elsewhere,” and that the firm “remains strongly committed to its clients and on-the-ground presence across Central & Eastern Europe.”

Summary Of Partner Lateral Moves

Date covered	Name	Practice(s)	Firm	Moving From	Country
01/15/14	Denise Hamer	Banking/Finance	Richards Kibbe & Orbe (United Kingdom)	Schoenherr (Austria)	Austria
01/29/14	Janusz Fiszer	Tax	GESSEL	PWC	Poland
01/07/14	Mikhail Semyonov	Corporate/M&A	Baker Botts	Linklaters	Russia
01/13/14	Funda Ozsel	Real Estate, Corporate/M&A	Bener Law Firm	GSI Meridian	Turkey
01/24/14	Eren Kursun	Corporate/M&A	Baker & McKenzie	White & Case	Turkey
01/08/14	David Shasha	Corporate/M&A, Infrastructure/PPP	Watson, Farley & Williams (as a Senior Consultant)	Gowlings (as a Partner)	United Kingdom

Summary Of New Partner Appointments

Date Covered	Name	Practice(s)	Firm	Country
01/31/14	Stephan Heckenthaler	Banking/Finance	Binder Grosswang	Austria
01/31/14	Markus Uitz	Corporate/M&A	Binder Grosswang	Austria
02/05/14	Monika Ploier	Life Sciences	CMS Reich-Rohrwig Hainz	Austria
02/11/14	Wolfgang Tichy	Real Estate, TMT	Schoenherr	Austria
02/04/14	Gerard Karp	TMT/IP	Eversheds	Poland
01/27/14	Vlad Goanta	Litigation/Dispute Resolution	Serban & Asociatii	Romania
02/10/14	Georgiana Badescu	Corporate/M&A, Competition	Voicu & Filipescu	Romania
01/04/14	Roch Palubicki	Labor	Soltysinski Kawecki & Szlezak	Russia
01/07/14	Svetlana Anatolievna Volevich	Litigation/Dispute Resolution, Energy, TMT, Corporate/M&A	Akin Gump	Russia
01/10/14	Victoria Burkovskaya	White Collar Crime	Egorov Puginsky Afanasiev & Partners	Russia
02/05/14	Nikola Poznanovic	Corporate/M&A, Banking/Finance, Competition	JPM Jankovic Popovic Mitic	Serbia
01/09/14	Zeynel Tunc	Energy, PPP/Infrastructure	Paksoy	Turkey
01/21/14	Cenk Kisnisci	Litigation/Dispute Resolution	Bener Law Firm	Turkey
01/28/14	Onur Ergun	Corporate/M&A	Taboglu & Demirhan	Turkey
01/29/14	Olgu Kama	Corporate/M&A	ELIG Law Firm	Turkey
01/29/14	Korhan Yildirim	Competition	ELIG Law Firm	Turkey
02/03/14	Feyza Gerger Erdal	Corporate/M&A, Banking/Finance	Gur Law Firm	Turkey
02/03/14	Sena Apak	Corporate/M&A, Banking/Finance	Gur Law Firm	Turkey

Other Appointments

Date Covered	Name	Firm	Appointed to	Country
01/24/14	Volker Weiss	Schoenherr	Equity Partner	Austria
01/27/14	Ursula Rath	Schoenherr	Equity Partner	Austria
01/27/14	Evan Lazar	Dentons	Chairman of firm's European Board	Czech Republic
01/01/14	Indrek Leppik	GLIMSTEDT	Managing Partner of the Tallinn office	Estonia
01/10/14	Arkadiusz Krasnodebski	Dentons	Managing Partner of the Warsaw office	Poland
01/28/14	Pawel Debowski	Dentons	Co-Chair of the Dentons Global Real Estate Group in Europe	Poland

Full information available at: www.ceelegalmatters.com

Period Covered: January 1, 2014 - February 11, 2014

Legal Matters: General Updates

New Law Brings Changes To Serbian Court System



Milan Lazic, Partner at Karanovic & Nikolic

On January 1, 2014, the new Serbian Law of Seats and Jurisdictions went into affect. Milan Lazic, Partner in the Dispute Resolution team of the Serbian Karanovic & Nikolic Law Firm, reports that the most significant effect of the new law is the change in the number of “basic courts”(which sit in the larger cities), and “basic court units”(which sit in nearby municipalities and smaller towns).

Traditionally, judges have been required to preside over both basic courts and basic court units. As Milica Savic, Associate in Karanovic & Nikolic, explains, this has meant that many judges are only able to spend one or two days a week at each of the basic courts and basic court units in their jurisdictions, which has in the past led to frequent and unavoidable delays in proceedings.

Before January 1, 2014, there were 34 basic courts and 102 basic court units. Now, thanks to the new law, there are 66 basic courts and 29 basic court units. The Government’s underlying reasoning in the reform was that an improved allocation of resources would improve accessibility to courts and provide citizens with a more effective system to exercise their rights to trial. According to Lazic, as basic court units only handle civil cases, while criminal cases are exclusively heard in the basic courts, it is hoped that the increase in the number of basic courts will improve efficiency both in criminal trials and other cases.

Radu Cotarcea

Project to Create Three Professional Legal Tiers Dropped

On December 14, 2013, the Romanian National Bar Union Council proposed to change how the competencies of registered lawyers in Romania are defined. Under the Council’s proposal, lawyers would have been able to appear in front of a Court of Appeal only if they had three years of uninterrupted practice after final bar admission (thus qualifying as an “Avocat Definitiv”) and could only appear in front of the High Court of Justice and Cassation and the Constitutional Court of Romania after five years of experience.

Following considerable negative feedback from legal practitioners in the country, the Permanent Commission of the UNBR issued a statement on February 5, 2014, declaring that the UNBR Council will no longer pursue the changes it originally proposed.

Radu Cotarcea

Eversheds Study Examines the Views of Next Generation Lawyers Globally and in CEE

The international Eversheds Law Firm has published its third in a series of reports focusing on the future of the global legal market. Titled “21st Century Law Firm: Inheriting a New World”, the new report looks specifically at what the next generation of lawyers wants from their future careers and from their employers, and how they see the profession ten years from now. The firm spoke to some

1800 young lawyers (23-40 years old) around the world to take a snapshot of the sector’s future leaders.

The responses revealed a driven, ambitious, and mostly satisfied group of young professionals. While they have much in common with previous generations, the report found, there is a great deal they would like to change.

The report found that young lawyers feel the partnership model is out of step with modern business practices, and they would like to reshape the legal profession in key areas so it becomes more like a commercial business. Engaging and connecting with clients is key. In Europe, 71% of young lawyers would like to become partner, while 29% do not have this ambition. For CEE countries the number hoping to make partner rises to 78%.



Krzysztof Wierzbowski, Managing Partner of Wierzbowski Eversheds

On average for all regions, the majority (68%) of lawyers still want to become a partner, although there is an important gender variation: 77% of men want to make partner compared to only 57% of women.

By far the majority of negative comments were directed at law firms’ focus on billings. Many are averse to hourly billing and the pressures it creates to work longer hours, regardless of efficiency or value to the client. These negative aspects of law firm culture were also felt to hinder positive teamwork, creativity, and innovation at law firms.

Young lawyers believe innovation is needed. They are excited by how technology will transform the practice of law and help them achieve better results, more quickly, and in different ways. The report states a belief in the fact that this generation will use technology and new business models to work more smartly and more effectively for clients.

According to Krzysztof Wierzbowski, Managing Partner of Wierzbowski Eversheds in Poland, “the global trends described in the report are also observed in the CEE legal services market. Young professionals strive to manage their time in a way that allows them to combine family life, personal interests and professional career. One of the key aspects of business success is not only recruiting the best experts, but also skillful managing of human resources, such that employees can fulfill their potential in all areas. This approach results in an increase of their effectiveness and creativity at work.”

Radu Cotarcea



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ALLEN & OVERY

Welcomes CEE Legal Matters

Allen & Overy has one of the largest and best known practices in the CEE region and is one of the few major international firms with a well-established and expanding presence. We have top tier offices in five key centres: Bucharest (associated office), Budapest, Bratislava, Prague and Warsaw, and we regularly work on transactions in the wider South Eastern European region, combining our truly global experience with expert local knowledge.



“It really works as an international firm: it always uses the best individuals, irrespective of where they are located.”

Chambers Global 2013 (Central & Eastern Europe)

Familiar Faces in New Places

For every international law firm that decides to make a tactical withdrawal from or a strategic restructuring in CEE, there's another that decides the time is right to expand their presence in the region. And two American law firms, with two very different models, have recently added CEE experts to their teams and taken significant steps towards expanding their presence and capabilities in Europe's emerging legal markets.

Edwards Wildman Launches "Hub-and-Spoke" Strategy in CEE

In May of 2012 Edwards Wildman added long-time CEE expert Ted Cominos to its team. Cominos, whose expertise in and contacts throughout CEE are well-established, helped the firm open an office in Istanbul in September of last year, where it now works in strategic cooperation with the Turkish Ismen/Gunalcin law firm. Edwards Wildman thus became the first American or English firm since White & Case in 1985 (and the first since the 1989 fall of the Iron Curtain) to make its first CEE office in Istanbul, a demonstration of that market's emergence as a regional hub.



"I think if you look at our clients in the sectors of financial services and private equity and venture capital, our clients continue to expand their reach globally. Both clients we've represented in the UK and US look at that region as a growth region. So for example the insurance and reinsurance industry and the insurance broker industry is very excited about that region and sees Turkey as a natural hub in which to expand services. We know from our private equity and venture capital teams that that is a place that is ripe for inward investment."



Alan Levin, Chairman, Edwards Wildman

Cominos brings a long-standing passion for CEE and extensive experience in the region to Edwards Wildman. He was Linklaters' Head of Private Equity for Central & Eastern Europe and a leader of the firm's famous CEE "Flying Team" based out of Bucharest in the mid-2000s, and then applied his substantial expertise and contacts for two years with CMS Cameron McKenna before joining the 600+ lawyers working at Edwards Wildman.



Ted Cominos, Partner, Edwards Wildman

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And the new Istanbul office – the firm's only on continental Europe – is the firm's 12th overall, including eight

in the United States, plus London, Hong Kong, and Tokyo. Cominos explains that the firm's strategy is carefully considered. "We're not going to be a firm that's going to be in all places globally, but we will choose good strategic centers in which to service our clients globally, and between London and Hong Kong, Istanbul is the most natural center for us to have a presence and to build upon." And, he notes, the firm is hardly the first to notice the unique positioning and potential of Turkey. "A lot of the multinationals and IFIs have taken the same view that Istanbul is the ideal financial center from which to cover the region from. The IFC's second office is there, a number of multinationals have put their regional headquarters in Istanbul because it's a great hub to jump from and it's a growing financial center. A lot of banking and other financial relationships are being headquartered out of Istanbul now."

Edwards Wildman Chairman Alan Levin is confident in the move as well, despite the recent political upheaval in Turkey. "We believe that having established a foothold in Turkey allows us to continue to serve Central Europe, Eastern Europe, the Middle East and Africa out of that area," Levin declares, and "we are happy we are there." He's not unaware of the political turmoil in Turkey at the moment, but he isn't overly concerned. "We believe there is a difference between what's going on there politically and the economic reality of a region that's growing. So we continue to be committed and we continue to commit resources to that region to grow the practice."

And despite not having offices in other

CEE markets, Cominos is emphatic about Edward Wildman's reach and commitment to serving clients throughout the region. He says, referring to the firm's Istanbul office, "we're only a few months into this office but I think over the next six months there's going to be a big ramp-up on our regional strategy. And we want to make that point clear to everybody. It's not just a presence in Turkey. We're not going to compete with just Turkish law firms, we're going in to have a good hub-and-spoke strategy here, where we can really cover a number of markets on high-end, premium cross-border deals or complex issues and service it well without big investment in other countries."

And indeed, Cominos is excited about Edwards Wildman's success in serving clients across the region in the almost two years since he joined the firm, noting that "last year we had deals in Greece, Romania, Serbia, Bulgaria, Turkey, etc., and this year we've already got deals tee'd up in Egypt, Romania, Bulgaria, Serbia, Moldova, Czech Republic, and a smattering of things going on in Africa and the Middle East."

He may find himself running into a familiar face in some of those markets – one, like Cominos', now associated with a new firm.

Richards, Kibbe & Orbe Extends Reach from London and Vienna

Whereas Edwards Wildman has over 600 lawyers working in 12 offices around the world and can trace its pedigree back to the 19th century, Richards Kibbe & Orbe has 90 lawyers working in 3 offices and is approximately 20 years old. But the ability to see and respond to opportunity is not solely a function of size, and RK&O is confident the time is right to expand its reach into CEE as well.

In January 2014 Partner Denise Hamer joined RKO, thus giving that firm a well-established CEE expert of its own as it expands its distressed debt and secondary loan market expertise further east. Hamer herself specializes in finance, distressed debt, financial restructuring, and special situations, with a particular

focus on developing markets. She has more than two decades of practice in the region, and before joining RK&O she worked in Societe Generale, Citigroup, and BAWAG. Most recently she was with regional powerhouse Schoenherr in Austria.

Though Hamer will officially be based out of RK&O's London office, she will also be using Austria as a second base to manage her CEE practice.

Richards Kibbe & Orbe founding Partner Jon Kibbe is excited about having a lawyer with Hamer's experience and skill leading their practice in emerging markets. According to Kibbe, "we had worked with Denise obviously when she was at Citigroup and at Bawag, we knew her well, and she is the ideal candidate not only to grow the existing Western European business, but to expand our restructuring and insolvency practices and know-how to CEE."

"It started with a trickle in 2012, it's building up in 2013, and I expect it will really start to hit the ground in 2014 – there's been a huge interest from our clients, from investors – Western investors – in developing markets, and specifically Africa and Central and Eastern Europe. And the reason for that is it's not as competitive a market, there's still attractive pricing, and with the accession of so many Central and Eastern European countries into the EU, which gives an overlay of legal framework and regulation, there's a little more comfort with the legalities of the local countries, and yet, you're still getting enough of the return that it's an improvement over Western Europe"



Denise Hamer, Partner, Richards Kibbe & Orbe

And Hamer's knowledge of and passion for the opportunities in CEE was immediately obvious to Kibbe. "The thing that was exciting to us about Denise was her investment thesis on CEE," he says. "It's where her heart is." He laughs that, "when I first met her I said 'if I had a million dollars and I was a hedge fund, where would you tell me to put that money?'" She just smiled and rolled up her sleeves and said: "One word: Slovenia!" Kibbe was impressed. "I did not expect that answer ... and it is the answer that makes an awful lot of sense if you understand our desire to be in markets that are emerging and where legal expertise counts, and that is very attractive to many of our clients

who want to be off the beaten path a little bit, in to partner with a law firm that sourcing new opportunities, ideas, and themes."

For her part, Hamer believes Central Europe's time in the spotlight is now. "We recognize that our clients are chasing yield, and reward is correlated to risk, and therefore, the higher risk regions offer the greatest opportunities for return. So there is definitely, and has been since around 2009 a focus of US investors on Europe, and most recently, since around 2011 and 2012 and 2013, there has been a focus of people investing in Europe on Central and Eastern Europe. And so being very prescient and seeing this, Richards Kibbe have recognized that there is a great opportunity for us as well to support our clients, and we should follow them to Europe, and with my hire, we're following them even beyond London.

her ability to serve as a conduit for RKO's "very deep well of knowledge about what our western clients' goals and objectives are, what their economics are, what sort of investments they're looking at, what sort of returns they hope to achieve." In any event, Hamer is excited about the flexibility RKO's model provides her. "I'm really not keen to establish a huge team, because I think that lean-and-mean is the way to go now. Our clients want it, and we want it."



Jon Kibbe, Partner, Richards Kibbe & Orbe

Hamer has hit the ground running, and she helped prepare and organize a February "teach-in" in the firm's New York office on distressed investing in CEE, featuring experts in the shipping, mining and Central and Eastern European real estate markets. And Kibbe explains that the firm's clients have already taken notice of their increased capability. He says that "a number of hedge fund client have raised their hands and said 'Eastern Europe is going to be interesting.' We are hoping it is a solid trend ... it makes a lot of sense for us."

Of course, talk to ten different law firms, with ten different client bases, ten different internal structures, and ten different philosophies, will get you – at least – ten different strategies for how best to serve clients around the world, and – at least – ten different opinions about where best to allocate resources. But as far as Hamer is concerned, the developing markets of CEE are where the action is. "I'm kind of a contrarian," she says, and "my whole perception of the world is contrarian. And where other people see risk, I see opportunity. And the issue is not to be afraid of the risk. It's simply to identify the risk. And to optimize the deal in spite of the risk."

David Stuckey



Looking Through The Crystal Ball

Ukrainian M&A Partners Consider the Effects of the Country's Ongoing Crisis

Political stability within a market has always been at the top of the list of investor criteria. But after three months of turmoil, public protest, and sporadic violence, Ukraine's political system is anything but calm. CEE Legal Matters reached out to Ukrainian practitioners to see how they expect the upheaval to affect their M&A practices in 2014.

Business as Usual?

According to Denis Lysenko, Partner and Head of the M&A Practice at Vasil Kisl & Partners, the last quarter of 2013 had the market buzzing over the expected signing of Ukraine's association agreement with the EU, which was generating "substantial interest in both investments towards Ukraine and of domestic companies towards outside the country". As the world knows, that plan was dropped unexpectedly, catching even the political and economical elite by surprise, and triggering the popular backlash that the media has been covering for the last few months.

Despite the sudden change, the month of December did not necessarily worry M&A lawyers in the country. "Until probably December the political turbulence meant business as usual in Ukraine. Political life here has never been boring, so people were accustomed to it. Granted, it was not helping much to make the country look more attractive but to some extent, businesses were not affected and it was not the key issue that investors were taking into account at the time", states Taras Dumych, Kiev's Office Managing Partner at Wolf Theiss.

At the same time, Vladimir Sayenko, Partner at Sayenko Kharenko, emphasizes that the situation on the ground is not really as violent as portrayed in the media. Yes, there are protests in parts of the city but "walk for 5 minutes away from it and you will find yourself in a serene environment where children are happily playing outside."

Even taking the fish-eyed lens of the media and a not-uncommon element of political upheaval into account, however, the consensus seems to be that in January, real signs for concern appeared. The Prime Minister resigned on January 28, uncertainty with regards to the state budget and public financing for the year became apparent, and the national currency underwent a considerable drop in value. As this point most people agree that 2014 is likely to be an extremely challenging one for the M&A market in the country.



General Counsel in CEE Speak About the Particular Challenges They Face

Inside Insight

Room for More ILFs in CEE A General Counsel Perspective

Central and Eastern Europe is not as sexy as it was prior to the 1997-98 global economic crash, and it may not fully recover full momentum for quite a while. Indeed, with international law firms such as Linklaters, Garrigues, DLA Piper, Clifford Chance, Simmons & Simmons, and, most recently, White & Case and Gide Loyrette Nouel pulling out of various CEE markets ([see page 12](#)), many firms seem to feel the region – with the exception perhaps of Turkey – is less attractive than it was during the 2004-2007 boom. CEE Legal Matters sought to explore the market potential of CEE countries for international law firms considering an entry by speaking to those who will ultimately sign off on the bill: General Counsels.

We reached out to 27 country or regional General Counsels (we will use that term for ease of reference, although a number of lawyers we spoke to have a “Head of Legal” title instead) across CEE for input, in the process primarily targeting Fortune 500 companies, to offer a 20,000-foot view as to the receptiveness of potential clients to having more international firms set up shop in the region.

In order to explore the demand side of the question as to whether or not international firms should still be looking at CEE markets, we explored what the general preferences of General Counsels are, if any, regarding working with international firms or local players, the perceived unique selling points that the former have, and the importance of geographic proximity in providing superior service.

International Firms: What We Pay For

When asked whether they generally prefer to work with international or local firms, almost all General Counsels we spoke to explained that their answer depends on the nature of a given deal. Perhaps unsurprisingly, 23 out of the 27 General Counsels we asked expressed a strong preference towards working with an international firm on cross-border work. Oraz Durdyev, the Legal Director and Compliance Officer for CEE at Anheuser-Busch InBev, explained that in “international M&A or in any case with an international element we involve ILFs, due to their helicopter view.” According to Ahmed Dogan, Vice-President and General Counsel at Anagold in Turkey, “for cross border transactions or arbitration, an international firm is a must.”



Oraz Durdyev, Legal Director and Compliance Officer for CEE, Anheuser-Busch InBev

Aside from cross-border M&A, Przemyslaw Witas, General Counsel at CEDC International in Poland, also points to finance matters as ones where he generally prefers working with international firms: “On work related to bond issues, or any other type of complicated financial transactions, international banks appear in the equation meaning that international firms are generally better positioned to help.” And Attila Bocsak, the CEE Head of Legal for Turk Telekom, feels that ILFs are stronger in particularly cross-border forms of dispute resolution as well, saying that “complex international arbitration may also require the specialized knowledge that mostly international firms have.” However, one Legal Director in Russia that we spoke with, who asked not to be named, pointed out that this is not absolute and that

there are “very well experienced local law firms as well that we work together with on international projects as well.”

In contrast, local firms tend to be preferred for local dispute resolution issues. According to Cosmin Vinatoru, Legal Director at Nobel in Romania, for “local projects, conducted exclusively in Romania and especially for litigations, local firms are preferred.” Szekely Gergely, Head of Legal at Allegro Group in Hungary, has a similar position: “Litigation co-operation with a local legal expert is much more favorable.” Other local issues such as basic corporate matters, labor law, or debt collection were also cited as areas where General Counsels emphasized a preference for local firms.

This makes sense in light of one of the elements that always plays a part when picking external counsel: Budgets. Bocsak explains that “the more specialized knowledge is required the higher rates can be justified, which, on the other hand, means, that it does not really make sense to engage an international firm for basic corporate or labor law work.” Marian Radu, Head of Legal at GRIVCO in Romania, has a similar take: “I am fully aware that many people still prefer working with an international firm just because they associate it with higher quality legal support but, at the end of the day, a lawyer from a local firm can prove to be the better solution if you take in consideration the whole package, including the financial one.”

So what are the unique selling points of international law firms? One is implicit in the tendency to use them in international transactions. As Gergo Budai, General Counsel and Deputy CEO at Intel, expresses it, they simply “have the capability to do complex work in parallel across multiple jurisdictions.” And Vinatoru points out that, as an organization, “they have knowledge of multiple law systems and are able to combine them in the most effective way, often resulting in innovative solutions.” While this idea seems to be the main element for most of the General Counsels we spoke with, it is not irre-

sistible. According to Witas, “having offices in multiple jurisdictions definitely helps as it offers a one-stop solution but it is not an absolute must. We have had transactions where we simply coordinated the work of various local counsels in different jurisdictions ourselves. It is not ideal, but not an impossible task”

Organizational culture was another common theme. Durdyev, for example, explains that “international firms often share the business culture of multinational companies.” And many of the General Counsels we spoke to noted that, as multinational entities themselves, international law firms may be especially attuned to the challenges faced by multinational clients, Mustafa Gunes, former General Counsel at Multi Development in Turkey, also explains that this has to do with “their relative closeness to the headquarters of the multinationals,” Witas also links to communication styles and explains that CEDC International’s expatriate board members find it much easier to coordinate with-London based lawyers.



Mustafa Gunes, former General Counsel, Multi Development

One of the interesting elements that some of the General Counsels we spoke with highlighted as a unique selling point of international firms was their strong brand reputation. In fact, nine of the 27 we spoke to acknowledged that international firms tended to have considerably stronger brand names, which presumably provides a safer cover when explaining the decision to retain a firm to a company’s Board or CFO.

