

# Litigation & Dispute Resolution

Second Edition

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# CONTENTS

<b>Preface</b>	Michael Madden, <i>Winston &amp; Strawn London</i>	
<b>Austria</b>	Christian Eder, Christoph Hauser & Alexandra Wolff, <i>Fiebinger Polak Leon Attorneys-at-Law</i>	1
<b>Belgium</b>	Koen Van den Broeck & Thales Mertens, <i>Allen &amp; Overy LLP</i>	9
<b>British Virgin Islands</b>	Scott Cruickshank & David Harby, <i>Lennox Paton</i>	14
<b>Bulgaria</b>	Assen Georgiev, <i>CMS Cameron McKenna LLP – Bulgaria Branch</i>	25
<b>Canada</b>	Caroline Abela, Krista Chaytor & Marie-Andrée Vermette, <i>WeirFoulds LLP</i>	35
<b>Cayman Islands</b>	Ian Huskisson, Anna Peccarino & Charmaine Richter, <i>Travers Thorp Alberga</i>	44
<b>Cyprus</b>	Anastasios A. Antoniou & Louiza Petrou, <i>Anastasios Antoniou LLC</i>	51
<b>England &amp; Wales</b>	Michael Madden & Justin McClelland, <i>Winston &amp; Strawn London</i>	59
<b>Estonia</b>	Pirkka-Marja Pöldvere & Marko Pikani, <i>Aivar Pily Law Office</i>	75
<b>Finland</b>	Markus Kokko & Niki J. Welling, <i>Attorneys at Law Borenius Ltd</i>	86
<b>France</b>	Philippe Cavalieros, <i>Winston &amp; Strawn LLP, Paris</i>	92
<b>Germany</b>	Dr. Stefan Rützel & Dr. Andrea Leufgen, <i>Gleiss Lutz</i>	99
<b>Guernsey</b>	Christian Hay & Michael Adkins, <i>Collas Crill</i>	107
<b>India</b>	Siddharth Thacker, <i>Mulla &amp; Mulla &amp; Craigie Blunt &amp; Caroe</i>	114
<b>Indonesia</b>	Alexandra Gerungan, Lia Alizia & Christian F. Sinatra, <i>Makarim &amp; Taira S.</i>	123
<b>Ireland</b>	Seán Barton & Heather Mahon, <i>McCann FitzGerald</i>	131
<b>Isle of Man</b>	Charles Coleman & Chris Webb, <i>Gough Law</i>	142
<b>Italy</b>	Ferdinando Emanuele & Milo Molfa, <i>Cleary Gottlieb Steen &amp; Hamilton LLP</i>	149
<b>Jersey</b>	Kathryn Purkis & Dan Boxall, <i>Collas Crill</i>	158
<b>Korea</b>	Kap-you (Kevin) Kim, John P. Bang & David MacArthur, <i>Bae, Kim &amp; Lee LLC</i>	167
<b>Malaysia</b>	Claudia Cheah Pek Yee & Leong Wai Hong, <i>Skrine</i>	176
<b>Mexico</b>	Miguel Angel Hernandez-Romo Valencia & Miguel Angel Hernandez-Romo, <i>Bufete Hernández Romo</i>	186
<b>Nigeria</b>	Matthias Dawodu, Olaoye Olalere & Debo Ogunmuyiwa, <i>S. P. A. Ajibade &amp; Co</i>	192
<b>Pakistan</b>	Ashtar Ausaf Ali, Zoya Chaudary & Nida Aftab, <i>Ashtar Ali &amp; Co.</i>	203
<b>Portugal</b>	Nuno Lousa & Manuel Castelo Branco, <i>Linklaters LLP</i>	214
<b>Slovenia</b>	Matej Perpar & Sana Koudila, <i>Kirm Perpar Law Firm</i>	222
<b>Spain</b>	Álvaro López de Argumedo & Juliana de Ureña, <i>Uría Menéndez</i>	229
<b>Switzerland</b>	Balz Gross, Claudio Bazzani & Julian Schwaller, <i>Homburger</i>	237
<b>Turkey</b>	Gönenç Gürkaynak & Ayşın Obruk, <i>ELIG, Attorneys at Law</i>	247
<b>Ukraine</b>	Andrey Astapov, Oleh Beketov & Oleksiy Zorin, <i>AstapovLawyers International Law Group</i>	255
<b>USA</b>	Stephen R. Smerek, Bruce R. Braun & Andrew S. Jick, <i>Winston &amp; Strawn LLP</i>	266
<b>Uruguay</b>	Carlos Brandes & Federico Florin, <i>Guyer &amp; Regules</i>	275
<b>Venezuela</b>	Jesus Escudero E. & Raúl J. Reyes Revilla, <i>Torres, Plaz &amp; Araujo</i>	283

# Austria

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## Efficiency/integrity

The Austrian judicial system is highly efficient and guarantees a high level of integrity. Efficiency derives from codified laws, a cost-effective system of court and attorneys' fees, and the availability of electronic databases and court filing systems.

The most important areas of Austrian law are codified in statutes and regulations and are available to the public over the internet. This provides a fairly high level of predictability of court judgments. Austrian courts are equipped with an electronic court filing system, and electronic databases are used for the company register and the land register, in which real estate and associated rights are registered.

The Austrian court system is also very efficient regarding the length of judicial proceedings. While the time period between filing and a final decision obviously depends on the complexity of the individual case and the amount of evidence presented, the majority of cases are decided within one year.

Both civil and criminal matters are decided in first, second, and third instance courts. In civil proceedings, district courts (*Bezirksgerichte*) or regional courts (*Landesgerichte*) act as courts of first instance, depending on the amount in dispute and the subject of the litigation. In general, if the amount in dispute does not exceed €15,000.-, a district court will have jurisdiction. Moreover, district courts have exclusive jurisdiction in matters involving