Of course, with that “brand” recognition comes an assumption of quality. But that may not be as strong a factor as it once was. Witas asserts that, in Poland, international law firms used to at-

tract the best lawyers, but the skill gap between them and the local law firms has shrunk considerably in recent years. General Counsels in Hungary, Romania, Russia, and Serbia pointed to the same trend. Ultimately, Witas and others emphasize that in many instances, what really matters is the lawyer you are working with, not what firm’s name appears on his business card.

Still, when asked if the generally higher rates of international firms are justified by their unique selling points, 19 of the General Counsels we spoke to responded that, in general, they do. Budai did mention that, at times, “the starting rates are over the acceptable levels and need to be negotiated.” And of course higher rates generate higher expectations. As Radu notes, “in time higher rates must be justified by high quality deliverance, otherwise your clients may become reluctant to pay big money for something they can have with less expenditure.” Bocsak recognizes that international firms are often caught between a rock and a hard place: “I many times feel that international firms are stressed because of the discounted blended rates or price caps, which maybe lower than their guideline rates. Despite this, clients do expect high quality solutions from international firms irrespective of rebates.” On the other hand, Izabela Wisniewska, Head of Legal at Zara in Poland, points out that, “unfortunately there are inglorious examples where the high rates may only be justified by the known brand.”



Marian Radu, Head of Legal, GRIVCO Romania

Do You Need To Be On the Ground?

In working with external counsel, 11 of the General Counsels we spoke to emphasized the need to build a strong relationship based on trust. The ques-

tion then becomes, to what extent is developing that relationship possible from a distance? General Counsels in Hungary, Russia, Romania, Serbia and Turkey in particular expressed a need for frequent face-to-face meetings. As Radu describes it, “I like to be able to speak to a lawyer in person, to get to know him a little, in order to make our collaboration smoother.” He conceded, however, that “good results can also be obtained by working with somebody you never get to know” -- a feeling that is shared by most General Counsels that we spoke with.

While not impossible, many point to the ease of building those relationships from a simple logistical standpoint: “to interact personally is far more productive and faster than endless conference calls,” explains Durdyev. He also explains how you know that “you can rely on your Partner for a long relationship if he can be in your office in 24 hours if it is urgent.” The extent to which that is possible for a lawyer operating a CEE desk from London is debatable. However, Witas says of many of the better international firms without a presence on the ground “their efficiency in communicating and generally great responsiveness is still better than many of the local players.”

First-hand local knowledge is also perceived to be critical. Gergely states that “when it comes to support on local matters, having a office on the ground with high ranking local staff is essential.” Gunes explains that a good adviser should have local knowledge, but also should possess, “a good sense of the jurisdiction as well, which is simply national.” Naturally, this is relevant only for firms looking to gain market share in a specific country. As Bocsak explains for example “in our business we do not require a local office since international telecom contracts are just the same in London, Berlin, Istanbul, or Hong Kong.”

All Hail Competition

When asked if he would want to see more international firms opening up an office in Hungary, Budai re-

plied simply “absolutely, to increase competition.” Asked the same question, Vinatoru in Romania had the same answer: “the more, the better. The competition will be high and the quality of services will definitely increase.” Radu agrees: “From clients’ point of view, the more, the better.” Indeed, with the exception of Russia and Poland, where most General Counsels feel the market is already saturated with international players, almost all General Counsels we spoke to said they would welcome more competition in their markets to drive up the quality of service and drive down rates. While no firm wants to engage in a race to the bottom for fees, the fact that so many General Counsels are open to new entries in the market should be a positive sign. Even in Russia, where the market does not seem to ache for more competition on the market, it has been voiced that expansions in the market with niche practice areas would be welcomed.



Cosmin Vinatoru, Legal Director, Nobel Romania

While Witas agrees that competition is always welcomed, he points out an additional benefit for firms considering opening an office. He believes that there is potential for many elite firms to carve out market share if they are on the ground since that will allow an additional number of potential clients to be exposed directly to their capabilities.

Ultimately, of course, decisions about when and where to open are often-hotly contested evaluations of profit, cost, market conditions and potential, actual and potential clients, portfolios of interested partners, and personal whim. There is no simple answer that applies to all firms for all markets. But as CEE rebounds from the crisis, we look forward to more market participants soon.

Radu Cotarcea

Interview: Adam Hornyanszky

Counsel for International Operations & Business Development at Beres Pharmaceuticals

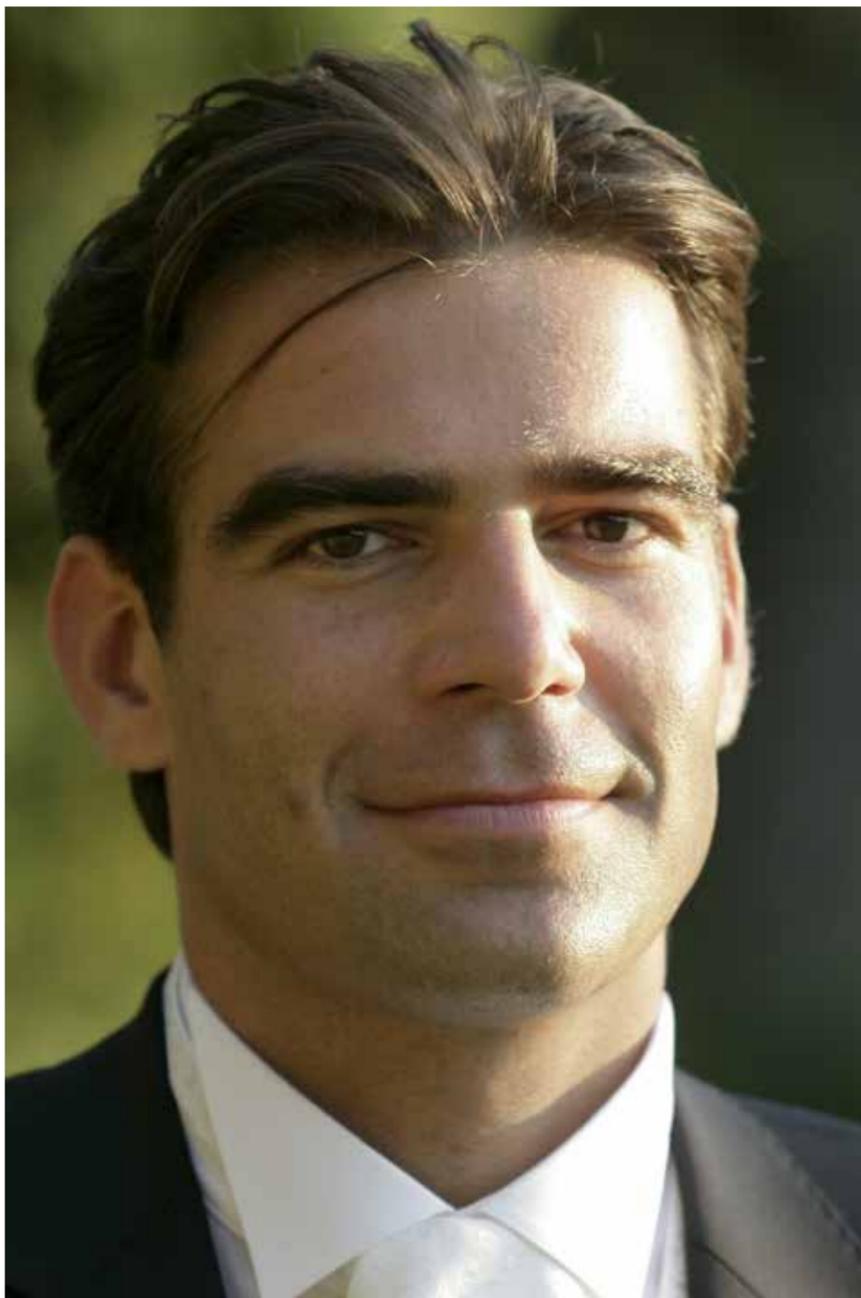
CEELM: Let's start by telling our readers a bit about Adam Hornyanszky and his background.

AH: While many think of me as a lawyer first and foremost, my actual first degree was in Business Administration. Only once I graduated in this field did I start law school. After receiving my law degree and passing the bar exam I worked briefly as a trainee for an international firm but quickly found out that I was missing the business side of things.

CEELM: Indeed, you were lucky to find a role that allowed you to leverage both your business and legal training with Beres Pharmaceuticals. What does your current role entail exactly?

AH: My official title is that of "Counsel for International Operations & Business Development". Specifically, I am responsible with identifying and approaching potential partners outside of Hungary, following which, I need to use my legal training to negotiate and draft those international business development contracts. I do not consider myself a General Counsel really. I am more of a "special counsel" due to this dual nature of my role.

I have to say, I love my current role as I suspect I would get bored if I were only exposed to one of the two dimensions. When I worked as a trainee in the international law firm I mentioned, I hated not seeing the business part as well. Not being truly exposed to the clients we were advising meant I lacked a thorough grasp of the operations of the business. Here I am fully immersed. I understand our business from A to Z and I am not exposed strictly to dry and boring legal work. Instead, I get the opportunity to truly understand what we do, how our business works, what



our partners' business models are and I get the opportunity to develop creative business solutions that create a win-win situation for everybody, which I then translate into a legally binding agreement.

CEELM: Since you mentioned it, what is Beres Pharmaceuticals'

business model and what work does it entail for you?

AH: When it comes to our international business, we have two working models. The first is opening up representative offices, such as in Romania and Ukraine, where we employ our own marketing and sales team on the

ground. It made sense to follow this model in these two markets out of historical considerations. Because our flagship product, the Beres Drops, acts as an immune strengthener, especially useful for cancer patients undertaking chemotherapy, it became highly popular in Ukraine following the Chernobyl disaster. In Romania, the product, so popular in Hungary, gained a lot of traction due to the considerably large Hungarian minority present in the country.

The second model, and the one we use a lot more often, is a natural one in light of the fact that, despite its flagship product being an internationally recognized brand, Beres Pharmaceuticals is still a mid-sized, family-owned, Hungarian company. Since the founding family wanted to avoid international financing, we chose to expand in other countries by finding partners on the ground that have a strong track record in launching products in those markets. This is the approach we took in a number of markets, including Russia, Belarus, Slovakia, Lithuania, Albania, Serbia, Montenegro, Macedonia, Vietnam, Mongolia, and others.

The specific nature of the partnership does vary. In some cases, we look at deals where we offer them a good wholesale price on top of which they add their margins to cover their marketing and sales costs on the ground. Others include co-branding of our products with other Pharma companies on the ground. Lastly, deals might include licensing of our products to be sold completely under the partner's name, which may or may not include clauses to our own branded products to exist in that specific market. At the same time, the scope of the partnerships differ as well as we cannot force upon our partners our entire pallet of about 70 products, especially since it is usually they, with expertise on the ground, who will know what the market will be most receptive towards.

As to what that means for me, I am the sole person responsible for managing all of these partnerships, as I mentioned,

starting from identifying the best possible partners to negotiating and closing the agreements and following up on their accurate implementation.

CEELM: I assume this is where you legal training comes in particularly useful.

AH: Yes, and no. It is definitely incredibly useful to be able to have the exploration of potential partners and the first approach under the same umbrella with negotiating the specific terms and drafting the actual contracts. In the latter, it is obviously that my knowledge of corporate and contractual law is quite useful but there are rarely other areas of law that I still use on a day-to-day basis.

There are, of course, other legal aspects that Beres needs to address from tax to debt recovery and even, on rare occasions, litigations but those tend to be outsourced to external counsels.

What is particularly useful is the dual nature of my qualification as it allows me to be at the center of both of the mentioned aspects.

CEELM: Your role entails interacting with a lot of CEE markets. Which ones do you find to be the most challenging and why?

AH: I would have to point to Ukraine on this topic. It is particularly difficult to work in the market these days due to the current unrest, but even in the past few years, the market posed quite a few challenges. Constant legislative changes are difficult to stay on top of and each new government, and there have been quite a few, likes to "pick on" the pharmaceutical industry to address any existing budget deficits. It is difficult for an international company to operate such uncertain waters, especially when you dedicate yourself to stay within the legal framework without having envelopes flying around as we do.

It also makes sense that it is one of the main markets we look at since we have an actual representative office there.

CEELM: What about jurisdictions

where you are looking to set up partnerships in?

AH: Those are a different story. The challenge there is not operating in the market itself since the operational aspects of running the business are the partners' to deal with. The challenge that we have in these instances is the same irrespective of the market we deal with, which is to identify the right partner. This is a critical aspect long before anything else since we need to identify players that we will feel comfortable building a long-term relationship with. We always look at securing such agreements for at least a five year period making the discovery of potential partners stage by far the most important one.

CEELM: As a last thought, is there any change from a legislative perspective that you would like to see implemented because it would help Beres Pharmaceuticals develop further?

AH: Since almost all of our products are registered over the counter/food supplement products, most of the regulatory frameworks under which most pharmaceutical companies operate do not affect us. Even in terms of R&D/developing new products, Beres has a "well-established use" approach where we use standard active ingredients that have already been tested in different combinations. This means that, even R&D regulations generally, not just those applicable to the industry, rarely affect our daily operations.

In light of this, it is actually my business side, rather than my legal one that can see how the company can grow. I understand that, in light of our products, elements affecting us are general market factors such as supply and demand. In fact, this is also evident in the fact that, unlike most companies in the industry that employ former doctors within their marketing/sales teams for example, we tend to hire people coming from the FMCG industry.

Radu Cotarcea

Market Spotlight

Turkey



Guest Editorial: Turkey Looks Back on a Decade of Remarkable Growth



Hakki Gedik, Partner, Gedik & Eraksoy Avukatlık Ortakligi

Since 2002, the Turkish economy has more than doubled in size, to USD 1.3 trillion. The new Turkey has been named as a “rising star” by many analysts – a country that feels confident, a stalwart member of the North Atlantic Treaty Organization (NATO), an aspirant to European Union (EU) membership, and an important link between the West and the East. Yet the changes in Turkey over the last decade have been so dramatic – with political and economic reforms, significant social reforms, and an active foreign policy, that the country has become virtually unrecognizable to long-time Turkey watchers.

The ruling AK Party has lasted longer than any other government since Turkey became a multiparty democracy in 1946. In 2011, the AK Party became the first party in Turkish history to win three consecutive elections. In the third quarter of 2013, the Turkish economy grew by a record of 4.4%, which indicated the continued success of this stability. In October 2013, Turkey’s Deputy Prime Minister Ali Babacan described the change in Turkey over the last decade, saying “Turkey’s economy has tripled in size in 11 years, and it has gone from being an aid recipient with a 30% poverty rate to an aid donor with a 2.7% poverty rate.”

However, having enjoyed a decade of stability, Turkey now faces heightened domestic tension and political volatility which has raised the eyebrows of many investors and long-time Turkey watchers.

Turkey in the Run-Up to Local Elections

2014 is a crucial year for Turkey, as the

country is preparing for local elections to be held on March 30. The current political environment is truly unusual, as the country woke up to a corruption scandal on December 17, 2013, with Turkish police arresting the sons of three cabinet ministers and many other officials. The probe appears to represent the biggest assault on the authority of Turkey’s Prime Minister Recep Tayyip Erdogan after the “Gezi” demonstrations that began in Istanbul on May 27 of last year. The “Gezi” demonstrations are the country’s largest and most influential anti-government protest movement in decades, bringing various segments of the country’s opposition together. The corruption scandal and resulting polarization proven by the “Gezi” demonstrations led to major question marks hanging over Turkey’s political and economic landscape in 2014.

Despite the unusual political environment and the rising tensions, according to recent polls, it’s very likely that the AK Party will win the local elections with a majority, though possibly some say with slightly diminished power. In case the AK Party wins the elections for the fourth consecutive time, with continuing stability in politics Turkey may well retain its attractiveness and increase its popularity with its ambitious plans and visionary projects, such as a rail tunnel under the Bosphorus, the first of its kind, connecting Europe and Asia. The AK Party has many other infrastructure projects underway, which are closely monitored by foreign investors.

These prestigious infrastructure projects are carried out through Public and Private Partnership (PPP) schemes and the government is very keen to realize further infrastructure projects in education, energy, defense, health, transportation and other public services.

Also, witnessing the dramatic growth in Turkey’s demand for energy, investment opportunities for energy companies are likely to be pursued in the next ten years.

What to Expect from 2014 and Beyond

Foreign investors are still very keen to seize further opportunities in Turkey as they see many attractive factors including a young population, a rapidly growing consumer class and future infrastructure needs. Most of the prospective analyses show that Turkey will keep attracting foreign direct investments (FDI) in 2014, specifically in the fields of energy, automotive, banking, insurance and finance. For instance, PricewaterhouseCoopers’s (PWC) report on Turkey’s economic landscape in 2014 indicates that Turkey will move up to the global league rankings from 16th in 2011 to 12th in 2014. The main driver of Turkey’s economic development is predicted to be the labour market with a huge potential to support a solid growth path for the Turkish economy. By 2040, Turkey’s population is expected to grow by a fifth, to 90 million.

It is also noteworthy that the Turkish M&A market results were quite impressive, as Mergermarket reported recently that Turkish M&A registered the highest number of deals in 2013 since 2001. The most active sectors by value in 2013 are reported to be energy, mining and utilities sectors. It looks clear that Turkey will remain a country of significant interest to investors for some time to come.

Hakki Gedik and Gokhan Eraksoy, Partners, Gedik & Eraksoy Avukatlık Ortakligi



Gokhan Eraksoy, Partner, Gedik & Eraksoy Avukatlık Ortakligi

Struggling With Success

Explosive Growth in the Turkish Legal Market is Causing Some Serious Problems

In This Article



Ali Cem Davutoglu, Partner,
Davutoglu Attorneys at Law

A Turkish saying has it that “thorns and roses grow on the same tree.” This appears to apply perfectly to the Turkish legal market, which in recent years has expanded rapidly in response to the country’s strengthening economy and increasing foreign investment, but which may be encountering specific problems as a result of that success. Indeed, many market participants believe that specific structural traditions inside Turkish law firms made the market over-populated to begin with, and the recent downturn in the Turkish economy and an increasing volatility in the once-stable political scene may make the resulting problems even worse.

uity positions was almost unheard of. (A few well-known firms have claimed to be exceptions to this general rule, though their internal workings are often opaque, and the extent to which they truly follow the Western model is unclear).

For most lawyers, therefore, the only path to equity and professional independence led straight through the exit. Senior lawyers wanting control over their own careers had no option but to start their own shops, and many of them did just that.



Simon Cox, Partner,
McGuire Woods

1. History: Turkey Goes from 0 to 60 – But The Glass Ceiling Doesn’t Budge

Until about 30 years ago, the Turkish legal market was stable, simple ... and quiet. Foreign investment was limited and deals were not particularly complex or challenging. The few law firms that had any significant visibility were led by charismatic lawyers – always men – who kept all equity gripped firmly in their own hands. Then as now, there were very few real Western-style “partnerships” in Turkish law firms, and promoting lawyers from within to equity

positions was almost unheard of. When the Turkish economy finally awoke and began to grow in the first decade of the 21st century, foreign investors multiplied, and the number of sophisticated and complex deals in Turkey exploded. The number of international law firms wanting to open up offices in the country multiplied as well, and the three international firms already operating in Turkey in 2002 – including White & Case, which was widely acknowledged as the absolute

king of the legal market since it was invited by the government to open offices in both Ankara and Istanbul in 1985 – suddenly saw the landscape become much more crowded. By the end of 2013 there were over 15 international law firms in the country.

Nonetheless, even during the boom, the traditional structure of Turkish law firms persevered, and few lawyers were promoted to management positions from within. Even lawyers at the international firms in the market – nominally more committed to rewarding merit with equity – found invitations to equity few and far between. Attorney Cem Davutoglu, who left White & Case to start his own office back in 2008, explains that: “When you are in the local shop of a multi-national company, your promotions, your payment scale, etc., are in fact a reflection of how that country is doing. How much its contribution to the bigger pie is, so to speak. So the ability to promote lawyers to higher rank – when you need firm approval – has a smaller chance of being successful. Let’s say there’s only going to be 10 new partners in the new year, and there are 30 candidates all around the world. The bigger portion obviously goes to the bigger offices, where contribution to the overall revenue is much higher. So no matter how critical you think you are positioned to be a partner ... you always start with, ‘yes, but Istanbul is a small office, and there are so many partners there, we can’t really make a new partner, etc. etc.’ becomes a fairly common response you get.”

As a result, Turkish lawyers have continued to leave both leading Turkish and international law firms to start their own shops.

2. The Quality of Lawyering Improves Dramatically

Nobody suggests that Turkey was bereft of skilled, international lawyers before the flood of investors and international law firms into the country began in the early part of the 21st century. Emre Derman at White & Case, Metin Somay returning from Arnold

& Porter in the United States, Erim Bener at Altheimer & Gray, and many other well-known lawyers at leading firms had international experience and a justified confidence in their ability to effectively advise foreign clients on a full range of projects and transactions. Nonetheless, with a dormant economy and few foreign investors and clients, the total number of lawyers in Turkey trained to international standards and experienced at working on sophisticated cross-border deals was limited.

“The quality of the lawyers in Turkey now is infinitely better than it was 10 or 15 years ago, across the board. The great ‘doyens’ are still there, but the next level down is much bigger and much better and more international and speaks better English and understands how people do deals in other countries.”



Simon Cox, Partner,
McGuire Woods

But as the economy exploded, that began to change. Gaye Spolitis, Legal Counsel at one of Turkey’s leading conglomerates, points out that “with the entrance of the foreign law firms and their affiliates in the market the quality of their work has increased significantly.” In Spolitis’s opinion, “the international firms brought with them an insight into team organization, second in specialization and management of the law firms, and client management.” As a result, Spolitis believes, while “there used to be a monopoly of White & Case in Turkey for a while, because it filled a gap that was then very necessary for the Turkish economic development in the 1990s, [but] now you can find so many, it’s diversified, with lawyers and team members with great qualifications.”

Kenan Yilmaz, Chief Legal Counsel at Koc Holding, agrees that the last 15 years have seen a “huge difference” in the quality of lawyering. He explains that “I am very proud to say that, let’s say there are 15 foreign law firms, and all of them have local lawyers, here in Turkey, and there are at least another 15 local law firms that are perfectly capable of providing very high level of service on both local and international legal issues.”

Simon Cox, the Managing Partner of McGuire Woods in London, goes even further. He insists that “some Turkish lawyers are as good, if not better, than many European or US lawyers. They’re trained in the US, they’re trained in London, they’ve got an L.L.M., or a JD or they’ve done some sort of additional qualification in the US, and their English is excellent, and obviously their knowledge of Turkish law is fully up-to-speed.” Indeed, Cox continues, “I think in the longer term your bilingual

Turkish lawyer who’s internationally educated, with some international experience, will become a better-rounded product for the local market than your head-down, English solicitor or US attorney.”

So as a result of the remarkable economic growth Turkey has seen in the past decade, the number of skilled, internationally experienced Turkish lawyers is at an all-time high. And as a result of the limited number of equity partnerships per firm, the number of law firms featuring multiple senior lawyers able to advise international clients is at an all-time high as well. There’s no sign that this phenomenon is slowing either, as new law firms populated with highly-trained and English-speaking lawyers continue to appear even as Turkey’s economic growth slows dramatically.

And while observers are uniformly enthusiastic about the quality of Turkish lawyers, they are less so about the quality of Turkish lawyering. To many observers, the continued growth of the market is less of a good thing than might be expected.

(End of Part 1.)

David Stuckey



Interview: Murat Vanlioglu Head of Legal for Shell Companies in Turkey

CEELM: How did you get to Shell? How did your career end up with you here?

MV: A head-hunter found me. It was just a coincidence. They were looking for a legal manager for Shell, and they found someone who “gave up” a couple of days later after she began to work, and so they urgently needed to find a counsel. They found me through a colleague that was working in their office who knew me from my previous career with Sabanci Holding. She called Sabanci and said “where’s Murat?”, and

they were directed to my new office, stating that “I found you from this this this,” and asked if I was interested in a new job opportunity. I said no, because at that time I was working for Toyota, and would be having an expat job in Brussels at Toyota’s center. But she said “don’t say no immediately – this is Shell.” And I said “I’ll consider it.” (laughing)

CEELM: Did they bring you on as Head of Legal?

MV: Yes. I was recruited as Head of

Legal in 2006 and worked as a Head of Legal at Toyota as well.

CEELM: Ok. And you were at Ernst & Young before that, right?

MV: Yes; I was in charge of Mergers & Acquisitions in particular cross-border deals as well as some privatization projects of state owned banks.

CEELM: You were at several banks in the beginning as well, right?

MV: Yes, I started my career with banks as an Execution and Bankruptcy attor-

neering liquidation of mortgages, and more complicated things. Then I said “this is enough – no more debt collection.” At that time there was a newspaper advertisement, and I applied. It was Toyota, and they hired me. I was the only one that never had any sponsor behind me. Out of the hundreds of applicants, they all had some connection with someone else, and I was the only one who has no connection with anyone.

CEELM: You didn’t have a particular interest in the Oil & Gas industry starting out?

MV: Starting out, no.

CEELM: Ok. Are there special challenges to that industry now?

MV: Yes. Different. Actually, before I was recruited, in the interview, the CEO of the company said, “it is too challenging.” And I said, “no, it’s not too challenging. It’s a piece of cake. I am a lawyer, I can do anything, anywhere, and the legislation is almost the same, except some specific industry related issues.” And I was right. The primary laws are the same: corporate laws, commercial laws, and code of obligations are the same. What was different was the energy laws – and some different industrial practices. In the motor vehicle industry people hardly sue each other.

CEELM: You mean competitors?

MV: No, dealers! They have 50 or 60 dealers, those are indeed big investors, good businessmen, very reputable persons in their local areas, and they would feel ashamed to be in court. So you can sign any kind of deal – negotiated, of course, but you do everything through negotiation. I had just 10 litigation cases throughout my employment in Toyota. In the oil industry everybody sues each other. (laughing). It’s crazy. Dealers sign the contracts with a distribution company, and 5 minutes later another company offers a bit more, then the dealers break the contract they had just signed with you 5 minutes ago. Then we have to go to court. There are

hundreds of cases like that. This is the world, completely different.

CEELM: Okay. How would you describe your job, what you do? I know that’s a general question, but what’s your job?

MV: Actually I am the country legal head. I do everything. From corporate, I’m the corporate secretary of the joint venture – I’m in charge of keeping everything in compliance with the law and regulations, and everything in accordance with the principles.

CEELM: The “joint ventures” are Shell and Turcas?

MV: Shell and Turcas. Turcas is the minority shareholder/local partner. This is the downstream joint venture. There are also other joint ventures. This is the reason why I tend to describe myself as a joint ventures expert. I’ve been working with joint ventures starting with Toyota for almost 17, 18 years. In a joint venture all corporate issues, decisions, you name it, need to be governed in line with the joint venture agreement’s principles. Neither the shareholders nor the expat officers know the details of it. The partners signed the contract with their lawyers, then they put it on the shelf. Therefore, when holding Board Meetings, or getting investment resolutions, I have to ensure full compliance with the joint venture agreement. For example, investments exceeding a certain limit need to be approved by the Board. So if you miss that kind of thing it may create a conflict between the shareholders, which you never want. These kinds of things are important.

CEELM: You must have the joint venture memorized by now.

MV: Not memorized, but it is a really good agreement, so you need to be careful about it. Other than this, I founded various joint ventures with different companies, for example for upstream organization, Shell established three joint ventures with a national oil company in Ankara, for an onshore unconventional project and

two conventional deep water projects. It is important to know how to negotiate a JV agreement, where to look in the joint venture agreements. If you know the priorities and which provisions you need it is easier to conclude the agreement. Each party has different priorities, discussing them openly and finding mutual solutions to both parties' needs indeed brings pretty quick deal closings. So I created that kind of value, in terms of negotiations with counter-parties.

CEELM: I see. You also oversee the litigation process, right?

MV: Sure. I am the head of the litigation process; I draw up the strategy and give priorities to my colleagues who are going to follow the case. After we agree on the framework, my colleagues follow up the case by themselves. There is full delegation and my colleagues get the full pride of the job they are doing. Sometimes, based on the peculiarity of the case, we hire external counsel to follow the case, but it is generally done in-house. Strategy is indeed important and sometimes you even need to challenge the expert barrister following the case.

Just an example. There was a decision from the Court of Istanbul about an inconvenient forum. The court decided that it was not authorized to hear the case. And then decided to send the docket to Bakirköy courts, which is about a kilometer away. The barrister at that time proposed not to appeal. He said, "it is just a matter of two kilometers away." I said, "no, you should go to the Court of Appeal, because the justification of the award is very risky for us, and it may lead to us losing the main case in the future. By appealing we'll lose a year, this is for sure. But its very likely that the decision of the court of first instance will be repealed by the Court of Appeal, and then we will have a strong ground to defend against the same judge.

CEELM: This is another sort of general question: What do you like about working with Shell?

MV: Shell is, first of all, an honest company. Honest, straight-forward, respectful of people. You are supposed to comply with the law and regulations, in particular those against corruption. For instance you cannot provide gifts to an officer, and you cannot accept gifts from someone else – you need to do your job with honesty and integrity.

CEELM: That's too bad. No gifts for you. (laughing)

MV: No, it's really good. It's really good indeed. Sometimes people abuse it. So if you start accepting gifts – one porcelain cup, for example, as a new year's gift, then it starts coming with a silver mug next year (laughs). And there's no end to it. This principle of Shell is very good. Shell values people, Shell values diversity. What is important is that Shell values intelligence and opinion. So you are always free to speak your mind. You can challenge whatever your boss says. All employees feels that everybody is equal, you are free to speak your mind, you are invited to challenge, your are free to blow the whistle, and you are provided with equal opportunities to climb the career ladder.

CEELM: And you are empowered to ...

MV: ... to speak your mind. Even in front of the CEO of the group.

CEELM: And that's not just an advertising slogan? You're being honest with me?

MV: Absolutely. All employees know that if someone or management does something wrong, or does not follow Shell business principles and ethics, they have the right to blow the whistle and contact the business integrity department, the complaint will surely be investigated and consequences applied. A whistle-blower's identity is always kept secret so he is never exposed. This creates trust with your employer. Honesty and integrity are always valued by Shell.

CEELM: But even in terms of the working environment and culture,

people are encouraged to challenge and think, and ... interact.

MV: Yes, indeed people are encouraged to challenge. Also the organization is flat, rather than a vertical organization. So everyone is able to speak their minds. This is embedded in the Shell culture. This is the way I like it. I did not observe same thing with most of the companies unfortunately .

CEELM: I was going to ask. You've worked enough other places. Do you think that's relatively unusual about Shell? I mean in Turkey.

MV: (nodding head): I enjoy Shell. In Turkey this is also unique. Our culture is in-between East and West. Eastern company cultures are more hierarchical, more strict than our culture. You are from the West (gestures at me), and your culture is much more similar to what I am explaining here in Shell. But some eastern companies are on the extreme. You are unable to speak your mind. It can be considered rude to speak in front of a senior person without getting permission and often only a senior guy can speak unless you are asked something. You would not feel valued under such a culture

CEELM: And that filters down even to the Turkish offices?

MV: Everything, everything.

CEELM: And the Shell model filters down here as well.

MV: Some Eastern companies prefer to hire average persons from average universities. Deliberately avoid hiring high fliers. Average people tend not to challenge but follow the standard path: Follow the rules, follow the bureaucracy, and do not challenge the boss.

CEELM: I see. So it's the system that's going to guide that, whereas at Shell it's the personalities, intelligence.

MV: Exactly, exactly. Here, the intelligence of people is creating something. And in particular the higher levels of the Shell organization are full of high-

fliers, they have bright ideas, lead people, motivate people. Leadership attributes are really important with Shell.

CEELM: When you started here, what was the most surprising thing you found here? Was there something about the culture, or the work?

MV: Comparing my past work experiences there is a full compliance culture here. I have seen in some companies that they prefer not to follow the rules sometimes. For example some companies didn't allow the establishment of a union in their factories despite the fact that it is absolutely a legal right for employees. I also observed that some companies fired people just because those people were member of a union. Here in Shell such things never happen. Besides Shell actively supports employees to form a union and perform their rights and duties thereof. Therefore it is a completely different compliance culture and I appreciate it very much.

CEELM: Ok. How would you describe your personal management style?

MV: Open, transparent and collaborative. And I always act with a commercial mindset. Ah, I can say it's a round-table policy, first of all. Round-table is important. Round-table means everyone is equal and can speak their minds.

CEELM: It sounds like the Monday morning meetings is an example of that.

MV: This is a good example indeed. Although it's not a round table, it's a rectangular table (laughing). So we have breakfast, freely speak everything, we make jokes. It's a very warm environment. Even the post-graduate students working on training contract basis. Everybody is free to speak. So we discuss everything. We generally discuss day-to-day issues. Sometimes there are strategic issues, and we organize specific meetings to review those kinds of cases. But what is most important for me is openness, transparency, and free communication. Open communication first builds bridges between people,

people do not second-guess what you say. It develops a strong buy-in from people to the tasks that we are going to perform. It improves motivation and most importantly it helps development of young talents because they learn from others in an open environment.

CEELM: If they have questions they can pop their head in and ask?

MV: Sure, yes. And they can challenge! Sometimes I am wrong. I do honestly accept their views. In law there is no senior view that is prevailing over others, there are different views, and arguments – which is natural. Therefore we discuss freely, sometimes I accept even the students' point of view, which may be right rather than mine.

CEELM: Okay. I want to ask a few questions about how you work with external counsel. How do you decide what matters – you said most litigations you keep internal – what do you do with external counsel?

MV: The jobs that are not in our professional experience, such as criminal issues. We prefer to hire expert external lawyers in such matters.

CEELM: IP, Criminal Law, those are the main issues?

MV: Main areas. And some serious matters, I mean, there are some court cases that are high value cases. I personally follow Administrative cases with government authorities.

CEELM: I see. And how do you select those firms you work with, when that happens?

MV: Depending on the knowledge and experience in the industry. There are two law firms here certified by Shell.

CEELM: Certified internationally, or ...?

MV: Certified internationally, those we call "panel law firms." We sometimes work with them for some global issues. But there are other lawyers, known in specific areas. For example, Professor Cevdet Yavuz is an expert in the code

of obligations. Once a case comes to us related with his area, we consult with him. We generally take a written opinion from him, and then we establish our case based on the legal opinion. For commercial issues we go to another professor, for example Professor Hamdi Yasaman, who is very good in commercial cases.

CEELM: So you generally have consulting professors, rather than law firms.

MV: It does not necessarily have to be professors; let's say experts in a relevant area.

CEELM: Individuals, not so much firms.

MV: Individual lawyer is much more important for me rather than the name of the law firm. In the end it is the individual who does the job, not the expensive firm.

CEELM: When you hire laterally, when you bring lawyers on to your team, what do you look for more? Do you look for lawyers coming from in-house, maybe even in the Oil & Gas industry, or from law firms? What's more important?

MV: It doesn't matter. What we look for is honesty, integrity, collaboration, and working in harmony. Of course intelligence is important to learn and deliver quickly.

CEELM: So does that mean an interview is more important for you than the resume?

MV: Yes. The interview is much more important. And in the interviews we give candidates a case study, where he reads something for 20 minutes, then there are questions out of the case study, so it gives the candidates legal background, ability to interpret things, his mindset and how to approach business issues. Then we can understand, this is a person we can work with.

David Stuckey

Interview: Cigdem Dayan

Chief Legal Counsel at ING Bank Turkey

CEELM: You started your career at Yapi ve Kredi. How did you get to ING?

CD: I started with Yapi ve Kredi in 1990, June, as a lawyer. And step by step I moved higher. And lastly I worked for Yapi Kredi as a Senior Vice President, and 2006, February, I transferred to Oyak Bank as an Executive Vice President. ING bought Oyak Bank shares, and one year later, the name was changed.

CEELM: Why did you move to Oyak Bank?

CD: Koc Group bought Yapi Kredi and the structure was not clear. And the job that Oyak Bank offered me seemed a better opportunity for me.

CEELM: You never worked in a law firm. Some people think that working in law firms provides a basic level of training and exposure to a wide range of work, and that is useful for training and experience and development. Do you regret not having that experience, or was it not so important for you?

CD: I didn't prefer it, because in 1990, Yapi Kredi was like a school. I learned lots of things at Yapi Kredi. I had the chance to see different cases, and it is a big bank, so ...

CEELM: Was it a big legal team?

CD: Yes. Working in a big bank gave me an opportunity to see interesting and different cases, and I gained a lot of experience.

CEELM: So in some ways it was like a law firm – you got to learn a lot of different things?

CD: Yes. It was like a big law firm.

CEELM: Does that mean that coming out of university you knew you

wanted to work in banks? That's all you've done. Did you know you wanted your career to be as a banking lawyer?

CD: When I went to university I thought I would stay in academia. My professor wanted to work with me. But I waited a long time for an open position. Nearly one year I waited. At that point I thought, "maybe I'll try to work outside," and I applied to banks. Yapi Kredi called me, and I accepted their offer, and six months later a position opened at the university, and my professor called me – but I said "no, I like it here. I prefer to work with the bank." [laughs].

CEELM: So you didn't think, "I'm going to be doing this for the next 20 years of my life"? You liked it, and ...

CD: First I thought, "maybe five years will be enough for me." [Laughs]. "Five years later I'll move." But I couldn't do it.

CEELM: You're still here.

CD: Yes, I couldn't do it. Because I do like it.

CEELM: That's my next question. How would you describe what you do? I know you're the Chief Legal Counsel. But what do you do? What is your role in the bank, in your own mind?

CD: I and my colleagues are interested in all cases, all law suits all litigation against the bank or by the bank and legal follow-up, labor law, and consultancy, and all branches and the head office. So we are interested in all of the bank's legal issues. Of course sometimes we take a ... oh, how can I explain ... for instance, the Capital Markets Board is a very special area, and Competition

Law is a very special area, and we have a consultant – an outside consultant to help with those matters.

CEELM: I want to ask a few questions about how you work with outside lawyers. How do you decide what work you keep inside the bank and what work you give to external counsel? When do you give work to external counsel?

CD: Two reasons. One is, if the subject is "specific" and requires a different expertise – for instance, as I mentioned before, matters involving the Capital Markets Board or Competition Law. These are very specialized areas, and Intellectual Property law is another one. We have external counsels to assist us on these subjects. Also for enforcement of non-performing loans, we work with outside law firms. Not counsel. Law firms. Not only in Istanbul. In different cities.

CEELM: You have law firms in these cities you work with?

CD: Yes, local law firms. We prefer to work with local law firms.

CEELM: Do you select the firms that you work with yourself?

CD: My colleagues – some of my colleagues – go to different cities in all over Turkey, to check the law offices we engage with, their office space, their equipment, how many people work with them.

CEELM: These are some of your colleagues?

CD: Yes, I have an investigative team.

CEELM: Really? That investigates the law firms?

CD: Yes. After we start to work with an external lawyer, for instance one year later, my colleagues make a visit plan.



The team visits the law firms we engage with, and they take information regarding the files, they go to court and review the files in the court's formal offices, and then prepare a report on the law firm's performance based on collection success ratios, i.e. how many NPLs we have sent them and how much money they collected. If the law firms are not successful enough, we warn them that their performance is not satisfactory, and if still it goes down, we finish the relationship.

CEELM: Do you pay much attention to fees, or is that not as important to you as quality?

CD: We have to comply with the Turkish Bar Association announcement of minimum lawyer fees. And nobody works below that.

"I might prefer other banks. If they apply to us from a different bank, of course we assess it. But I usually do not look for experience. I want a young lawyer that will join my team to be clever, smart, knowledgeable If they are open to learning I prefer a non-experienced person, because we can give lots of things to them. They learn lots of things from us, and usually my colleagues were not very experienced when they came to us. They didn't have any experience. But now they are very successful lawyers. Usually we prefer to teach them here."



Cigdem Dayan,
Chief Legal Counsel,
ING Bank Turkey

CEELM: So if you were talking to two firms in Izmir, one of them could say "we'll do this for 600 lira an hour," and ...

CD: No, it's not hourly. It's not hourly work, because it's not consultancy. Enforcement of NPL cases, of bad loans/debtors. we adhere to standards published by the Turkish Bar Association every year. Everybody has to act in line with it.

CEELM: I see. So that allows you to look for the best firm. And you don't have to worry about fees. You can look for the best firm.

CD: Yes.

CEELM: Do you work with any of the international firms in Istanbul?

CD: If it is necessary to work with an

international law firm, we engage them only on a project basis. For instance if the governing law of an agreement is English law, I prefer international firms of course. 5 or 6 law firms send a proposal, and we look at which one is the best, we decide based on past experience and fees.

CEELM: I see. And if a partner – say a partner at a local law firm – wanted to impress you, wanted your business, what do you want to see when you look at these proposals, what is important to you?

CD: The history. The kind of deals they've been working on.

CEELM: You want to see that they've done this kind of work before.

CD: Yes. And the work ethic of the firm and working committed to deadlines are important too.

CEELM: Are you interested in seeing lawyers with an academic background?

CD: Based on the specific project, or the case, if I think that the case that requires academic knowledge and experience on the subject, and I can get consultancy from a lawyer with an academic background. It is possible of course. Sometimes academic background might be very important. It depends on the case, depends on the nature of the legal dispute. I can decide on it, because I know what we need in different situations.

CEELM: That makes sense. Okay, two more questions. First, when you

hire a new lawyer for your team, do you prefer to have them come from another bank, to have that kind of experience, or from a law firm? What would you rather see on a resume?

CD: I might prefer other banks. If they apply to us from a different bank, of course we assess it. But I usually do not look for experience. I want a young lawyer that will join my team to be clever, smart, knowledgeable.

CEELM: So an interview is very important for you.

CD: Yes, very important. If they are open to learning I prefer a non-experienced person, because we can give lots of things to them. They learn lots of things from us, and usually my colleagues were not very experienced when they came to us. They didn't have any experience. But now they are very successful lawyers. Usually we prefer to teach them here.

CEELM: And the next question is the last question: What's next for you? What's in your future?

CD: First, I started in university for a Ph.D. I have a Master's Degree from Istanbul University, and now I attend Yeditepe University for a Ph.D. I take lessons every Saturday.

CEELM: And why are you doing that?

CD: I like legal issues. I like my job. So I want to learn more. For instance, last semester I took arbitration lessons. Arbitration is very interesting. A different subject. I should add something to myself. In my position, I have to develop myself. For 2-3 years later, I have to be prepared. We have a young generation in Turkey that is very well-educated, ambitious, and smart. To be a good mentor and an executive manager for the people in the team that I am leading, I have to develop myself. I don't want to fall back. I always want to stay in front. But I know that I can not sit on my chair to do that. That's the way to stay in front.

David Stuckey

The Expat On the Ground

Interview: Dan Matthews



Dan Matthews, Partner, Baker & McKenzie Consultancy Services Attorney Partnership

CEELM: So, how did you end up as an expatriate lawyer, traveling the world as a foreign lawyer?

DM: It's not something you plan when you go to law school; it just turned out that way. I had been a Soviet Studies major in college -- back when there was a Soviet Union -- and had considered going into the Foreign Service but I went to law school instead. Nine years later, Baker & McKenzie was looking for people to go to Moscow, and I said, "I'll go."

CEELM: So were you at Baker & McKenzie at the time?

DM: No, at the time I wasn't. Actually, I was working on a project with a law professor whose brother-in-law was a partner in Baker & McKenzie's London office. She said, "You'd be perfect for Baker & McKenzie." A couple weeks later, they called me up and asked "would you be interested in talking to us?" I said "sure".

CEELM: And when did you move to Moscow?

DM: January 95.

CEELM: And you came here in 2011, when Baker opened its office?

DM: Yeah. The office officially opened in November 2011, but I was coming here for a few months prior to that getting everything ready.

CEELM: From Baku, where you were sort of permanently based?

DM: I was in Baku for 14 years.

CEELM: Ok, so permanently based. How did that happen? Was it your decision, or the firm's decision, to have you come to Istanbul?

DM: Baker & McKenzie had been looking at the Turkish market for a long time. This time around, I was invited to

be on the search committee to identify a Turkish law firm to team up with as I had worked with a number of Turkish firms over the years. Toward the end of the process, the Firm asked, "Would you be willing to move to Istanbul?", and I said "sure." (laughs)

CEELM: But why "sure"? You'd been in Baku for a long time. Was that a tough call, or were you ready, or ...?

DM: Honestly, I was content in Baku. We built a good practice in Azerbaijan, but after that much time you sometimes ask yourself, "will my legal career end here?" I wasn't looking for a way out, but when Istanbul became an option, it didn't take long to decide.

CEELM: And you stay involved with Baku right?

DM: Some. Now, much less than I did the first year. The first year I still had responsibilities in Baku and spent a lot of time on flights between Istanbul and Baku. Now, I've pretty much turned it all over to people there.

CEELM: Is your practice a Turkish/Central Asian practice, or have you moved your practice to Turkey as well?

DM: My practice is almost completely Turkish-focused now.

CEELM: Really? After 14 years, you started a new practice.

DM: Well, I still do get calls for Baku and I still have a few Baku matters where the clients want me to stay involved because I've been working with them for 10 years. Our lawyers in Baku are quite capable, so my work there is limited.

CEELM: Ok. So we touched on this earlier, but what do you think is the role, the significance, of an expat, in general?

DM: Well, the role of an expat lawyer has changed over the years. When I got to Russia in the mid-90s, there were lots of expat lawyers working with Russian lawyers just out of law school whose primary credential was the ability to speak English. That was just the market at the time. Over time, as those lawyers gained experience and developed their expertise, they eventually replaced most of those expat lawyers. Now, we've got only a handful of expats in Moscow and none in our St. Pete, Kiev and Baku offices. It's just the natural progression of the development of

those legal markets. There's still a role for expat lawyers in those markets, but it is a much reduced role from 20 years ago.

CEELM: Is that a quality control issue, or is that sort of a branding issue?

DM: Well, quality control is the wrong word because the work product that our local lawyers generate is good quality. For local law advice to foreign clients, especially that prepared by more junior lawyers, often it's more of a packaging exercise to ensure that local law advice is presented in a meaningful and useful way that foreign clients will understand and appreciate.

CEELM: Does that mean that a substantial amount of your work is – I'm really not trying to put a negative spin on “polishing” or “editing” – but really is focused on taking legitimate and substantial work product and making it fit international norms, or are you able to do a substantial amount of client-related work yourself?

DM: I don't think those are mutually exclusive. As I've said, a fair portion of what expatriate lawyers do is what I call “packaging.” In Turkey, in particular, expatriate lawyers are not allowed to give Turkish law advice. We're allowed to give international advice and home-jurisdiction advice, so we take what the Turkish law advice is, as prepared by Turkish lawyers, and help fit it into a larger context.

CEELM: Coming from outside, what are your thoughts, in general terms, of the Turkish legal market?

DM: The thing that springs to mind immediately is that this market is so competitive in pricing, so competitive.

CEELM: More than Baku?

DM: Oh, absolutely. There's no comparison. In Russia, when I first got there in the mid-90s, there was very little price competition. You said, “This is the price”, and everybody paid it. Now that more firms have opened of-

fices there – there're probably 50 or 60 foreign firms in Moscow now, plus the big local firms – you have to be competitive, but it's still reasonable. But here, you'll come across transactions where the winning bid for an IPO is USD 25,000 – which we can't go near for a multiple of that. But there're just enough local firms out there with people who left international firms to flood tenders with these kinds of proposals. What we're seeing now, a little bit at least, is that, when people are putting out tenders for legal services, they'll just invite the major firms – so you have a better sense of where the competition is. If you just make a tender open to everybody and say “everyone submit your best offer and we're going to pick the best offer,” well, then, I'm not even going to submit a proposal.

CEELM: Yeah, the bigger firms aren't even going to be able to compete with that.

DM: With only a little hyperbole, I can't run the photocopier for USD 25,000 for an IPO.

CEELM: What is your opinion on the skill and the quality of the work product in Turkey? Because I've even heard some lawyers – some Turkish lawyers – have been fairly critical of it.

DM: As in any place, it depends on the individual lawyers and their experience. There are many smart good lawyers in the market but surprising few with truly valuable experience. At Esin, our Turkish firm, the lawyers have been doing M&A transactions for 10 to 12 years, some longer. When they do an M&A closing, it's with military precision. For closing M&A and Private Equity transactions, I mean, there are rehearsals. The lawyers all have their role and they go in and practice it. If an issue comes up at closing, you know there's a person there who's on that ...

CEELM: Ok. Has your presence in Turkey personally improved the quality of work at the firm?

DM: I like to think so. (laughs). For

example, in addition to bringing new practices into the office, the office is divided into practice groups, and each lawyer has the opportunity to work on the same types of issues over and over. It increases their legal expertise, and equally important, their knowledge of the market and the industry sector. The more they work in a single industry, such as Pharma, Technology, Banking and Communications, the more valuable they become to our clients.

CEELM: And Energy ...

DM: ... and Energy, but Energy is broader because, of course, it cuts across so many practice areas. For example, Esin Law Firm had a lot of experience doing M&A transactions in the Energy sector, but less experience with Financing. We've now developed that expertise as well.

CEELM: You talked about the restructuring of the firm. Is that something that happened after Baker came in, did you help restructure the firm with the practice areas?

DM: Yes, and added several new practices. Esin's practice was primarily M&A, Private Equity, Dispute Resolution and a couple of others. We've added Pharma, Tax, IT, IP, Compliance and other practices. Now we have specialist teams – an Employment team, we have a Tax team, a team for each practice ... that's what they do.

CEELM: Hmm. And is the firm modeled by – I understand these are separate firms, Baker & Esin – but does the model reflect general Baker & McKenzie modeling, is it operating on the same practice areas?

DM: Yep. The practice groups at Esin are the same ones that we organize regionally and globally.

David Stuckey

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Struggling With Success (Part 2)

In Part One, ending on page 32, it was explained that the Turkish legal market has a substantial supply of senior lawyers skilled in working with international clients ... and that those lawyers often feel the only option open to them is to leave and start their own firms. In Part Two we consider the effects of that phenomenon.

3. Too Many Firms, Not Enough Work



Ayşe Yüksel, Partner,
Chadbourne & Parke

“I think that a lot of lawyers leave too early. So like, in the States, for example, if somebody doesn't make partner at a good firm, they go to another firm. Here, if they don't make partner at a good firm, they go start their own office”

Many observers believe that there were too many firms in the market even in better times, and point at negative consequences both for clients – who may not get the degree of attention they expect from partners distracted by financial pressure and the need to keep their businesses afloat – and lawyers, who chase ever-decreasing fees to unsustainable levels.

3.1. Are Clients Getting the Attention They Require?

A number of experts on the market think the financial pressure on law firms is forcing partners to spend too much time managing their businesses – and not enough time managing their clients' needs. And the larger Turkish firms unaffiliated with international firms come in for the brunt of the criticism.

For almost thirty years Emre Derman has regularly interacted with the very best lawyers in the market – in his words, “the very crème de la crème of the crop.” Derman is the Managing Director of JP Morgan in Turkey – a position he took after spending a decade as the first Managing Partner of White & Case's Istanbul office. He decries what he believes to be a decreased focus by Turkish partners on their clients, and he believes that “attention to detail has waned, the personal attention to clients has waned, at the very top.”

The problem, according to Derman, is that many Turkish firms “over-delegate” work to associates which the partners should in fact do themselves. He says that “a number of lawyers in Turkey feel that they've arrived and therefore they don't feel the need to personally pay too much attention to their clients. Instead they now have to pay the bills, get the administration right, recruiting, hiring, this, that, etc.”

And that may, in the end, up hurting their bottom line. Derman notes that “the profession is one where you, personally, regardless of how senior you are, as a partner you personally have to be very involved if you want to keep the client's loyalty.”

Ismail Esin, the Managing Partner of the Esin Attorney Partnership – Baker & McKenzie's member firm in Istanbul – is in full agreement. He says he sometimes comes in to work as early as 2 am for clients. He's not sure all of his competitors show the same commitment. “The partners in many cases of some law firms just disappear. I hear complaints from some clients, who say ‘we have seen partners only for the presentation of the firm, and requesting the money. Other than that we haven't seen any partner attention.’”

Ayşe Yuksel, the Managing Partner of Chadbourne & Parke's Istanbul office, agrees that the Turkish firms “are not as institutionalized as the US firms or the UK firms, and there's a lot of demands on the senior partners so it's really not possible for them to do the hands-on legal work partners at large institutionalized firms can do.”

Though coming at it from a client's perspective, Spolitis at Sabanci Holding has also recognized that firms in Turkey sometimes provide insufficient attention to client matters. In her opinion, however, the

In This Article



Aslı Yıldız, Legal Counsel,
Canon Europe



Ismail Esin, Partner,
Esin Attorney Partnership



Emre Ozer, Partner,
Gen & Temizer/Ozer



Emre Derman, Managing
Director / Senior Country
Officer, Turkey, JP Morgan



Ayşe Yüksel, Partner,
Chadbourne & Parke

problem is the scarcity of skilled senior associates to work directly with clients. According to Spolitis, “you do not find the good and constructed mid-level that you can refer to.” She says that the only way to overcome this “endemic” problem, “is to have very strong and responsible seniors associates [so] that you can actually trust these lawyers and also can work with the partners when you have problems.”

For their part, partners at smaller firms do not believe that the charge of insufficient client attention should be laid at their door. Partner Emre Ozer, of Gen & Temizer | Ozer, for instance, smiles at the charge. “Actually, it’s completely the opposite for us. The challenge we have is that we spend so much time on transactions that we don’t do enough admin work, or business development. We just do deal to deal. We just kind of fall from one transaction to the next. But that’s deliberate. Our perspective is that being a boutique ... the only way you can differentiate is a kind of personal service. From my perspective the disadvantage of the big firm is that you’re never going to see the partner. Unless it’s a mega-deal. But if you’re talking about mid-size sector deal which is where most of the sector is focused in Turkey, they don’t have time to do it, to focus on it. It doesn’t give them a profit margin or the profile that a mega-deal would give. So that’s kind of what we’re trying to focus on, actually, is partners giving that client attention.”

And some clients seem to agree. Canon Legal Counsel Asli Yildiz, who is responsible for finding external counsel for the company in Turkey, also believes that smaller Turkish firms are better at client service, as they are, in her words, “a bit more effective / pragmatic and hands on than the big ones.” She explains that “simply because they have more time for you, [and] because they have more time for you, they have a better understanding of your issues and they are happy to invest time for your issues. Plus they have relatively experienced lawyers. What generally happens with the big law firms is that the partners or more experienced law-

yers are dealing with the firm’s management, mostly. But they don’t do the legal work. They do not provide the actual advice.”

Structure and focus both play roles in a law firm’s ability to bring the best possible service to its clients. But economic pressure underpins both. And unfortunately, right now, all law firms in Turkey – big and small, international and domestic – are facing unprecedented downward fee pressure. The problem only seems to be getting worse.

3.2. Too Much Supply, Not Enough Demand



Emre Derman, Senior Country Officer, JP Morgan

“Unfortunately, with so many well-trained, good English-speaking, good lawyers out there, and not necessarily all that many deals to go around – particularly deals of a significant size – fee competition is what drives the marketplace in Turkey.”

Ultimately, any conversation about the Turkish legal market inevitably turns to the subject of the incredible downward pressure on fees in the country. And most point their fingers at the ever-increasing number of firms in the market competing for the biggest deals.

Emre Derman, for one, feels that the Turkish market is “over-lawyered,” and says that “... there just are not enough deals in Turkey. You need more deals to support this kind of a broad base of lawyers. And I don’t mean smaller deals. I mean larger deals. In Turkey last year I think there were like only two public offerings of a significant size that got completed. Maybe three. Now, that’s not an environment that’s conducive to increasing fees. You need like 10, 15 of those to be able to say, ‘ok, fine, we’re only going to be able to do this if you accept our fee proposal of 1 million dollars.’”

According to Ismail Esin, “if you look at the landscape, if there are 100 players in a small legal market, the absolute result is fee pressure, because every associate who leaves his firm to start up his own firm or her own firm The thing of the young associates or young partners to sell to the client is we have

done your work in the past, we’re going to do the same, but for half of the price. That is the fee pressure issue.” His counterpart at Baker & McKenzie in Istanbul, Dan Matthews, expresses exasperation at the fee proposals he’s expected to match: “Here, you’ll come across transactions where the winning bid for an IPO is \$25,000 – which we can’t go near for 10 times that. But there are just enough local firms out there with people who left international firms to flood tenders with these kinds of proposals.”

Ayse Yuksel speaks in similar terms: “A lot of young lawyers are spinning off

from the larger firms and continuing to open new offices and charging really really low fees, and because there’s not so much focus on the best legal advice, people are going to those firms.”

As a result, Yuksel believes, the decreased amount of time partners can put towards client matters is not always even a matter of their own choosing. She notes that many clients “in an effort to bring down fees, are not asking for the full scope of work. So they’ll say things like, ‘you do the first draft, and then we’ll do the following few drafts, and then you can look at the last draft,’ which creates a disjointed work product.”

Of course, clients benefit from the drop in fees. And Asli Yildiz, Legal Counsel at Canon, believes that the larger firms still simply charge too much. “It’s not specifically that they are incredibly good or they are doing something outstanding. They’re just charging because they have to charge as their name requires them to charge more. They need to pay for their established systems or their junior associates. But smaller firms are charging less, and maybe they’re doing twice the size of the work, but they can’t get that much money because the



Simon Cox, Partner, McGuire Woods

“What’s had an impact is the rush to the bottom on legal fees and the cutting in pricing has meant that work is pushed down to as level lower than it would have been done at in a previous era. And people throw cheap bodies at deals to get the job done, or they don’t staff them at all, because they know the other side won’t have to pick up the slack, on the job. And the rush to the bottom in legal fees – and clearly Turkey has been severely undercut in the last two years – has meant that the quality of people actually on the job has dropped. You’re seeing work being pushed down into areas which it wasn’t previously pushed into. You’re seeing people looking at the second or third person at a meeting and saying ‘why are they here – I don’t want to pay for more than one person at a meeting.’”

market doesn’t work that way.”

And not everyone believes it’s the smaller firms that undercut the larger firms anyway. Cem Davutoglu, the owner of the kind of “spin-off” firm that partners at larger firms criticize, explains that “overall I would say there is already a downward fee pressure from even the bigger shops. Sometimes they give fee proposals that even in my little shop I cannot agree to. Several times I’ve had this experience. Everybody has their own explanation as to how this happens ... but it happens.”

Emre Ozer agrees, noting that on several occasions clients have cited a specific international firm in the market who had offered fees much lower than Ozer was able to, perhaps, he surmises, in order to get a second deal from that same client. “On one or two occasions we’ve actually given fee quotes, and the client would say, ‘well, you know, [one of the international firms] has offered half of what you’ve just asked for.’ So I’m not sure ... what I’ve heard is that big firms have offered very cheap fees, where they may get a significant margin on another transaction which they can kind of then cut on another deal.”

In any event, in Ozer’s opinion, like it or not, when there are clients willing to retain smaller firms for complex deals, it’s unreasonable to suggest that lawyers should pass up that business in favor of staying in larger firms that do not provide them with equity positions.

He concedes that the phenomenon of non-equity lawyers leaving firms to compete against them for top level deals “is something you wouldn’t see in the UK market, which is solidified. You just couldn’t set up a M&A practice that could compete with the big City firms. There’s just no way.” But he notes that in Turkey “clients are prepared to see different alternatives,” and that he and his colleagues left White & Case to start their own office because they felt “there is space to offer this kind of boutique service.”

4. Come Together, Right Now



Ismail Esin, Partner, Esin Attorney Partnership

“I think after the latest developments in the market, I think difficult times are approaching us. And most probably some law firms will be forced to come together, to merge, to survive. It will be a tough time. I have survived a couple of crises in this country. Turkey will overcome all these crises. I honestly believe in that. However, some traditional law firms will see that they have to give a future to the next generation, otherwise they can not survive Because if you don’t do so, someone else will give that bright future to your team. And then, as a result, you’re going to lose your team. If you lose your team, you’re going to lose your level of quality. And if you lose your level of quality, you are in the middle of the fee pressure”

Nobody wants – or, despite the economic and political turmoil that have beset Turkey in recent months, expects – a return to the quieter, less sophisticated, less international legal market of the past. The assumption is that Turkey has joined the modern world, and the multi-national companies and interna-

tional law firms that now rent office space in new and elegant buildings are permanent additions. And indeed, in the grand scheme of things, the unfortunate fall-out of success may be a good problem to have. Still, the question of how to ensure that profits, employment, and quality of service among lawyers remain high lingers.

And few people expect the fee pressure to relent anytime soon. Simon Cox expects to see firms adapt by breaking down their services into more component parts, charging a separate fee for each. “I think people will become more specific in the way they cut a deal and price a deal, they will basically not do ‘out-of-scope’ work. If the client wants to do extra stuff they’ll say they’ll only do that if the client pays more money.”

Dan Matthews at Baker & McKenzie sees signs that clients are beginning to awaken to the particular strengths the larger and international firms can bring to a challenging and complex deal. “What we’re seeing now, a little bit, is that, when people are putting out tenders for legal services, they’ll just invite the major firms – so you have a better sense of where the competition is.”

will be eliminated, and some of them will unite.” He elaborates: “You know, the senior associates who opened their shops ... I think eventually they will unite, and they will have larger law firms. Right now you have 3-5 lawyer teams, eventually you will grow to 10-15 lawyers teams, and eventually it will grow to larger law firms.”

Emre Derman agrees that smaller firms need to merge to create efficiencies. “If you had a bunch of these firm coming together, then you’d have one partner dealing with management, administration, etc., and all of the others would have to do something, so they’d start refocusing on their clients, actually doing the legal work at which they’re very good. As opposed to trying to run the firms – at which they’re not necessarily all that good.”

Cem Davutoglu also believes that, over time, the international law firms are either going to size down, or will close, because the unexpectedly low fee levels make larger presences unsustainable. And he also believes local firms will have to adapt as well: “What I see in the future is merger of local shops. They’re inevitably going to merge at some point.”

But it’s not happening yet.

5. Conclusion

Things never go so well that one should have no fear, and never so ill that one should have no hope. (Turkish Proverb)

At the end of the day, it may be unfair to expect a market still coming into its own to do so without fits and starts. And to some extent it’s a matter of perspective and outlook – for every Turkish lawyer bemoaning what he or she believes to be a problematic element of current practices, there’s another enthusiastic about the strides Turkey’s lawyers have made in the past decade and their prospects for the future. The hope, as always, that this debate will lead to better service for clients and a stronger legal markets in the years to come.

David Stuckey

Next Issue’s Market Spotlight



Romania

Top Ranked Practitioners in Each CEE Jurisdiction Discuss and Review a Specific Practice or Question of Law.

Intellectual Property and Trademarks

Interview: Przemyslaw Witas
General Counsel at CEDC Poland

CEELM: You're the GC for CEDC in Poland. How much of your time is spent on IP matters?

PW: CEDC is a brand-oriented company, as is the entire Russian Standard Vodka group that we are a part of. Our brands make us unique player on what is a very competitive alcohol beverages market. This is the absolute must for me to spend time on the IP matters. They take from 30% to 60% of my time, depending on the brief. However, there are days when it is 100%.

This is a very interesting development for me; I joined CEDC as the senior Corporate/M&A person. That was my main profile after many years at Clifford Chance. During recruitment, I was told that IP would be on my agenda, but initially it was not a priority, as we focused on building the in-house legal function from scratch. I joined CEDC, originally the distributor, in a transition time, as they were becoming more and more brand-oriented. CEDC was built through acquisitions, with key brands inherited from a state-owned company. When CEDC wanted to expand its business, including exports, it became clear that



trademark issues had not been attended to properly by the previous owner. This is when IP entered my agenda.

I remember that after my first few months, management asked me to sort out the payment issue with the US IP counsel in New York. I got in touch with him and started to discuss different issues, and my eyes opened wider and wider. The conclusion was: There is a lot to do to protect our brands. Apparently, the cash flow opened the IP world for me. We reviewed relations with external IP counsel regarding our trademark portfolio in different jurisdictions. Shortly, we established an in-house IP function to handle issues from regular maintenance to ad hoc litigation. This is how my IP journey started and it continues.

I do not have the comfort to attend to IP issues exclusively, but indeed, I spend a lot of time on IP, managing key projects. It is a good example that lawyers must be ready to learn new things all the time. It is a challenge, but an enjoyable one!

CEELM: Is Poland's protection of trademarks fairly robust compared to other European markets?

PW: Yes, Poland definitely provides a robust system. The awareness of IP rights continues to grow among businesses, the courts, and other authorities. The relevant legal environment is in place. IP protection at the customs level works very well in Poland. There are both administrative and civil law regulations that provide all necessary protection if used professionally.

On the civil law track, the Court for the Community Trademarks and Designs proceeds very efficiently, rendering fact-track and well-supported decisions, maintaining a unified approach. On the administrative law track, Poland's Patent Office proceeds relatively slowly, but there is also a lot of improvement in both the speed and the quality of its decisions – which are based on both Polish and EU case law.



CEELM: Do you see/expect any significant changes in IP practices, regulation, or legislation coming soon?

PW: The European Commission prepared a large revision of the Trademark Directive and Trademark Regulation. When implemented, Poland would need to shift from the current system of the ex officio examination of the relative grounds for refusal of trademark protection to the system which is used by the EU trademark authority, the Office of Harmonization of Internal Market (OHIM). There would be

no ex officio examination of relative grounds (just absolute ones), and this kind of examination would be possible upon opposition or cancellation only.

As far as national legislation is concerned, there is a plan to revise our main IP act – the Industrial Property Law of 2000. The legislative works are at an initial phase but the current guidelines suggest important changes, such as the long-awaited introduction of the so-called letters of consent, streamlining of the procedures at the Polish Patent Office, and improving the use of electronic communications with the

Patent Office.

CEELM: Have you had any particular problems registering or protecting CEDC's trademarks, in Poland or anywhere else?

PW: IP protection is dependent on the subjective interpretation of some general rules by the courts and authorities – and this is where some frustration comes from. The Patent Office tends to be more conservative, as its decisions are linked to a simple trademark similarity examination, while the civil law courts are more open to a market-orientated approach and the business context of trademark infringement. The common issue across different industries is that trademark owners' expectations with regard to the scope of protection are wider than to the ones established under the court or authorities' decisions.

In recent years, the trademark authorities have tended to limit the scope of protection of registered trademarks. This concerns especially the complex, non-traditional trademarks consisting of various elements (e.g. word, figurative, three-dimensional). New conflicting trademarks are often found dissimilar and oppositions are dismissed. This is not something specific for Poland, as it happens in other jurisdictions across Europe as well.

As we have a significant international trademark portfolio, we also face some local issues in jurisdictions outside Poland. For example, the lack of publicly-used trademark databases maintained by local Patent Offices (a particular problem in Kazakhstan, for instance) or unusually lengthy application and maintenance procedures (such as in India, where our application filed in 2006 is still pending).

The concept (established in the US and other jurisdictions) of strict trademark use as a necessary requirement to obtain and maintain a trademark registration, although based on an "open market" concept, is also a challenge since the labels evolve and change and it is sometimes difficult to correlate prod-

uct launch with mandatory procedures of local trademark offices.

CEELM: Do you see a benefit in retaining international law firms to handle your IP matters, or are you comfortable/confident in retaining IP boutiques?

PW: One global counsel certainly provides a comfort, but it comes at huge costs since you need to pay for all coordination work that they provide. Only at a certain level does it make sense to go for this system.

At CEDC Poland we use the IP boutique model at the moment. We usually instruct different counsel in different jurisdictions, based on our know-how and the counsel matrix that we developed over the years. I still believe that a choice of legal counsel should be based on the lawyer, and not firm-driven. We can still afford this type of approach.

Obviously, the top international law firms usually provide top quality service across different jurisdictions, so you still end up using them for your major international projects. The level of service integration achieved by some of the London-based firms is impressive.

On the other side, New York elite firms still act through their referral firms when it comes to Poland or other CEE markets, and they can achieve very positive results. The only workable solution for us is to come out of a comfort zone, use know-how and experience and make the effort to search for the best solution in the circumstances instead of sticking to the regular, well-familiar choices of the past.

CEELM: Do you have lawyers working under you – in-house – who focus only on IP matters?

PW: Yes, we do. I have one experienced IP lawyer on my team, handling ongoing trademark maintenance as well as innovative projects from brand development to litigation. We work closely together as I need to stay on the top

of all important IP projects, due to the high focus of our management on IP-related issues. My IP colleague handles domestic maintenance work in-house and manages local counsel on different projects in different jurisdictions. Our "crown jewel" trademark – Zubrowka – is registered in different forms in more than 100 jurisdictions. There is a lot of a work at CEDC when it comes to trademarks!

CEELM: What would you like to see – what would help you sleep better at night – from an IP perspective?

PW: Generally, I would like all those in the market place to focus on their own inventions and play fair. Only fair competition brings value for the business and the consumers. Unfortunately, there are still those "smart" individuals around whose main agenda is to build on others' ideas and assets. This is why the legal function is crucial for any brand-orientated business.

We need to protect IP assets continuously, otherwise we would end up with a diluted brand of no value meaning we can close the business. This is the general brief that we implement every day. When it comes to the legal environment, despite all the improvements made by the Polish legal system in recent years, I would be happy to see even faster proceedings along with more consistent, transparent, and predictable case-law.

We also need more understanding from the authorities when it comes to protection of reputable trademarks, to find a proper balance between the interest of a reputable trademark holder and the interest of other market participants. Holders of reputable trademarks make huge investments in their brands to keep a high quality level and a sophisticated image. Due to different case law still in place, there is lack of certainty on the part of the holders of reputable trademarks as to the real borders of protection, including which trademark infringement cases can be successfully pursued.

David Stuckey

Because we wish to avoid repetition in the order in which we sort country submissions, the articles will be sorted by market, by arbitrarily-selected criteria, in this issue, the annual per capital consumption of milk, as of 2007 (Don't ask!)



Greece

IP in Greece: Landmark Decision Orders Greek ISPs to Block Internet Access



Irini Daroussou

With its landmark Decision No. 4658/2012, the First Instance Court of Athens called on Greek telecommunication companies to impose technological measures in order to block access to certain IP addresses which contain unauthorized content. For the first time in Greece, Internet Service Providers (ISPs) were ordered by a court to intervene

and take measures against unauthorized online copyright activities. Decision No. 4658/2012 constitutes a well-reasoned and important judicial precedent for similar cases of copyright infringement taking place through the Internet.

According to the facts of the case, two Internet sites hosted in foreign countries (USA and Russia, respectively) provided their subscribers access to a variety of digitized copyrighted works (musical works, cinematographic movies, books etc.) without having obtained the appropriate licenses from the authors/right-holders of said works.

The local (Greek) Collective Management Organizations of the copyright holders and the holders of related rights, acting jointly, filed for injunctions before the One-Member First Instance Court of Athens against all Greek telecommunication companies, seeking to block access to the websites by Internet users.

The Court ruled that converting a copyrighted work to digital form, uploading it, and making it available through a URL were clearly infringing activities which prejudiced the rights of the copyright holders. By simply accessing the sites, Internet users were able to download and view the particular copyrighted works. It was the Court's view that the mere possibility that Internet users could download the works (regardless of whether they actually viewed the unauthorized content or not) was sufficient to call for copyright protection.

It was the first time a Greek court had implemented the legal provisions of Article 64 A of Copyright Law, which transposes Article 8 par. 3 of Directive 2001/29 into Greek Law, and provides that injunctions may be applied against intermediaries whose services

are used by a third party for illegal activities. According to the ruling of the Court, ISPs clearly fall within the meaning of "intermediaries" since they provide the necessary means to third parties for committing copyright infringement and therefore an injunction may, in principle, be granted against them.

The Court held that imposing restrictions to specific webpages does not contradict a constitutional right of freedom. It was particularly taken into account that the blocking of Internet access in the case before it was not general, but applied only to specific websites and infringing actions. Therefore, the imposition of technological measures against the ISPs was regarded as necessary to minimize the negative effect for the persons affected, and proportional, as the benefit would be greater than the damage caused.

The technical experts' report provided by the applicants referred to two basic techniques of blocking access to the specific websites: (1) Internet-Protocol and/or domain-name-level access blocking; and (2) DNS-level access blocking. The use of these techniques, in combination, was regarded by the Court as an appropriate and effective technical measure which is easily achievable and has no adverse effects on the functioning of the Internet in general and the quality of the services provided to Internet users

According to the Court's decision, specific blocking measures imposed on ISPs, following the issuance of a judicial decision as required by Greek law, are not in principle disproportionate to nor incompatible with fundamental rights such as a person's right to participate in the information society.

The position of ISPs in the operation of the Internet in general is crucial since they secure and provide access for Internet users to the entire online environment. Whether such access should be restricted or not, and under which exact circumstances, is a matter that must be examined by the judicial authorities always in concreto. It is left to the courts to achieve, in each and every case, an appropriate balance between the fundamental rights of the opposing parties. However the Court of First Instance of Athens, with its decision, created a significant judicial precedent in favor of copyright and related rights' protection.

Greek copyright law provides a very severe and pro-copyright legal framework, according to which unauthorized copying, reproduction, and exploitation by any means or form, wholly or partially, of an original intellectual property work constitutes a civil and criminal offense, punishable with imprisonment of one to ten years and pecuniary penalty of EUR 3,000-60,000.

Irini Daroussou, Partner, A.&K. Metaxopoulos and Partners Law Firm

Montenegro

Software Piracy in Montenegro



Tamara Bubalo

Introduction

In the 21st century, significant resources are invested in developing and maintaining a high standard of products and services related to information technology. In the ever-changing IT sector, companies that are involved in developing new competitive software solutions seek new ways not only to maintain the quality of their products but also to boost their competitiveness. However, the on-going threat of copyright infringement through software piracy often impedes fast development and healthy competition, as revenues are lost and additional resources are spent in tackling with the issue.

Montenegro, a Balkan country of fewer than 700,000 people, is a transitional economy that seeks to strengthen its position as an independent country through the development of its national economy, the improvement of its services sector, and its future membership in the EU community. However, Montenegro also has a very high software piracy rate, which not only puts it on the map of those countries that have failed to fully promote healthy technological progress, but also impedes the country's economic development and hopes of future EU accession.

Current Status of Software Piracy in Montenegro

According to the most recent International Data Corporation study of worldwide software piracy rates, the software piracy rate in Montenegro is a high 79%. As a result, Montenegro faces a problem causing direct impact on its GDP, tax revenues, and overall compliance with EU IP legislation. However, this is not to say that no action has been taken towards raising awareness of the importance of using legal software and the impact of legal use on the country's economy. Joint actions taken by global software manufacturers, independent organizations, and state authorities are regularly organized across the country to draw the attention of both the public and the private sectors to the benefits that could come with the decrease of software piracy.

Most powerful incentives for tackling software piracy issues stem from the effects of the piracy rate and its impact on employment rates (in both IT and non-IT sectors), tax revenues, and the overall GDP. In other words, the higher the piracy rate, the lower the opportunities for new employment, IT generated taxes, and overall GDP contributions. Inversely, the lower the piracy rates, the more new jobs will be created in the IT industry or related sectors, IT-generated tax revenues will grow, and ultimately the state budget will grow with it.

Continuous actions are also oriented towards educating people that authored works of intellectual property such as computer software are not things that can be used freely, but remain protected property, which entails among other things a right to financial profit.

IP Legislation and the Solutions It Provides for Fighting Software Piracy

In Montenegro, a set of IP-specific and other laws provide mechanisms for fighting software piracy. Therefore, the Law on Copy-

right and Related Rights provides for general protection of works of authorship including computer programs and software. The Law on the Enforcement of Intellectual Property Rights appoints an authority to review the circulation of copyrighted works, including computer programs and software. The Montenegrin Penal Code addresses infringement of all intellectual property rights and provides for strict criminal penalties in cases of such infringement. Finally, the Law on Optical Disks prescribes mandatory conditions that need to be fulfilled in order to be able to reproduce optical discs for commercial purposes, and mandates the surveillance of circulation of optical discs.

However, even though most of these laws are to a great extent harmonized with EU legislation, there is always room for improvement. Hence, when implementing provisions of the law that provide mechanisms for protecting IP rights over computer programs and software, practice has shown that legislators have yet to provide a complete set of solutions to resolve all problems

Conclusion

According to studies performed in the past year, widespread circulation of pirated optical media and use of pirated software products remains prevalent. Even though enforcement is slowly improving as relevant state bodies undergo trainings to provide them with the necessary knowledge of how to recognize and resolve these problems, the judiciary system remains relatively slow in processing IP cases and consequently in awarding the fines necessary to deter further IP infringement.

Tamara Bubalo, Associate, Karanovic & Nikolic

Albania

Evolution of Intellectual Property Protection in Albania



Panagiotis Drakopoulos

Intellectual property in Albania is protected by both local legislation and international treaties. Albania is a signatory to most of the international conventions and agreements in relation to IP rights, such as the WIPO, Paris, and Berne Conventions, the Nice, Hague, Strasbourg, and London Agreements, the Patents Cooperation Treaty and the European Patents Convention, the Madrid Agreement and Protocol, and others.

Locally, two main laws cover Industrial Property and Copyright (Laws 9947/2008 and 9380/2005, respectively), which generally are in conformity with internationally applicable provisions.

Industrial Property law addresses four types of IP rights: (1) Patents/utility models; (2) Industrial designs; (3) Trademarks; and (4) Geographical indications.

The Albanian Office on Patents and Trademarks ("ALPTO") is responsible for ensuring the implementation of Industrial Property law by examining and registering industrial designs, trademarks, and geographical indications, issuing patents and utility models, examining oppositions filed to the Board of Appeal, and representing Albania before the courts and international organizations in IP matters. Filing International or European patents or utility models designating Albania is also possible through ALPTO, as is

registering international trademarks in accordance with the Madrid Agreement.

Copyright law addresses the protection of copyright and related rights and the operation of collective management agencies. The Albanian Copyright Office is responsible for the supervision and monitoring of authorial rights and for the licensing of collective management agencies.

The procedure for registration and granting of IP rights in Albania is consistent with international practice. Patents applications in Albania therefore are subject to the same three-part test of patentability known as the Trinity: (1) Novelty; (2) Inventive Step; and (3) Industrial Application. And Trademark registration requires a graphic representation in either two or three dimensions with a combination of colors/shades and letters. Foreign companies wishing to file an application must be represented by a local agent licensed by ALPTO and authorized by virtue of a notarized and apostilled power of attorney.

The assessment of applications by ALPTO involves examination on both formal and absolute grounds, while third parties may oppose the granting of a patent or trademark registration on formal and substantive grounds for infringement of prior registered rights. Oppositions and appeals against initial refusals of applications ex officio are subject to review by the Board of Appeal and thereafter by the Court.

Infringement matters are extensively addressed by the law in a rather elaborate manner, and may be dealt with through injunctive relief measures, the seizure and destruction of goods and of the means for producing them, prevention of imports of infringing goods by customs authorities, publication of court decisions in public media at the expense of the infringer, protective interlocutory injunctions before final court decisions, and claims for direct/indirect damages.

Although a lack of experience of Albanian judges with IP law has often resulted in ineffective interpretation and application of these provisions, there is an increasing awareness among businesses about IP protection, and also an evolution of judicial legal analysis, with in-depth evaluation of criteria required by local and international legal frameworks on IP rights. Most encouraging is the evolving jurisprudence on the concept of “well-known trademarks” as stipulated in the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, in which courts examine the extent of general public awareness, the duration of use of the mark and the territory in which it is used, and the amount of advertising carried out by the owner.

Unfortunately, in establishing if there is trademark infringement, judges have generally assessed whether the infringing mark was used for the same classes of goods and/or services as the prior registered mark without analysing the risk of trademark dilution, which could damage the good name of the previous mark even if used for non-competing products, as provided by the law on industrial property. Thus, there is still room for improvement in judges’ awareness, understanding, and application of IP law.

Nonetheless, recent developments are positive, and indicate a strengthening of protections for right-holders. For one thing, with the recent adoption of the new law on Administrative Courts (Law 49/2012), all cases involving ALPTO and registration of IP rights shall, going forward, be assessed by the newly founded Tirana Administrative Court, which will further specialise the judges applying IP law, thus providing better protection of IP rights.

Another positive development is the recent signature of the London Agreement by the Republic of Albania, pursuant to which Albania shall not require the translation of a patent if it is issued in one of the EPO’s official languages. It is also expected that the procedures on EP validation shall be reflected in Albanian implementing acts in the near future.

Finally, there is a new draft law on Copyright, which seeks to fully harmonize Albanian legislation with EU directives and to resolve issues of the current law in relation to collective management agencies. The draft law is in a process of public consultation and its adoption is expected in the next few months.

In light of the above, things are looking increasingly bright for IP rights-holders in Albania.

Panagiotis Drakopoulos, Partner, Drakopoulos Law Firm

Lithuania

Knowledge of Earlier Mark as Factor in Bad Faith Determination of Trademark Applications in Lithuania



Ausra Pakeniene

In Lithuania, a trademark registration may be invalidated based on Article 7 part 3 of the Law on Trademarks of the Republic of Lithuania, which provides that a trademark registration should be declared invalid when it becomes evident that the application for the registration of a mark was made in bad faith by the applicant.

In this article we will review how the factor of knowledge is treated by Lithuanian courts and the Appellate Division of the State Patent Bureau in deciding cases involving opposition to trademark applications on the aforesaid ground.

Based on the practice of the European Court of Justice (ECJ) June 11, 2009 judgment in Case C-529/07 *Chocoladefabriken Lindt and Sprüngli AG*), when assessing the bad faith of an applicant all factors relevant to the circumstances of the case concerned prevailing at the moment of submitting the application should be taken into account, including: (1) the fact that the applicant knows or should know about a third person’s prior right to an identical or similar sign for identical or similar goods; (2) the intention of the applicant to prevent this third person from using the sign; and (3) the degree of legal protection used for the sign of the third person and by the sign for which registration is sought.

The first factor can be presumed from use of an identical or similar mark in a particular economic sector, and knowledge of that use can be inferred from the duration of such use, the degree of fame and/or reputation of the earlier mark, and a possible association of the applied-for sign with the earlier mark.

Such fame and reputation of earlier opponent’s mark was established by the Appellate Division of the State Patent Bureau in considering an opposition to the registration of the “GILLETTE” mark. The Appellate Division concluded that the requested GILLETTE trademark was essentially identical to the opponents’ existing community mark, which had established a reputation, thus the applicant’s goods would benefit from the possible association with the earlier mark. The same findings were made in opposition cases regarding BRAUN / BRAUN and MAX FACTOR / MAXI

color & device marks.

In the “GILLETTE” opposition the Appellate Division also took into account the fact that the applicant had registered and used other well-known marks before; therefore its actions contrary to law were of a systemic nature.

The factor of knowledge of existing marks is also relevant in Opposition cases based on Article 6 septies of the Paris Convention for the Protection of Industrial Property, which stipulates that the proprietor of the mark shall be entitled to oppose the use of his mark by his agent or representative if he has not authorized such use. Commercial relations and agreements of the applicant with the proprietor of the mark prove such knowledge and the unfair intentions of the applicant when applying for the registration of the other person’s mark. Such commercial relations were established in the opposition to the mark WOLF PERFORMACE AMMUNITION & DEVICE, which was nearly identical to the applicant supplier’s earlier WOLF & DEVICE sign.

However, numerous decisions of the Supreme Court of Lithuania as well as the Appellate Division have found that although one of the bad faith criteria is the applicant’s knowledge of another person’s right to the sign when filing a trademark application, that circumstance alone is not sufficient for a finding of bad faith. Instead all the circumstances at the date of trademark application filing should be taken into account, including applicant’s unfair actions vis-a-vis the opponent.

Furthermore, according to the Supreme Court, the mere intention to obtain exclusive IP rights, including trademark protection, does not mean that there is unfair competition.

In its jurisprudence the Supreme Court has also stressed that holding a trademark registration invalid based on unfair intention is a remedy of an exclusive nature (*ultima ratio*) when seeking to defend a third person’s rights to a trademark or prior used sign. The trademark protection instrument cannot “cover” or “include” all other trademark invalidation grounds covered by Article 7 part 1 of the Law on Trademarks. (SCL June 25, 2008 judgment in Case No. 3K-3-160/2008 UAB “Restorans grupe” v. AB “Ragutis”).

Based on this judgment, the Appellate Division has been reluctant to issue a ruling of Unfair Intention in opposition cases where other legal grounds for trademark invalidation exist, such as confusing similarity with an earlier mark or a mark having a reputation.

Ausra Pakeniene, Partner, AAA Baltic Service Company

Romania

IP in Romania: Trademark E-filing Launched in Romania



Ana-Maria Baciu

The New Year brought good news for Romanian intellectual property counselors. The Romanian State Office for Inventions and Trademarks (SOIT) introduced the trademark E-filing system. Long awaited by both trademark professionals and common users of the national trademark filing system, the E-filing (web-based) application was developed by SOIT in collaboration with the Office for Har-

monization in the Internal Market (OHIM) and is aimed at reducing the time involved in filing national Romanian trademark applications. It is both accessible and easy to use.

The E-filing system was developed using feedback from its “end users” – a test group represented by a number of Romanian trademark professionals – who were invited to test the system and provide comments and suggestions with respect to possible flaws or other aspects to be addressed when the system is officially implemented. The pre-testing period, which ended on December 1st, 2013, was followed by the official launch of the system among all intellectual property professionals registered with the Romanian National Patent Chamber, extending the possibility to discover potential errors and gain feedback on the system from a larger audience of informed users. As of February 1st, 2014, the Office has planned to extend the use of the E-filing system also to the Regional Intellectual Property Centers and, afterwards, to further summarize the results of all the reports about the system, both from “external” and “internal” users (including SOIT employees).

The system was designed to be used by anyone who has access to the Internet. It is only available in Romanian and does not require login user credentials. Although it most likely involves certain back-office safety and data protection features, once accessed, it is designed not to go offline or disconnect even if its use is interrupted for a long period of time.

One of the system’s greatest benefits is its 24-hour availability, which provides applicants with the opportunity to file trademark applications at any time, irrespective of SOIT working hours. In addition, the system allows users to locally save their drafted applications onto their personal computers for future use.

Similarly to the electronic filing system available on OHIM’s website for the filing of Community trademarks, the Romanian system allows applicants or their representatives to upload any documents they wish to provide to the authority when filing a national application directly into the system and attach them to the E-filing form, such as: a Power of Attorney, documents regarding a priority right invoked in the application, or documents certifying that the official filing and examination fees have been paid at the time of filing. However, it should be noted that the system only supports .gif files when providing a graphic representation of figurative / combined trademarks.

Although during the testing phase users did face certain errors when uploading .pdf files into the system or when inserting certain information into the electronic application form, SOIT has assured users that such errors will soon be corrected.



Andreea Bende

The system also involves certain limitations resulting from the application of legal provisions currently in force in Romania with respect to the trademark registration procedure and the electronic signature. Thus, to obtain an official regular trademark filing number by using the E-filing system, applicants must provide the Office with the specific information and documents required by law (which are of course also still required if the trademark application is filed via a standard paper-form). Thus, applicants must send the printed application form issued by the filing system and bearing an original signature

(and stamp, if necessary) to the Office within 30 days of filing the electronic application. Also, according to the Romanian Law on Trademarks, the Power of Attorney granted by the applicant to its professional representative must be also lodged with the Office, and signed in original, even if a copy was already attached to the electronic application.

Despite these limitations, the E-filing system has been well received by Romanian trademark professionals, and the Office reported in the first week of usage alone that already 10% of the regular national trademark applications were filed using the system. However, since it has just been launched, the system still requires certain features to be amended and it could take a while until the public use of electronic trademark filing becomes well-established.

Therefore, 2014 has started well, and sounds like it's going to be a good year for intellectual property in Romania.

Ana-Maria Baciu, Partner, and Andreea Bende, Counsel,
Nestor Nestor Diculescu Kingston Peteresen

Slovenia

Temporary Injunctions in Industrial Property Rights Disputes



Luka Grasselli

Temporary injunctions in industrial property disputes are regulated in Slovene law by the Industrial Property Act (ZIL-1). Industrial property disputes include disputes relating to infringement and validity of patents, marks, and designs, but not copyright disputes, which are regulated separately. For issues that are not specially regulated

in the sectoral law, general provisions on enforcement and securing of civil claims apply.

Slovene courts are not bound by case law, yet in practice they often refer to previous decisions, which tend to divide temporary injunctions into two: Security temporary injunctions (the purpose of which is to secure the possibility of future execution) and regulatory temporary injunctions (the purpose of which is a temporary regulation of a relation in dispute).

Conditions for Issuing

The owner of a right who requests a temporary injunction against an infringer must prove with a degree of probability (1) that he is the owner of the right, which also includes a proof on the validity of the right, and (2) that his right was infringed or that there is an actual risk of infringement.

Moreover, with a degree of probability the owner of a right must prove either (3a) a risk that enforcement of claims will be rendered impossible or rather difficult, or (3b) that damage difficult to repair will be incurred, or (3c) that the alleged infringer will not incur more severe unfavourable consequences due to the issuance of a temporary injunction than the consequences that the owner of a right would incur without the issuance, or (3d) that the alleged infringer will only incur insignificant damage if a temporary injunction is issued. Subsection (3a) is considered satisfied if claims are to be enforced outside the European Union.

Special attention should be drawn to two additional statutory con-

ditions in disputes relating to infringement of patents.

The owner of a patent must furnish a motion for issuance of a temporary injunction with a declaratory decision of the Slovenian Intellectual Property Office (SIPO), which proves that the patented invention has undergone a substantial examination (for instance a Slovene translation of an European Patent for the same invention). In fact, when granting a Slovenian patent, SIPO does not perform the substantive examination of novelty, inventive step, and industrial applicability of the invention.

Furthermore, the owner of a patent must file the motion within three months from the day he was informed of the alleged infringement. In practice this condition can raise difficulties, as the owner of a patent is required to act rapidly to avoid disputes as to when he is deemed to have been informed of the alleged infringement (for instance at the moment when a warning letter requiring further explanation was sent to the alleged infringer, or only after possible further explanation has been received, etc.). According to case law, the three-month term cannot start before a declaratory decision of SIPO is served on the owner of a patent.

The courts have lately often dealt with weighing unfavourable consequences for the owner of a right and the alleged infringer (subsection 3c above). In a recent decision the Higher Court of Ljubljana explained that the scope of business operations cannot be a relevant criterion in weighing unfavourable consequences (the owner of a mark was a multinational company, whereas the alleged infringer was a small restaurant). Yet in another decision it stated that it is not sufficient for the alleged infringer to refer to inability to subsequently prove the extent of damages; he should rather prove concrete circumstances, such as the higher scope of damage due to a higher turnover of a disputable medicine compared to the owner of a patent, or that the disputable medicine represents a decisive share in total business operations of the alleged infringer.

Claims

In his motion for issuance of a temporary injunction, the owner of a right may especially request that the court (1) prohibit the infringement and future infringements, and (2) order that the objects of infringement and/or the means that are exclusively or predominantly intended or used for infringement be seized, excluded from sales, and stored.

Also other claims by which the purpose of temporary injunction can be reached may be requested by the owner of a right. According to case law, however, a temporary injunction cannot compel the destruction of objects of infringement or infringement means, as the consequences of such a temporary injunction could not be remedied in case the claims are later rejected.

It is worth mentioning that a motion for issuance of a temporary injunction can include a claim for a fine when the alleged infringer fails to meet his obligations within a stipulated term, although the payment can only be requested for the benefit of the state budget and not for the benefit of the owner of a right.

Procedure for Issuing

As a rule, the District Court of Ljubljana – as the exclusive competent court -- decides on issuing a temporary injunction only after it has served a motion for its issuance to the alleged infringer and the infringer has had an opportunity to react to it. If the owner of a right requests that a temporary injunction be issued without having previously notified the alleged infringer, he must further prove probable that any delay whatsoever in issuing a temporary injunction would result in damage difficult to repair.

In practice, one has to take into account that a procedure of issuing a temporary injunction at the District Court of Ljubljana can take several months, at least in more demanding cases. Once it is issued, the alleged infringer may file an objection with the same court, and if he fails, he may file an appeal with the Higher Court of Ljubljana.

Although the law does not explicitly exclude any means of evidence, applicable case law emphasizes that appointment of an independent court expert will only be possible in exceptional circumstances. On the other hand, particularly in more technically demanding (mostly patent) disputes, judges (who are lawyers without any technical background) will often decide on the basis of expert opinions that can be submitted by the parties.

Conclusion

In the past years we have seen progress towards a more benevolent attitude of the courts towards the owners of rights (which is evident for instance from the above-mentioned viewpoints of the Higher Court of Ljubljana), yet temporary injunctions against alleged infringers are still not easily obtainable in Slovenia. The courts adhere to a relatively restrictive interpretation of statutory conditions referring especially to a key decision of the Constitutional Court of the Republic of Slovenia from 1998 which stipulated strict limitations for issuance of regulatory temporary injunctions.

Luka Grasselli, Senior Associate, Odvetniki Selih & Partnerji

Austria

Final Decisions of Oberster Patent und Markensenat Before Dissolution Make it Easier to Register Suggestive Marks



Barbara Hieger

Trademark protection in Austria is undergoing some significant strengthening following a recent change in the structure of appeals against decisions of the Austrian Patent and Trademark Office. As one of its last actions, the former highest instance issued several decisions making it easier for trademark owners to register suggestive marks.

Under the reformed rules of administrative jurisdiction that took effect on January 1, 2014, the Oberster Patent und Markensenat (OPM) – the former competent authority of final review of decisions of the Austrian Patent and Trademark Office – was dissolved. Legal review in the second instance passes now to the Higher Regional Court of Vienna (Oberlandesgericht Wien) and in the third instance to the Supreme Court (Oberster Gerichtshof). Thus, legal review of decisions of the Austrian Patent and Trademark Office is now provided in second and third instances by ordinary courts. The idea behind this solution was to avoid conflicting decisions by two separate courts of highest instance, as now there is only one such court: The Supreme Court.

In one of its last actions, the former court of highest instance, the OPM, issued several decisions making it easier for trademark owners to register suggestive marks.

First, the OPM found the trademark WONDERFUL TONIGHT registrable for goods in class 3 (“body care products and cosmet-

ics”):

The first and the second instance of the Austrian Patent Office had refused - based on the ground of lack of distinctiveness - to register the trademark WONDERFUL TONIGHT. With regard to the goods applied for, “WONDERFUL TONIGHT” would be a laudatory message or an advertising promise, meaning “being wonderful this evening”, to look wonderful / to smell wonderful / to feel wonderful with the help of the goods. According to the first and second instance, the sign WONDERFUL TONIGHT would be a promotional message only, but could not function as a trademark as a means of identifying its origin.

However, the former court of highest instance held that the sign WONDERFUL TONIGHT would be a word combination of the English words “wonderful” and “tonight”, which is grammatically incomplete and open to various interpretations. The sign WONDERFUL TONIGHT would not contain an exact or a comprehensive description of the goods. The average consumer would not immediately perceive, without further thought, a description of the characteristics of the goods. On the contrary, the consumers would be stimulated to think about what or who will be wonderful tonight - the product (e.g. a soap), or the consumer after application of the product? The sign contains a hint – which however, is just a flowery description of the effect of the products without an exact and comprehensible meaning.

Further, the OPM held that the registration of the sign WONDERFUL TONIGHT for goods in class 3 is not barred by an absolute need to preserve its availability. The English word combination WONDERFUL TONIGHT would not be a common description for the relevant goods.

In another recent decision, the OPM held that the sign PRIMERA was registrable for goods in class 12 (“vehicles and their components”). The first and the second instance of the Austrian Patent Office refused registration of the trademark as the relevant public would understand the Spanish word “PRIMERA” as meaning “first class” (“erstklassig”) as the Spanish word stem “prima” would be used also in the German language.

Contrary to the lower instances, the OPM held that it could not be assumed that the major part of the relevant public in Austria would know the meaning of the Spanish word “PRIMERA”; furthermore, mere associations would not be sufficient to enable the public immediately to perceive a clear meaning. Apart from that, the general term “first class” would not be a concrete and meaningful description of the designated goods either.

A sign is descriptive and thus not registrable if there is a direct relationship between the sign and the goods or services in question to enable the relevant public to immediately perceive, without further thought, a description of the goods or services in question. Signs which do not contain an exact description of the goods or services, but only suggest or evoke the characteristics of the goods or services in question are not descriptive, and thus registrable.

Barbara Hieger, Associate, Schoenherr

Croatia

Enforcement of IP Rights in Croatia – More Difficult Than Ever?

With the new Croatian Criminal a that entered into force on January 1, 2013, enforcement of IP rights, primarily copyright and related rights, seems to be even more difficult than it was under the



Marija Musec

previous Code.

Under the 2011 Criminal Code, a criminal act of unauthorised use of copyright was defined as an act of reproduction, alteration, distribution, and announcement to the public of a third party copyright with the result either of benefit acquired by the infringer or damage caused to the IP-right holder.

This has been substantially changed in the 2013 Criminal Code. Now, in order for an act to constitute a criminal violation the amount of damage caused to the IP-right holder or the benefit acquired by the right infringer must be “considerable”. The Criminal Code does not define the term “considerable”, but the Supreme Court in December 2012 ruled that “considerable” means any damage or benefit which exceeding USD 10,000.

This change has far-reaching consequences for enforcement of copyright in Croatia. A great number of copyright infringement cases are now un-prosecuted under the Criminal Code that once would have been, as they no longer qualify as criminal acts, but only as misdemeanours. In particular, infringers in virtual environments are now no longer in danger of criminal charges, as in most instances their violations do not generate a benefit or cause damage in excess of USD 10,000. And the result of this interpretation affects the prosecution of these activities in another way as well: As search warrants are not issuable for misdemeanour offences, in order for a warrant to be issued to search the premises of suspected infringers, the courts must now be presented with evidence that the infringement meets the “considerable” standard. The experience of IP practitioners and the police is that infringers, usually individuals, keep minimal stock of infringed goods on hand. As a result courts are increasingly reluctant even to issue search warrants in these types of cases. And as a result, Croatia has witnessed the rapid growth of online ads and sales offering infringing goods via e-commerce sites.

This unfortunate change in legislation comes as a surprise, especially if we look at the statistics of IP violations in 2012. The number of IP violations reported by IP-right holders is constantly rising, while IP enforcement before judicial, administrative and government bodies is in free fall. In 2012 the Croatian Ministry of the Interior pressed penal charges against 164 individuals for infringement of IP rights (out of which 89% were for infringement of copyright), compared to 181 individuals charged in 2011; a drop of 9.3%.

At the same time, the total number of reported violations is constantly rising, and in 2012 alone it increased by 23%. And the Customs Office in the Croatian Ministry of Finance records a marked increase of IP infringement cases. In 2011 there were 645 cases, but in 2012 there were 2,071 – an increase of a staggering 221%. The number of cases the Customs Office delivered to the courts for trial increased by 195%.

With the new Criminal Code, however, we expect to experience a significant drop-off in IP enforcement cases, as cases with damage less than USD 10,000 are no longer covered by the Code. Infringers of IP rights causing less than USD 10,000 in damage will in the worst case be fined between USD 878 and USD 8,786.

The change in legislation has been heavily criticized by IP right

holders, IP practitioners, and other stake holders. Voices of criticism are even stronger if we take into account the initiative to review EU copyright rules launched by the European Commission in December 2013, which is currently undergoing public consultations. Does the change in the Criminal Code in Croatia fit into the European Commission initiative under which enforcement remains appropriate and is adapted to the new environment? We believe the answer is negative.

The Croatian State Intellectual Property Office and the Ministry of Justice are discussing effective solutions to this issue. Proposals so far include lowering the requested limit of IP crimes to well below USD 10,000, allowing the amounts associated with the acts of one infringer over a certain period of time to constitute one “act” for purposes of the law, and including the loss of goodwill resulting from the sale of infringing goods in calculating whether or not the damage exceeds the USD 10,000 barrier.

It is not yet clear what will be decided as a solution to this issue. However, IP owners are very concerned, and should insist that a solution be found to the situation as soon as possible.

Marija Musec, Partner, Bardek Lisac MUSEC Skoko, in cooperation with CMS Reich-Rohrwig Hainz

Latvia

Interim Injunctions in IP Rights Cases in Latvia



Martins Gailis

Disputes between owners of intellectual property rights and potential infringers of those rights often involve the need on the part of the IP rights-holders to take swift actions to stop potential infringement as soon as possible in order to minimize the harm that may result. But litigation proceedings can drag on for several years before a final judgment is adopted on whether infringement of the rights of the IP owner has indeed taken place. Therefore, to ensure that right-holders can achieve immediate termination of infringement without awaiting a decision on the substance of the case, legislators in Latvia have allowed them to seek interim injunctions, whereby IP rights-holders can apply to have the court order alleged infringers to cease the alleged infringement on a provisional basis.

The interests of a rights-holder must however be balanced with those of a potential infringer. Indeed, an interim injunction is a potent legal tool which can make a potential infringer unable to market a particular product for several years. It is easy to imagine how interim injunctions could be abused to harm a legitimate competitor. Therefore, a careful balance has to be struck in the application of interim injunctions.

In Latvia, the legal concept of interim injunctions in IP cases was introduced into Latvian Civil Procedure in 2007 as part of the implementation of EU Directive 2004/48/EC into Latvian law. This law authorizes a court to apply provisional safeguard measures (interim injunctions) upon a request from a rights-holder, where there are sufficient grounds to believe that infringement has occurred or is likely. The following provisional safeguard measures are available to the rights-holding claimant: (1) the seizure of movable property that has been used allegedly in infringement of the claimant's rights; (2) the obligation of the alleged infringer to recall all goods



Marcin Fijalkowski

Despite this, last year Poland was one of three member states (along with Spain and Bulgaria), that refused to sign the agreement establishing the Unified Patent Court in the European Union. The Unified Patent Court is widely considered a step towards the development of a unitary patent system in the European Union, which would inevitably have a significant economic impact on the European market as a whole. Under current rules, in order to establish patent protection across the European Union, an entrepreneur can either file for patent protection in each and every member state or file for a European patent – but then must still go ahead and validate the patent in all member states. These requirements come along with significant additional costs and discourage many from commencing the process. The proposed Unitary Patent, however, would be a single right applicable in the vast majority of the European Union, and thus would eliminate the time-consuming and costly procedure required today. However, the Polish government, which initially promoted the idea of a unitary patent in the European Union, came to the conclusion that as currently conceived, a unitary patent would constitute a risk for Polish entrepreneurs, who rarely can compete with their Western colleagues in terms of experience and resources needed to defend intellectual property.



Michal Pekala

Regardless of the recent approach to the Unified Patent System, the Polish government has recognized how crucial providing and maintaining appropriate solutions affecting an increase in innovation is for economic growth. Within the last few years, many steps have been taken and new ones approach on the horizon. The Polish government has started and continues several programs designed to assist small and medium entrepreneurs in developing innovative services and solutions. Special emphasis has been put on several areas of the economy creating special clusters, such as, for instance, an aviation cluster. In addition, a “Patent Plus” program has been introduced, providing up to EUR 200,000 in state aid to inventors and entrepreneurs wanting to commercialize and protect an article of intellectual property. Under this program, any new emerging creative mind may acquire a grant, which covers all steps involved in developing, building, testing, and protecting a new invention.

Improving the enforcement of IP rights is probably the most serious issue that Poland needs to resolve in the next few years. The major problem involves the scarcity of courts specialized in IP. Cases which involve complicated IP matters such as patents are brought before random judges who often do not possess sufficient experience – if they have any at all – in litigation of issues involving IP law, let alone the technical skills to assess the object of the litigation. These situations lead often to scenarios where a judge deciding a particular case relies primarily on the opinion prepared by a court expert in the particular technological field. Experts, however, although experienced in the understanding of technical conditions of the invention, do not have knowledge of IP laws,

that are allegedly infringing the claimant's rights; (3) an injunction against the respondent and/or intermediaries whose services are used to infringe the claimant's rights or whose services make it possible to infringe the claimant's rights.

After some initial confusion as to the conditions under which interim injunctions could be granted, the Supreme Court in 2012 introduced a cumulative four-step test for assessing whether requested interim injunction in IP cases are justified: (1) whether sufficient grounds exist to believe that the claimant owns the relevant intellectual property right; (2) whether sufficient grounds exist to believe that the claimant's owned intellectual property right is being infringed or will be infringed; (3) whether sufficient grounds exist to believe that the relevant infringement will cause significant harm to the claimant in case the requested interim injunction is not applied; and (4) whether the balance of interests weigh in favour of or against the application of the requested interim injunction.

Based on subsequent Latvian case law, all four limbs of the four-step test have to be answered in the affirmative for the court to issue the requested interim injunction. The first two limbs are assessed in accordance with the prima facie standard, whereby the courts apply a somewhat higher threshold of assessment than that applied in reviewing the case on the merits. In other words, if on a preliminary basis of assessment it is unclear whether either of the first two limbs is satisfied, the courts will refuse the request for interim injunction. For instance, a claimant may have trouble obtaining an interim injunction if the request is based solely on ownership of a non-registered well-known trademark, if the status of the trademark as well-known is ambiguous. Similar difficulties may arise if there is ambiguity as to who has earlier rights – claimant or defendant – or if the defendant has challenged the validity of the claimant's IP rights.

In relation to the third limb, the Supreme Court explained that “significant harm” means harm which is unavoidable and irreparable. Thus, if the potential harm is insignificant or arguably can be remedied by the defendant in case the claim is satisfied on the merits, this limb may be not be satisfied.

Finally, if the first three limbs have been answered in the affirmative, the fourth limb requires the courts to balance the interests of the parties and society in general. This assessment may involve taking into account the effect of the interim relief on the business of the parties, the availability of the relevant product to consumers in the market, etc.

Overall, the introduction of the four-step test for assessing whether to satisfy a request for application of interim injunction in IP cases provides a reliable tool for Latvian courts to balance the pros and cons of interim relief on case-to-case basis.

Martins Gailis, Head of IP Practice, LAWIN

Poland

Overview of Status and Pressing Issues

Poland is a party to all major international treaties concerning intellectual property, including the Paris Convention, Berne Convention, Madrid Agreement, the Patent Cooperation Treaty, and the European Patent Convention. Furthermore, Poland's access to the European Union in 2004 extended the Community's trademark and design system to Poland. All of the agreements mentioned above recognize Poland as a country with a level of IP protection that respects and complies with the European standards.

which often results in biased and one-sided opinions. Thus, judge's decisions are made based upon expert opinions that themselves contain only a partial understanding of the subject.

As a result, the current system ends up putting IP owners at a great disadvantage. Results of litigated cases are difficult to predict in advance, even for experienced lawyers, and because of that risk IP owners tend to be hesitant in enforcing their rights in Poland. The sole exception is Community trademarks and designs, which are litigated in front of a specialized court in Warsaw. The speed of the proceedings and high quality of the verdicts issued by that court shows that Poland should consider establishing specialized courts for other forms of IP as well if it wants to promote innovators.

Another weakness is related to the low awareness of intellectual property rights among the public. However, this tends to slowly change. At the moment, scientists and entrepreneurs understand that IP is an extremely valuable asset that needs to be properly protected.

Marcin Fijalkowski, Partner and Michal Pekala, Associate, Baker & McKenzie

Bosnia and Herzegovina

Introduction of the Complaint System in Trademark Registrations



Amar Bajramovic

In the course of continued efforts to join the European Union and the related necessity of harmonizing its legislation with EU law, Bosnia and Herzegovina (BiH) has, since the execution of the Stabilization and Association Agreement with the EU on June 16, 2008, adopted a set of new laws. One of these laws is the Trademark Law (in force as of January 1, 2011). Prior to the adoption of the Trademark Law, trademark and other industrial property issues were regulated by the BiH Law on Industrial Property, which was not wholly consistent with EU law. One of the main novelties of the Trademark Law compared to the Law on Industrial Property was the introduction of complaints in the course of trademark registration procedures.

According to the Article 4 of the Trademark Law, a trademark may protect a sign (which may consist of: words, including personal names, drawings, etc.), "which is capable of distinguishing identical or similar goods or services in the course of trade and which may be represented graphically". Trademarks are registered with the Institute for Intellectual Property of BiH (Institute). However, a sign shall not be registered as a trademark if there are absolute reasons (e.g. if a sign is contrary to public order or morality; if a sign may not be represented graphically, etc.) (Absolute Reasons); or relative reasons (e.g. a sign which is identical/similar to an existing trademark for similar goods or services, etc.) (Relative Reasons).

Accordingly, once it receives a trademark application, the Institute examines whether it fulfills all formal requirements and whether there are Absolute Reasons for refusal of the trademark application. If the Institute finds that the trademark application fulfills all formal requirements and that there are no Absolute Reasons, the application shall be published in the official gazette of the Institute. At that point any interested party (e.g., a holder of a previously registered trademark, etc.) may submit a written opinion,

arguing why the trademark application triggers Absolute Reasons, and thus should not be registered. This right expires 3 months from the day of publication of the trademark application in the official gazette. If it receives an opinion from a third party within that time, however, the Institute may forward it to the applicant and ask for a response to it. After the receipt of the trademark applicant's answer, the Institute decides on its own discretion on registration or refusal of the trademark application.

The Trademark Law also grants a right to interested parties to object to the registration of a new trademark on Relative Reasons. Hence, an interested party has a right to submit a complaint (prigovor) within the same 3 month period as that applicable to Absolute Reasons. In this case, an interested party may submit a written complaint to the Institute containing an explanation – and supporting evidence, if any – why a trademark application triggers Relative Reasons. Subsequently, the Institute shall examine whether the complaint fulfills all formal requirements set out by the law. If the complaint does not fulfill these requirements the Institute shall reject the complaint. If the formal requirements are met, the Institute forwards the complaint to the trademark applicant, which must submit its response within 60 days as of the day of receipt of the complaint. Should the trademark applicant fail to submit its response, the Institute shall reject its trademark application. If the trademark applicant does respond, however, the Institute decides the matter by registering the trademark, rejecting the complaint (partially or in whole), or rejecting the trademark application. In any case, any interested party may file an appeal of the decision within 15 days from the day of receipt of the decision. Appeals are submitted to the Institute's Board of Appeal.

In addition to the increasing the legal protection for trademark-holders, these developments, which also prevail in most EU countries, have led to a decrease in the amount of time needed for processing trademark applications. This system of complaints is already common in EU countries, and these newly-introduced rules are in compliance with applicable EU trademark regulations. Although it is too soon to fully analyze impacts of the complaint system in BiH, it appears that this system has led to a decrease in the amount of time needed for registration of a trademark. Due to the increase in the number of complaints filed with the Institute in recent years, this may lead to fewer civil court disputes related to trademarks, and thus increased legal protection for trademark-holders.

It is worth noting that, besides the described complaint procedure, the Trademark Law also introduced some other advances, such as provisions related to "disclaimers" (voluntary limitation of the scope of protection of the trademark), more detailed regulations on the international registration of a trademark, the procedure of registration changes, transfers, licenses, pledges, and so on.

Amar Bajramovic, Partner Law Office Bajramovic, Independent Attorney at Law in Cooperation with Wolf Theiss

Czech Republic

The New Czech Civil Code and IP Law: Any Reason for Concern?

The beginning of 2014 in the Czech Republic was marked by one of the biggest legislative changes in decades when the new Civil Code ("NCC"), Act on Business Corporations, and Act on Private International Law came into force, in the process changing more than 200 laws. The NCC was adopted after several years

of discussion and preparation, and is designed to extinguish the socialist basis of the former 50-year old Code and return to the



Vojtech Chloupek

pre-war legal tradition, as well as to reflect the needs of modern society. The NCC and the Act on Business Corporations change almost all aspects of Czech Civil Law, including both Contract Law and Companies Law. This article, however, aims to look at changes the NCC brings to Czech Intellectual Property ("IP") Law.

First, it is necessary to say that the NCC does not actually affect substantive provisions of individual IP laws. Conditions for obtaining IP rights and their validity remain unchanged. There will however be certain changes in IP licensing and, where relevant, IP ownership, which we want to flag in this article.

Changes in IP Licensing

The NCC removes the old dichotomy and frequent overlaps between rules contained in the (old) Civil Code and the (old and now abolished) Commercial Code. This two-track approach plagued Czech IP law. For example, copyright licenses were governed by the Copyright Act, while licenses for almost all other IP rights were governed by the Commercial Code. From January 2014, there will be just one act applicable to all license agreements regardless of what type of IP right is involved.

That said, the NCC still contains some specific provisions dealing with the licensing of copyright, so it is fair to say that the old divergences between copyright and other IP licenses have to a large extent been preserved although the regulation is now contained in a single act.

Among the changes, it is worth mentioning that the NCC allows a license to be granted without a payment of royalty, whereas payment (whether actual or symbolic) was a necessary element of IP licenses under the Commercial Code. The NCC further improves the position of the licensee in situations where the licensee is entitled to enforce IP rights, as the NCC imposes on the licensor a general obligation to provide the licensee with necessary assistance. In the "old days", it was the licensee who had to provide assistance to the licensor in connection with enforcement of rights. Another change that may have practical impact on IP agreements is that authors may no longer waive their rights to equitable supplementary royalties to which they are entitled when the actual income from exploitation of the copyrighted work becomes disproportionately large.

The NCC also removes the distinction between the legal regulation of business (commercial) and non-business (civil) contracts in relation to contracts for work which are often used as the legal basis for creation and development of copyrighted works (especially software). The NCC explicitly recognizes a new type of "contract for work resulting in an intangible result", which was previously missing.

General Changes in Contract Law

Despite the fact that the changes directly relating to IP are rather limited, there are numerous changes in general Contract Law that will certainly also affect IP licensing. It is beyond the scope of this article to discuss these changes in detail, but for example the NCC now recognizes the concept of pre-contractual liability,

it permits limitation of liability provisions which were previously possible only in relationships governed by the Commercial Code, and it introduces the possibility of assigning entire contracts, not just individual rights or obligations. Other changes involve slightly different compensation of damages, statutory limitation periods and other areas. The NCC sets out a number of general principles that will likely change the way in which courts interpret contracts, including putting greater emphasis on the freedom of parties to contract while protecting consumers – generally the weaker contractual party – and putting less emphasis on formal requirements.



Jiri Maly

As with adoption of any new legislation, the crucial issue is what effect the NCC will have on legal relationships established before it came into force. In this regard, the NCC provides that apart from issues such as personal status, property rights, and family law, it only applies to rights and obligations established after its 2014 entry into force. The NCC will however impact on IP joint ownership, in particular on the right of first refusal of the joint owners. According to the NCC, the right of first refusal will cease to exist on January 1, 2015. From then on, shares in IP rights will be freely transferable.

New Approach to Unregistered IP Rights?

Last but not the least, we would like to mention that the NCC brings a new and broader meaning to the concept of a "legal thing." Although highly theoretical, this conceptual change may bring better protection and easier handling with those non-registered or quasi-rights such as know-how, domain names, goodwill etc.

Vojtech Chloupek, Counsel and Jiri Maly, Junior Associate, Bird & Bird

Hungary

Intellectual Property Overview



Gusztav Bacher

1. Copyright

The Hungarian Copyright Act (Act LXXVI of 1999 as amended) grants legal protection to all categories of works as well as to all subject-matters that are protected by related rights in the European Union.

A work shall be either literary, scientific, or artistic. A work is entitled to copyright protection on the basis of its individualistic and original nature deriving from the intellectual activity of its author. In the Hungarian system of copyright protection, "copyright" is to be understood as an author's right and all other protectable subject-matters are protected under the umbrella of related rights, which in turn covers neighboring rights (the protection of performances, sound recordings, films and radio and television programs) and the sui generis protection of databases.

The Copyright Act provides for a term of protection of 70 years for authorial rights and 50 years for neighboring rights (and 70 years for published sound recordings).

Economic rights of authors can be licensed, and in some cases can be assigned, during an owner's lifetime, with regards to software, database, employees' works, and works created for films and for publicity purposes, as well as collective works. Economic rights in works created for or used in a film - with some exceptions - can be and are typically assigned to the film producer.

Licenses can be granted exclusively or non-exclusively, for a definite or indefinite term, with or without any territorial restriction, for specified or all modes of exploitation, with or without a right to sub-license. These permissive rules are aimed at preserving the equilibrium between parties to a licensing agreement, e. g. by prohibiting the buy-out of all future works of an author or the abuse of an exclusive license. The related right is licensable and assignable.

Foreign copyright laws are enforceable before Hungarian courts, due to national treatment (for right holders of Berne Convention/TRIPs member states) and due to the non-discrimination provision of the TFEU Article 20. Foreign right-holders have the same legal standing as their Hungarian counterparts except for the procedural obligation that foreigners appoint a Hungarian entity on whom court documents can be served.

The Copyright Act uses the term "service works" for works created by employees in labour relationships. A work qualifies as a service work if the creation of the work was an authors' obligation within the scope of his/her employment. Unless agreed otherwise, the employer, as the legal successor to the author, obtains economic rights in the service work on the condition that the work is delivered by the employee to the employer.

2. Patent

According to Hungarian law, the creator of an invention has an exclusive right to exploit the invention. The right is also assignable. Patent protection is valid for up to 20 years from the day on which the patent application was filed and it applies for all countries where the protection was granted.

A Hungarian patent may be obtained by national or European application or by an application submitted within the framework of the Patent Cooperation Treaty ("PCT") provided that the application and the invention comply with requirements set out in applicable laws and regulations.

Unless there is a provision of an international treaty to the contrary, foreign applicants shall be represented by an authorized patent attorney or an attorney-at-law in all patent matters within the competence of the Hungarian Intellectual Property Office ("HIPO").

Hungarian patent law also provides for the notion of service inventions. The employer may become the rightful holder of a patent that is granted in respect of an invention created by its employee by fulfilling his/her labor responsibilities. The inventor of a service invention has a statutory right to remuneration in the case of any type of utilization, including utilization as a trade secret (know-how), even in the absence of a remuneration contract; remuneration must be calculated using the license analogy or a lump sum payment.

3. Trademark

Trademark protection lasts 10 years from filing date of the application and it may be extended through further 10-year periods at the registered owner's request. A trademark may be obtained in Hungary by either filing (i) a Hungarian trademark application with the HIPO or (ii) an international trade mark application with WIPO requesting protection in Hungary, as Hungary is a member of the

Madrid System or (iii) since Hungary is part of the European Union, filing a community trademark application with OHIM.

Unless otherwise prescribed by international agreement, foreign nationals shall be required to authorize a patent agent or an attorney to represent them in all trademark matters falling under the jurisdiction of the HIPO.

Gusztav Bacher, Partner and Gabor Faludi, Associate, Szecskay Attorneys at Law

Ukraine

Industrial Design Patents Used as a "Blocking Tool" in Ukraine



The current Register of Patents for Industrial Designs in Ukraine contains a huge number of humorous patents, from articles such as basic hangers, door handles, and rubber stoppers for bottles with medications, which have been in use worldwide for centuries and are known to any average person from their childhood, to the well-known and distinguishable designs of such items as Samsung and Apple tablets. All this has become possible due to the "user-friendly" design registration system in Ukraine, which does not provide for a substantive examination (the Patent Office does not check whether an article proposed for registration can be granted protection, and thus whether it is new and does not infringe upon a third party's rights), and does not require publication of filed applications and decisions on grants of protection. There are also no provisions on post-grant "oppositions" and objections which can be filed by third parties during the Patent Office's examination. As a result, the kind of non-patentable designs described above are regularly granted protection, and the owners of these patents are granted the exclusive right to prohibit others using the design without the patent holder's authorization, including importation and exportation. Those who suffer from such abuses can cancel these patents only in court, which is inefficient, costly, and time consuming.

The current Intellectual Property Registration (IPR) system in Ukraine, particularly the industrial design registration system, creates a legal framework that appears to encourage – or at least does not limit – a blatant abuse of rights and anti-competitive practices on the market. As a result, such abuses and anti-competitive practices are common.

Under Art. 461 of the Ukraine Civil Code an industrial design is patentable if it is new. At the same time, pursuant to Art. 14, Art. 18 of the Ukraine Law "On the Protection of Rights to Industrial Designs", a patent is granted based on the results of a formal examination required to be performed by the person or entity applying for it, as the Patent Office does not itself conduct a substantive examination and does not check whether the design applied for registration is patentable. Furthermore, contrary to worldwide

Russia

The Successful New Russian IP Court



Just a few months have passed since the new Russian IP Court opened its doors on July 3, 2013. Too short a time to draw full conclusions, perhaps, but sufficient to accumulate and share some experience in pleading before this new Russian judicial institution.

Natalia Gulyaeva

It is accurate to say that IP-right holders were thrilled at the news of the Russian IP Court's establishment, primarily as it indicated the state's recognition of the need for a special forum for IP dispute resolution. Observers were skeptical of the state's ability to meet this challenge, given the need to allocate resources and select candidates for IP judges. However, the Russian state surprised and delighted pessimistic observers, and the Russian IP court has become an integral part of the Russian court system with a special role and competence in IP dispute resolution.

Currently the majority of IP disputes in Russia are heard on the merits by the Russian state commercial ("arbitrazh") courts and courts of general jurisdiction. Simultaneously, for specific types of actions Russian administrative bodies continue to serve as appropriate forums, such as the Federal Antimonopoly Service (FAS) for unfair competition actions, and the Chamber for Patent and Trademark Disputes (Chamber) for patent and trademark invalidity actions.

The Russian IP Court's competence currently extends to the following cases: those brought against rulings of Russian administrative bodies in the area of IP protection including, e.g., rulings of the Russian Patent and Trademark Office, the Chamber and FAS; those concerning termination of legal protection for objects of IP rights (invalidity actions); those concerning patent ownership; and those concerning early termination of trademark protection as a result of non-use.

The Russian IP Court also serves as a court of second appeal for cases considered initially considered by the IP court as a court of first instance (first appeals are heard in the Russian state commercial courts), and for IP disputes considered by the Russian state commercial courts of first and appeal instances.

Judging based on public sources for the period from July 2, 2013, to the end of January 2014, the Russian IP Court has handled more than 300 of the 500 cases filed (with approximately 200 of these rulings made in its capacity as court of second appeal, and the remaining 100 in its capacity as court of first instance). About 30 of these rulings cancelled the decisions of the courts of lower instances fully or partly and/or returned corresponding cases to the courts of lower instances for review, and in several other instances the decisions of the lower courts were changed or reversed by the Russian IP Court itself.

When returning the cases to the lower courts, the Russian IP Court referred mainly to procedural non-compliance by the lower courts and, particularly, to improper examination of evidence or the failure to obtain additional evidence considered vital for proper case consideration. For example, in patent disputes the Russian IP

practice, there are no provisions concerning the publication of design patent applications to allow third parties to take necessary steps and to object to a grant of protection to designs that are either not new or infringe on existing rights.

As a result, with no examination for novelty and potential conflict with existing intellectual property rights, many objects are granted protection despite being essentially identical to objects that have been in use worldwide for decades or even centuries.

As many years of this system in Ukraine have shown, such an approach spawns large-scale violations of the rights and interests of individuals and entities that operate fairly in the Ukrainian market. At the same time, the central problem in such a system is that invalid design patents may be cancelled only by courts with the appointment of a certified expert, which can make the proceedings both costly and time-consuming.

Thus, Ukraine's imperfect registration system creates an environment suitable for unfair conduct, as some businesses improperly block access to the market by other interested parties, in the process achieving an undeserved and unwarranted competitive advantage. The most common blocking scenario used in Ukraine involves securing patent rights to non-patentable industrial designs and recording such patents in the customs IPR register, which enables their owners to prevent importation of competitors' products and provides them with valuable market information, particularly regarding competitors' import volumes.

These aren't the only problems stemming from the existing system. Due to the aforementioned imperfections of the design patent system, fighting with its abusers can be essentially endless. For instance, while there may be an invalidation action pending before a court, the defendant (the owner of the challenged invalid patent) may file an identical application for exactly the same design and obtain a new patent. Thus, an interested party that is seeking invalidation of the previous patent before a court will have to proceed with an entirely different court action in order to have the new patent cancelled as soon as the court renders its judgment in the previous case, and so on, ad infinitum.

The existing design registration system in Ukraine and unfair activities stemming out of it have already caused a chain reaction, in which other entities, who do not aim to create obstacles for other market subjects, proceed in exactly the same manner by securing knowingly invalid patent rights and registering them in the customs register as a defensive tool to maintain their position on the market. Consequently, the State Register of Industrial Designs of Ukraine currently contains a whole range of identical non-registrable (i.e. not novel) industrial designs which have also been recorded with customs. This undermines the very basis and purpose of the IPR registration system, as well as the main goals and objective of IPR border measures.

In our practice, we recommend that companies challenge such patents in court and present claims for damages, where applicable. Furthermore, to resolve this issue at its roots, respective revisions to the laws, rectifying the situation, have been worked out and submitted to the Patent Office (the State Intellectual Property Service of Ukraine), and we hope that these proposals will be taken into account in the relevant revised draft law.

Antonina Pakhareno-Anderson, Managing Partner and Alexander Pakhareno, Partner, Pakhareno & Partners

Court regularly stressed that patent expert opinion is vital to establish of equivalence of inventions and, therefore, such expert opinion constitutes mandatory evidence. Remarkably, many cases reviewed by the Russian IP Court and returned to the lower courts for re-consideration related to termination of trademark protection as a result of its non-use.

To sum up, the increasing recognition of the Russian IP Court by IP right holders is naturally based on the competence of judges and their proactive approach in performing a critical review of the rulings of the lower courts. The new court seems to aim at elaborating unified approaches to IP dispute resolution in Russia – which should also be beneficial for the consistency of court practice. While it remains untested yet, how efficient the Russian IP Court will be in serving as a court of second appeal for cases earlier considered by the Russian IP court as a court of first instance, the Russian IP community believes that the new court will operate to the best expectations of IP right holders and further persuade foreign IP practitioners in the fact that smooth IP enforcement may be achievable in Russia.

Natalia Gulyaeva, Partner, Hogan Lovells CIS

Kosovo

The State of Play in Kosovo



Kujtesa Nazaj

Despite being the least developed country in Europe, Kosovo offers a decent and competitive investment environment. To enable a smooth transition from the previous economic and legal system, the Kosovo Government has implemented a number of economic, legal and institutional reforms. As a result, the

World Bank rated Kosovo as the most dynamic reformer among Central and Southeast European countries in its Doing Business Index 2013 report.

The Kosovo Investment Promotion Agency's statistics show that a number of industrial and business sectors, such as agriculture, wood processing, information technology and telecommunications, construction, mining and energy, and textile are very well developed. The Kosovo Central Bank Report showed foreign direct investment (FDI) increasing significantly during the first nine months of 2013, reaching a value of EUR 205.4 million, an increase of 15% compared with the same period in 2012. These investments were mostly in the real estate, energy, financial services, transport and telecommunication, construction, production, and minerals sectors, which make particularly intensive use of intellectual property rights (IPRs). This article aims to provide investors with a brief and practical explanation of the current state of IPR protection and enforcement in Kosovo.

Legislation

The first set of IP laws was enacted only in 2004. But soon after ratification, it appeared that significant amendments were needed. In 2011, three new IP-related laws were adopted and entered into force. The Laws on Trademarks, Patents, and Industrial Designs were supposed to bring Kosovo IP legislation in line with Acquis-Communautaire.

The new IP legislation was also aimed at reducing burdensome IP-rights protection procedures, which could have raised serious

concerns regarding the protection of potential and current FDI in Kosovo. As one example, an applicant of a patent application which had been published in the Official Bulletin had previously to make sure that a request for grant of the patent had been filed within six months from publication date. The 2011 Patent Law provides for the publication of granted patents only. Hence, the requirement of a request for grant of patent has been removed. Kosovo is not a member state of the Patent Cooperation Treaty (PCT) or the European Patent Convention (EPC). Therefore, the only certain way to obtain Kosovo patent protection at this time is to file a national patent application with the Kosovo IP Agency (the "Agency") within the 12-month Paris Convention priority period. The regular PCT national phase or European Patents extension is not possible.

The 2011 Law on Trademarks also introduced important changes concerning trademark acquisition. Trademark rights are only acquired through registration with the IP Agency. Unregistered well-known trademarks could be claimed against the registration of confusingly similar trademarks. However, enforcement of unregistered well-known trademarks before competent courts is no longer possible. Because Kosovo is not a member of the World Intellectual Property Organization (WIPO), it is not possible to extend an International Registration trademark to Kosovo, and it is therefore strategically important that owners register their most important trademarks with the Agency.

Administration of IPR

Industrial property rights in Kosovo are acquired through registration with the competent authority. The registration procedure for administration of patents, trademarks, industrial designs, topographies of integrated circuits, and geographical indications is under the competence of the Agency. The number of applications has risen considerably since the Agency opened in November 2007. About 20,000 applications have been filed with the Agency so far. Because Kosovo has not ratified any of the international treaties or conventions, foreign right holders can protect their rights through the national route only.

Establishment of a Trademark Database and digitalization of data for thousands of applications increased the efficiency of the Agency. A registration certificate can now be obtained in less than two years. Moreover, an accelerated examination procedure can be approved for trademark owners whose rights are being infringed. The new IP legislation also introduced an Appellate Commission as the second instance administrative authority, empowered to review and rule on the Agency's decisions.

Enforcement

The Kosovo Customs and the Market Inspectorate are the institutions responsible for administrative enforcement of IPR. The Kosovo Customs will apply border measures as provided by the Law on Customs Measures, acting in cases of import, export, transit, customs warehouses, inward processing of products, customs supervision, and temporary importation placed in the free customs zone. Most infringing goods, particularly counterfeits, are imported. Thus, filing a Customs Watch Application with the Kosovo Customs is the recommended action. The Law on Customs provides a fast-track procedure for destruction of detained goods, making it worthwhile for the client to invest time and money into enforcement.

On the other hand, the Market Inspectorate has, among other things, competences to inspect Kosovo commercial and produc-

tion premises in order to ensure consumer protection, industrial property rights protection, and copyright protection.

IPR-related crimes are also punishable under the Criminal Code. The Department for Economic Crimes and Corruption within the Kosovo Police, the State Prosecutor's Office, and local courts with territorial jurisdiction are responsible for enforcing IPRs in cases concerning intellectual property infringement, including copyright violation. Only a few criminal IPR cases have been adjudicated since protection of IPRs entered the Criminal Code.

In cases of trademark, patent, or design infringement, an owner is also entitled to institute civil proceedings. Several remedies are available to holders. The holders may request that the court confirm the existence of the infringement and prohibit future infringement acts and they may further ask the court to order seizure and destruction of the infringing products. They may also claim damages, request publication of the ruling, or ask the court to order the infringer to identify third persons involved in the production or distribution of the infringing goods or services and channels of distribution. Provisional measures of evidence preservation, property preservation, preliminary injunctions, and unwarranted ex parte injunctions are also possible.

The Commercial Matters Department within the Basic Court of Prishtina has competence to adjudicate industrial property infringement cases. A professional judge will hear these cases. Actions before the courts may take up to two years to be decided. The judicial system lacks expert judges. There is no specialized court or unit to handle IPR-related matters only. Only a small number of cases actually gets to the court, while the remaining infringement cases are settled through alternative dispute resolution mechanisms, mainly negotiations.

Looking Forward

The adoption of the IPR Strategy 2010-2014 showed that the Kosovo Government understands that weak IP protection in IP-sensitive areas discourages FDI, and that low IPR protection leads foreign firms to focus on distribution rather than local manufacturing. Even though not bound by any treaty, Kosovo has established very good IP legislation. Institutional progress was also noted and acknowledged in several international reports. However, great challenges remain: enforcement of IPRs, the low level of public IPR awareness, building of technical and professional capacity for IPR administration and enforcement institutions (including specialized courts), accession of Kosovo to IP-related international institutions, and ratification of IP-related international conventions.

Kujtesa Nazaj, Director - Patent and Trademark Agent, SDP KOSOVE

Moldova

Overview of Moldovan IP Legislation and Procedures



Luiza Giija

The Republic of Moldova, a former USSR country, became an independent state on August 27, 1991. Subsequently, the Republic of Moldova has become a member-state of the United Nations, a member of the Commonwealth of Independent States ("CIS"), and a full-fledged member of the international community. Currently, the Republic of Moldova promotes the EU

integration vector in its external policy, and it initiated the EU Association Agreement on November 28, 2013.

As a member of international and European societies, the Republic of Moldova has always promoted best practices and legislation, including those applying to intellectual property ("IP"). Currently, the Republic of Moldova is a party to the Paris Convention for the Protection of Industrial Property (which it signed onto in 1993), the Madrid Agreement Concerning the International Registration of Marks (1993), the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1997), and many others.

Based on its international undertakings and for the purposes of better administration and application of the IP legislation, on September 13, 2004, the State Agency for Intellectual Rights Protection and the State Agency for Copyrights merged into one entity: The State Agency on Intellectual Property of the Republic of Moldova ("AGEPI"). AGEPI is vested with the right to control, register, supervise, and enforce compliance with the provisions of applicable IP legislation. In addition, AGEPI represents Moldova in its relations within the international treaties it is party to, as well as promoting and supervising the issuing of new IP legislation and any necessary changes to relevant IP laws.



Roman Ivanov

Since AGEPI's establishment, the following key IP legislation has been passed: (1) The Law on Protection of Industrial Designs no 161-XVI dated July 12, 2007: The framework piece of legislation that governs the procedure of creation, criteria of novelty, registration, and protection of industrial designs; (2) The Law on the Protection of Trademarks no 38-XVI dated February 29, 2008: Providing for the criteria of existence, novelty, and the moment of apparition of a right over a trademark, their registration, the period of protection, as well as rights and obligations of a trademark owner and third parties; (3) The Law on the Protection of Inventions no 50-XVI dated March 7, 2008: Providing the criteria an invention has to comply with to be protected, the procedure, terms and conditions of registration of an invention, as well as the limits of its protection; and (4) The Law on Copyright and Related Rights no 139, dated July 2, 2010 (the most recently approved law): Transposing the provisions of EU directives governing copyright protection.

As the Republic of Moldova is a member of various international IP organizations and a party to key international IP treaties, the procedures for the registration and protection of IP in Moldova are clear, transparent and in full compliance with applicable international rules. For example, the procedure for registering a trademark in the Republic of Moldova usually does not exceed 12 months from the date of filing, with basic registration fees of approximately EUR 450 (they vary depending on the type of trademark and classes of the product to be registered). The protection of a trademark is for 10 years from the date of its registration, while its renewal is subject to a separate filing procedure to be initiated at least 6 months prior to the initial registration's expiry date.

The registration of an IP right may be done personally by the IP-right holder only if he/she/it is a resident of the Republic of Moldova. Applicants who are non-residents (i.e. foreign individuals or legal entities) may only register IP rights via authorized Moldovan

IP agents. The filing of registration applications is a standardized and transparent procedure (the applicant uses template forms approved and made available by AGEPI, both in Romanian and English languages). Filing may also be done electronically, using a digital signature. All decisions issued by AGEPI in such procedures are published in the Official Journal of AGEPI, which is also available electronically on AGEPI's official webpage.

It is important to note that the number of requests for registration and, consequently, protection of IP rights has been fairly constant every year so far. Thus, in 2012, a total of 6084 requests for registration of IP rights were filed with AGEPI, in 2011 there were a total of 6391 requests, in 2010 there were 6111 requests, and so on. Moreover, almost two-thirds of these requests came from international IP-rights holders, meaning that international companies are very interested in seeking to register and protect their IP rights in the Republic of Moldova.

Luiza Gijga, Head of IT/IP and Roman Ivanov, Associate, VernonDavid

Belarus

Trademark Use in Domain Names



Darya Lando

Trademark infringement cases are becoming more and more frequent in the Intellectual Property Chamber of the Supreme Court of the Republic of Belarus, which started operating in March 2000. This Chamber is the only court in Belarus empowered to consider disputes relating to intellectual property, irrespective of the subject and parties involved. And as of 2012, patent attorneys have been entitled to represent clients there. The Chamber's decisions come into force immediately after their announcement and are not subject to appeal. They may be reviewed only by way of supervision, upon protests of higher officials of the Supreme Court or the Prosecutor's Office.

According to Article 20.1 of the Belarusian Trademark Law, use of a trademark on the Internet (including domain names) by the owner of the trademark or by any person to whom the right to use the trademark has been granted shall be deemed to constitute use of the trademark. In case of unlawful trademark use the Belarusian Trademark Law provides for such traditional remedies as injunction and compensation for damages.

More than 36,000 domains were registered with a .BY domain name in 2013. Belarus has taken a leading position in national Internet segment development. There are 5 domain registrars, and it is possible to check a domain name's availability at each registrar's site. Domain names are not protected as intellectual property in Belarus. Information about the owner of the infringing domain can be obtained via Whois service. And although some domain owners choose to have their identities concealed, Whois provides allows for messages to be sent to them. This option helps trademark owners forward cease and desist letters. And from our experience we know that unauthorized trademark users who receive such messages often choose to assign infringing domain names to legitimate trademark owners.

Domains with a .BY domain name have already been involved in several court cases. One of the published decisions regarded the

domain "kosht.by". The plaintiff in the case was the owner of the trademark KOSHT for services of class 35 of the International Classification of Goods and Services. The defendant, a Belarusian natural person, had registered the domain name "kosht.by" in his name before the date of trademark registration, however – and had himself applied to trademark the name "kosht.by" for the services of class 43 of the International Classification of Goods and Services. The defendant was using the "kosht.by" domain name on the Internet as an additional domain name for the sites sushi.by and pizza.by that offered food delivery services (mainly sushi and pizzas). When the action was filed and the defendant learned there was a case against him, however, the kosht.by site was deleted.

Nonetheless, the plaintiff asked the court to prohibit the defendant's use of the domain kosht.by. The Chamber acknowledged the infringement of trademark rights, although Trademark Law does not expressly list "use in domain name" among potentially infringing actions, but only among forms of trademark use by the owner.

The Chamber's decision was based on the similarity of services in the KOSHT trademark registration (class 35) and those offered at the websites sushi.by and pizza.by to which domain kosht.by redirected, as the services coincided in purpose and use and were meant for the same consumers.

One of the most distinctive features of Belarusian trademark protection concerns registration of a domain name after it has been eliminated from the domain register. In these circumstances a domain name can be registered in the name of a new owner only after a charity auction is conducted by the technical administrator of the national domain zone (since 2012 the technical administrator in Belarus has been "Reliable Software, Inc."). If nobody is interested in the domain name after 2 auctions, the technical administrator returns it to the register, making it available for registration on general grounds. The first such charity auction commenced in 2012.

The technical administrator has the right not to put domain names identical or confusingly similar to registered trademarks up for auction. These domains can be registered in the name of the trademark owner who proves the exclusive right to the trademark.

Darya Lando, Head of Legal Department, LexPatent

Serbia

The State of IP Law in Serbia



Mara Jankovic

Considering the country's geopolitical position and historical background, it is safe to say that Serbia is still the leader in Intellectual Property development and awareness in the central Balkan region. This is not surprising, as the Serbian IP Office covered the entirety of the former Yugoslavia prior to its disintegration in the 1990s, while the IP Offices of the other former-Yugoslavia countries were only set up after they gained independence.

A general overview of IP legislation in Serbia shows that the legislation is new and has been harmonized in accordance with EU legislation and practices. The basic Serbian Trademark and Patent Laws were adopted in 2009 and 2011, respectively, and amended in 2012 and 2013. Both Laws have proven themselves as solid founda-

tions for administrative and civil proceedings. Other completely new IP legislation, including laws applying to Design, Indications of Geographic Origin, and Copyright, was adopted between 2009 and 2013 as well.

In 2013 significant lobbying steps were taken in the direction of forming specialized IP courts in Serbia. As most readers are aware, this is a growing trend in most European countries. At the moment, however, IP litigation in Serbia remains the domain of civil and commercial courts, which have proven to be ineffective in establishing a useful and consistent jurisprudence, as the cases take a very long time to reach first-instance decisions and those decisions are not always in harmony with one another.

With respect to raising awareness about IP rights, an IP Development strategy for the years 2011 to 2015 was adopted and mostly put into use. Also, the Serbian IP Office has set up an Education and Information Center which organizes a number of seminars and sessions for different audiences – from judges and public prosecutors to small and medium businesses – all with the general goal of promoting IP rights and raising the level of awareness regarding IP-related issues. Training sessions organized by the IP Office's Education and Information Center cover topics from basic introductions to specific legal and technical issues. This has proven to be a very good practice especially in connection to other programs and funding provided for EU candidate states. For example, programs such as the Serbian Investment and Export Promotion Agency funding for registering IP rights have been implemented and seem to be in use by local small and medium enterprises.

It should also be mentioned that significant help has been provided by WIPO's Educational Center through seminars and workshops oriented at IP professionals organized in association with the Serbian IP Office.

Apart from governmental efforts, IP professionals through organizations such as the INTA have started initiatives to adapt the IP environment to their needs. This effort can be clearly seen in the example of INTA and its anti-counterfeiting committee – the sub-committee for Eastern Europe and Central Asia – which devoted 2013 to organizing a number of round tables dealing with combating online counterfeiting. These round tables gathered all relevant stakeholders in the country and managed to identify a number of serious problems encountered in day-to-day protection of IP rights. Close cooperation has been formed with the Chamber of Commerce of Serbia, as well as with numerous government bodies such as the Ministry of Interior Affairs, the National Postal Service and Postal Service Providers, and the Intellectual Property Office.

For 2014 the Chamber of Commerce has planned to further develop this cooperation in such a way as to try and solve problems identified through the work done in these round tables. Formal suggestions for amendments of laws and meetings with high officials within the relevant ministries have already been scheduled and further steps have been planned for the coming months.

Mara Jankovic, Partner, Mikijelj Jankovic & Bogdanovic

Bulgaria

Landmark Supreme Court Decision on Trademark Infringement Crimes in Bulgaria

On May 31, 2013, the Criminal Division of the Bulgarian Supreme Court of Cassation passed Interpretative Decision No. 1 on the application of Art. 172b of the Penal Code (the "Decision"). Article

172b is one of the few IP crime provisions in the Bulgarian Code, and it penalizes the infringement of rights involving trademarks, industrial designs, plant varieties, animal breeds, or geographical indications. More specifically, Art. 172b provides that a person who uses one of the aforementioned objects of intellectual property in his or her business activity without the consent of its holder shall be penalized by a period of imprisonment of between 2 to 5 years and a fine of between BGN 2,000 and BGN 5,000 (roughly between EUR 1,000 and EUR 2,500).

The Decision became necessary as a result of contradictory court practices regarding implementation of Article 172b by law enforcement authorities and the criminal courts in the past. There were many open issues and grey zone areas in its application, including which person could qualify as perpetrator where the trademark was used by a corporate entity and not by a natural person (e.g. in cases of import), various issues related to the awarding of damages, and others.

In its Decision the Supreme Court reached several important conclusions in relation to criminal trademark infringement. Below is an outline of the Court's main points and conclusions:

1. The Supreme Court expressly confirmed that the term "use of trade mark" shall have the same definition as in the Bulgarian Marks and Geographical Indications Act. The latter definition closely follows the well-known definition of "trade mark use" under the EU Trade Marks Directive.

With regard to cases of counterfeit goods in transit, the Supreme Court clarified that use of trade mark for such purposes shall occur only if the goods are subject to commercial transactions ultimately targeting consumers in the European Union (i.e. in principle transits to countries outside the EU are excluded).

2. It was further clarified that the use of signs which are similar to other trade marks shall also be punishable as trade mark infringement offenses under Art. 172b, i.e. criminal penalties are not limited only to cases involving signs that are identical to registered trade marks.

3. No trade mark infringement crime shall be committed when dealing in genuine products (e.g. in cases of parallel imports).

4. The judges clarified that use in the course of "business activity" shall exist in cases where the perpetrator has used the trade mark with the aim to obtain economic benefit from such use. The perpetrator does not necessarily need to be a registered merchant or act through registered business entity as long as the purpose of use is economic benefit.

5. Another very important clarification from a practical perspective involved the question of who should be held criminally liable for trade mark infringement in cases where the use (e.g. the import of counterfeit goods) was performed through a corporate entity. The Supreme Court stated that perpetrator of trade mark infringement crime in the cases where the trade mark was used by an entity shall be the natural person who has acted on behalf of the entity in a way to perform the illegal use.

The final two points made by the Supreme Court of Cassation are probably the most important conclusions in the Decision, as they are related to two major problems which trade mark holders have faced in seeking protection of their intellectual property rights in criminal cases – namely, to prove that they have suffered material damages as a result of the crime and to justify their participation in a criminal trial as civil plaintiffs. In these respects the Supreme Court of Cassation stated that:

6. Trade mark holders as a rule may suffer damages as a result of the trade mark infringement and such damages are subject to compensation. Thus, the questionable position taken by some law enforcement authorities and judges that companies should in each and every case prove actual damages as a result of the crime should no longer apply; and

7. It is the trademark holder who is the injured natural / legal person and who has suffered damages as a result of the trade mark infringement offense, and therefore it is the trade mark holder who shall be entitled to participate in criminal proceedings as a civil plaintiff.

The Interpretative Decision gives mandatory guidance for application of the trade mark crime provision by law enforcement authorities and criminal judges. The issuance of that Interpretative Decision brings high expectations for improvement in the speed and results of IP crime prosecution in Bulgaria.

Nikolay Zisov, Senior Associate, Boyanov Law Firm

Turkey

How to Register an Interior or Exterior Store Design in Turkey?



Isik Ozdogan

Companies wishing to obtain legal protection for their interior or exterior store designs in Turkey are faced with a choice: Whether to (1) Register the design as a trademark; or (2) Register it as an industrial design. Many jurisdictions around the world, including the United States, provide stronger trademark protection for store designs. In Turkey, however, trademark law as applied to store designs is unsettled, and greater protection may be found under the industrial design registration process. However, this option has some drawbacks as well, and companies should consider the relative merits of each alternative.



Ezgi Baklaci

Turkish law regarding the registrability and protection of non-traditional trademarks is still in flux. According to Article 5 of Trademark Decree Law No. 556, "A trademark, provided that it is capable of distinguishing the goods and services of one undertaking from the goods and services of other undertakings, may consist of all kinds of signs being represented graphically such as words, including personal names, designs, letters, numerals, shape of the goods or their packaging and similarly descriptive means capable of being published and reproduced by printing." Based on this provision it appears that the interior or exterior design of a store can be registered as a trademark; however, in practice, many questions remain, including the level of distinctiveness required in order to obtain registration and the level of protection that needs to be provided.

The distinctiveness test for three-dimensional trademarks differs from the distinctiveness test for traditional trademarks. In principle, the Turkish Patent Institute ("TPI") takes the following principles into account: (1) the shape of a three-dimensional trademark

becomes more distinctive as it diverges from its natural shape, or what is standard in the relevant sector; (2) the average consumer should be able to identify the origin of the three-dimensional trademark without any effort because of the unusual and extra features added to it.

Although both TPI and Turkish courts have started accepting the three-dimensional shape and visual identities as a sign which differentiates one company from another, in practice TPI has rendered many contradictory decisions which prevented the settlement of practice in Turkey. Indeed, the record is replete with examples of conflicting decisions on essentially identical designs.

One rule, however, appears clear from the record: In cases where the three-dimensional device is filed together with a word element, the word element is taken into account and granted protection. So the chances of registering the store view in combination with a word mark are high. But this registration does not grant exclusive rights on the three-dimensional image as it is filed in combination with a word mark. Therefore, in cases where an interior or exterior design of a store needs to be protected, filing a trademark application in combination with a word mark will not provide the sufficient protection that is desired.

And when three-dimensional trademarks are filed without word elements, TPI rejects them. In such cases, applicants need to file an appeal and prove one of the following: (1) the rejected trademark is presently in use and has acquired distinctiveness through its use; (2) the rejected trademark's acquired distinctiveness relates to the same goods and/or services indicated in the application; or (3) the rejected is perceived as a trademark in Turkey. (Proof of acquired distinctiveness abroad is not sufficient in this case.)

Evidence submitted in support should prove the acquired distinctiveness at the date of filing. Consequently, the evidence should date back to the period before the filing date. This means an interior or exterior store design can be registered as a trademark only if it has acquired distinctiveness in relation to the relevant service which led the consumer to relate the store design with the trademark owner without seeing a word mark/company name.

However, while the bar of registrability is high in the trademark context, it is much easier to register an interior or exterior store concept as an industrial design in Turkey. According to Design Law No. 554, "a design shall be regarded as having individual character if the overall impression that it conveys to the informed user is significantly different from the overall impression conveyed to the same user by any design." Unlike trademark applications, TPI does not examine an industrial design application on absolute grounds for refusal; it only examines for the correct application format and whether it complies with public policy and morality policies. TPI is not responsible for evaluating a design's novelty or individual character. TPI only examines these issues if a third party files an opposition. Therefore, where an applicant files an application for its newly designed interior or exterior store concept, TPI will publish it and, unless challenged by third party opposition, it will be granted registration. Accordingly, most companies prefer registering their trade dress as an industrial design, unless the trade dress has already acquired distinctiveness by the application date.

However, although registering as an industrial design seems like the easier and therefore preferable option, the nature of industrial design protection includes a few disadvantages compared to trademark, such as a limited period of protection (max. 25 years) and a difference in the test required for similarity. Companies seeking to introduce new designs to the public may therefore want to

consider registering them as industrial designs first, to obtain the protections that registration provides, then register them as trademarks once the designs acquire distinctiveness.

Isik Ozdogan, Partner and Ezgi Baklaci, Senior Associate, Moroglu Arseven

Macedonia

Denial of Trademarks Registration Application for Generic Words in Macedonia



Bijana Joanidis Velickovska

Most applications for the granting of trademarks filed in the State Office for Industrial Property in the Republic of Macedonia are for words. Generic concepts are words which do not merely distinguish one producer or performer of a product or service from another but actually describe the product or service itself, and therefore are not entitled to trademark protection.

Examples in the praxis of applications for trademarks for terms which have been determined to be "generic" and therefore not subject to protection in Macedonia include the following:

- **Folic Acid** is a term in Class 5 of the International Classification of Goods and Services. The State Office for Industrial Property rejected the application for trademark because it signifies only the kind of the product and is the generic term for folic acid. Decision No. 10-6477/3, on November 11, 1999.

- **Plastelin** is a word in Class 1 of the International Classification of Goods and Services. The State Office for Industrial Property rejected a request to trademark Plastelin because it is a generic term and serves to designate the kind of product and does not in any way differentiate the goods and services in trade. Decision No. 10-3206/3, on August 20, 2001.

- **Cream Plus** is a term in Class 29 of the International Classification of Goods and Services. The State Office for Industrial Property found that this term is indistinctive and insufficient for trademark. The word Cream is a descriptive word and is not eligible for differentiating goods in the market, and the appended Plus by itself is not sufficient as a distinctive character of the mark, as it merely implies addition. Decision No. 10-547/3 on May 26, 2004.

- **Yogurt Plus** is a term in Class 29 of the International Classification of Goods and Services. An attempt to trademark this term was rejected by the State Office for Industrial Property because it could create confusion in the market. The appended Plus, by itself, is not sufficient as a distinctive character of the mark because it is unclear whether it refers to the fact that the products for which the protection is being requested contain more yogurt than usual or to the addition of other ingredients besides yogurt. Decision No. 10-3115/4 on May 27, 2004.

- **Sirup Od Belog Sleza** in Class 5 was denied trademark protection by the State Office for Industrial Property as this mark defines the type of product and is usual for designation of this category of products. It could not be accepted because of a lack of distinctive graphic elements for differentiation in the trade. Decision No. 10-5279/3 on 23/09/2002.

In Macedonia, a word can be registered as a trademark and offered protection of the law only if the application satisfies Article 124 of

the Macedonian Law on Industrial Property (itself in compliance with Article 15(1) of the TRIPS Agreement). This law states that: Each mark or combination of marks which serves to differentiate the goods and services of one trade company from the goods and services of another may be registered as a trademark.

This definition applies to words such as personal names, numbers, figurative elements and combination of colors, as well as each combination of those marks. All of these terms can be registered as trademarks in Macedonia.

However, in Macedonia as elsewhere, terms which initially are distinctive can themselves become "generic" if they become the usual or scientific name of one product, rather than of one particular maker of that product. For instance, the famous example of Bayer's "Aspirin", in which the United States trademark authority withdrew protection from the mark on the ground that Aspirin had become synonymous for a particular form of pain medicine, and therefore had become "generic."

Following world trends and developments, Macedonian legislation has provided for the dispute of some trademarks to be resolved in administrative procedures, without formal Court involvement. If it is established that a disputed mark is "generic", that mark becomes a "free mark" or "freizechen" and is no longer entitled to legal protection.

Bijana Joanidis Velickovska, Partner, JOANIDIS Law & Patent Office

Slovakia

Options for Responding to Brand Infringement



Zuzana Hecko

The value of intellectual property (IP), such as trademarks and designs, is often underestimated, even in large corporations. Especially in small markets such as Slovakia, companies often realize the value of their IP only at a late stage, when unauthorized copies of their products are

ready on the market.

In such cases it is not uncommon to see lawyers trying to invoke protection though their clients' unregistered rights (which is of course more difficult than when rights, e.g. to trademarks, have been registered) or by seeking to have the trademarks of their competitors which should never have been registered ruled invalid.

Imagine that you are a successful Slovakian business and you manufacture and sell your products under the brand "EXTREME". You also own the registered trade mark "EXTREME". Some time later, when your product has become sufficiently well-known, one of your competitors introduces a similar product and names it "X-TREEM". Not only do you see the market flooded with parasitic products but you realise that your competitor has had the courage to apply for the registration of its new brand as a trademark. It may also happen that your competitor's trademark application skipped your attention and "X-TREEM" already is a registered trademark.

Speed in trademark infringement cases is of the essence. This is because apart from creating a financial loss, the exclusivity and uniqueness of your "EXTREME" trademark is being tarnished by the existence of a copycat. You need to remedy this as quickly as possible, because unlike a loss of profit, loss of exclusivity can be recovered only with great difficulty (if at all).

How can you get “X-TREEM” off the market quickly? Generally you need to do two things: (1) you need to get the infringing goods off the market; and (2) you need to prevent “X-TREEM” being a registered trademark.

As a result, you will need to launch court proceedings (preferably via a request for a preliminary injunction) and initiate administrative proceedings at the Slovak Industrial Property Office to prevent trademark registration.

Over the years, Slovakian courts in general have earned a reputation for being the slowest avenue of IP enforcement. The situation, however, is slightly better in IP litigation. One of the reasons is the existence of specialized IP courts (though not for copyright cases, however). Another distinctive feature of IP litigation is the possibility to request claims in preliminary proceedings which are not of a temporary character and could normally be requested only in proceedings on the merits. This typically includes a claim to cease using the trademark and remove the infringing goods from the market. This fact coupled with a 30-day deadline for granting preliminary injunctions is a recipe for a quicker remedy.

The Achilles’ heel of administrative proceedings before the Slovak Industrial Property Office (IPO) is the way such proceedings are

handled. After launching trademark opposition or trademark invalidation proceedings, the IPO asks the counter-party (the alleged infringer) to comment on the matter. Unfortunately, although the infringer is officially allocated only two months to submit its reply, in practice the IPO often allows five or six extensions of this time period. As a result, the proceedings may stand still for more than one year. Therefore, the mushrooming of intentional infringers who exploit this unfortunate situation by ‘buying time’ is not surprising at all. With knowledge of this common practice by the IPO, a perverted business strategy of artificial extension of proceedings to tarnish and parasitize on famous trademarks for months if not years has been created.

In Slovakia it is therefore advisable to launch court proceedings and proceedings before the IPO simultaneously. If the court grants a preliminary injunction, the remedy is immediate. Even if refused, strange as it seems, court proceedings on the merits may still be faster than trademark opposition or invalidation proceedings at the Office. A decision from the court concludes the proceedings before the IPO, even if they are not yet finished. On the other hand, decisions from the IPO do not award damages, so a court action will still be necessary.

Zuzana Hecko, Head of IP, Allen & Overy

In Closing: TopSite Award

Many elements of a modern law practice would be completely foreign to practitioners from past eras. Fax machines have come and gone, as have pagers, typewriters, and other tools at one time considered first revolutionary, then indispensable. In that context, trying to predict which particular elements of a modern practice are truly permanent is fool-hardy. But it is difficult, to say the least, to imagine a successful law firm operating without a website anytime soon.

Law firms wanting to present themselves as sophisticated and confident players need to have an attractive site that identifies them as such to the world. Firms should be confident enough to identify the members of their team on their website, and aware enough of the importance of modern marketing principles to make articles and other forms of thought-leadership available. These sites should be simple and attractive, without sacrificing content and detail. Needless to say ... some respond to this challenge better than others.

At CEE Legal Matters, we know something about putting together an attractive, popular, and informative website. Thus, in a spirit of admiration and approval for a job well done, we’re going to review the websites of leading regional Corporate/M&A law firms (excluding those firms whose websites have a similar design to those of international firms they are affiliated with) to determine which, in our opinion, is the best in each of the 24 markets we cover, and which therefore qualifies as a CEE Legal Matters Top Site. For this first issue, we reviewed sites in Turkey and Ukraine.



First, each firm’s website will be checked for four “objective” elements that we believe every law firm that is successful, respected, and both fully confident in its business model and fully prepared to serve foreign and English-speaking clients should have: Professional and polished English, sufficient for an international clientele (4 points); Full identification of all lawyers in the firm, from junior associates up to partners (4 points); Contact details provided for all partners in the firm (5 points); Articles and other forms of thought-leadership (3 points). Second, the editors of CEE Legal Matters will evaluate each website and award between 0-5 points on the following: User friendliness; Content; Detail; “Je Ne Sai Quo?” (a catch-all category to capture unquantifiable over-all effect). Finally, all three scores will be combined into a grand total out of the maximum 56 points.

The best website of those reviewed in Turkey was that of Cakmak Attorneys at Law, which scored an impressive 51 points – including maxing out at 16 points on the objective criteria (a distinction shared in Turkey by only Kolcuoglu & Demirkan and ELIG). The Cakmak website remains simple and clear without sacrificing any necessary information, and has an impressively collection of articles and other forms of thought-leadership available for viewing. The firm also demonstrated its confidence both in the abilities and loyalty of its lawyers (itself a strong demonstration of the firm’s confidence in its brand) by providing contact details for the entire team, including associates. While containing few bells and whistles, the site is essentially flawless.

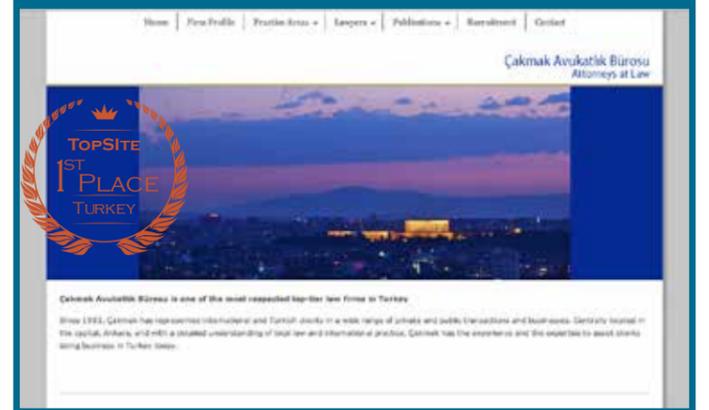
Partner Zeynep Cakmak said she was “delighted to learn” of the award, and she made a point of acknowledging the significant contribution of Jeremy Steel of Visual Communications Design, who did the actual designing. Cakmak explained that, with Steel, the firm had aimed “for a simple, user-friendly website which at the same time gives strong messages to the outside world about who we are and what we do as a law firm that has a long-standing and reputable history in Turkey.” She concluded, simply, that “I believe we have reached our goal.” We at CEE Legal Matters agree.



The CEE Legal Matters review of the top-ranked M&A websites in Ukraine resulted in a solid victory for Vasil Kisil & Partners, with 50 points.

The Vasil Kisil & Partners website serves as a superior example of how to direct viewers to information about specific practices and experts, as the site’s search function allows visitors to view lawyers either by practice area (with names, seniority, and contact details provided for each member of the group, from junior associates up to partner), or by role. Recent deals and accomplishments are broken down by sector and practice as well, and a large number of publications and newsletters are available on the website.

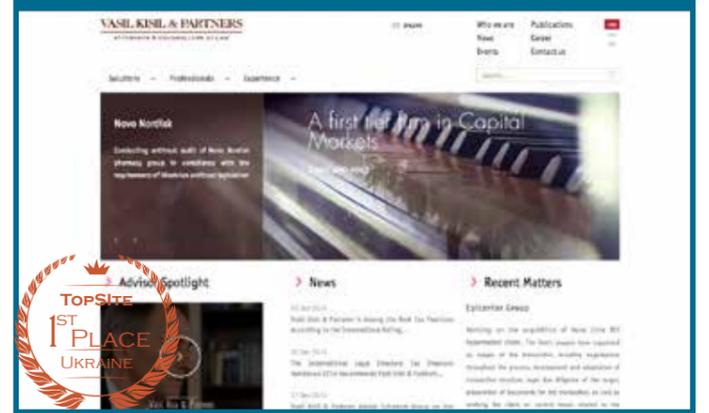
Yuliia Chervonooka, VKP’s Public Relations Director, expressed appreciation at the recognition. She explained that the site was launched last year, and that the firm’s objective in creating it was to provide clients “with valuable content such as recent trends, legislative and regulatory changes that can affect their business as well as to make it as user-friendly as possible.” And she pointed out that, “high interest in the new web-site is demonstrated, in particular, by a 40% increase in a number of unique users visiting the English version (according to Google Analytics).”



Second place in Turkey – and first place among the firms in Istanbul – was the website of Kolcuoglu & Demirkan, which received 48 points. K&D’s website also received the maximum possible number of “objective” points. It also combines simplicity of design and detailed contents (including substantial thought-leadership and contact details for its entire team) in an attractive and easy to use combination. Separate contact details were provided not only for all associates, but even for separate back office functions – one of the only websites we saw that provided this useful information.

Gunes Ergun, the new General Manager at Kolcuoglu & Demirkan, explained that the firm’s decision to identify its entire team on the website represents an acknowledgement of the contributions each and every member makes to the firm’s success, as, “they are the faces of our values and the owners of all our achievements.” And although Ergun conceded that the colors on the firm’s website “are quite sober,” she explained that “they also give a hint about the way we offer our services to our clients; we do our best to provide the most valuable legal advice to our clients while keeping our reasoning solid and transparent.”

The firm has plans to make the website even stronger soon. Ergun says that, “among our plans is to add an HR page, where applications can be submitted in a more standard form, making things easier for both applicants and our HR team.”



Sayenko Kharenko’s website came in second of those reviewed in Ukraine with 47 points, and though it does not identify the firm’s associates – the only of the four websites featured in this issue to lack one of the “objective” criteria – the site was extremely strong in all other ways. Of particular mention are the site’s identification of experts both by practice area and by sector, its detailed summary of recent deals, and its unique “about us” option that presents information in colorful and compelling ways and invites visitors to participate in a survey. If Sayenko Kharenko’s website were to identify the firm’s associates – let alone include their contact details – it would be truly exceptional.

Iryna Khymchak, Head of Sayenko Kharenko’s Marketing and BD Department, commented that “we aimed to create a website that will actually engage a visitor, holding his/her attention and, ultimately, inspiring that person to contact the firm.” She stated that the firm “believes that a web-site is a powerful online communication tool, and we want to always talk back to our visitors, that is to make sure that our web-site is at all times new and relevant.”



CEE LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS
THAT SHAPE EUROPE'S EMERGING LEGAL MARKETS

BECAUSE CEE LEGAL MATTERS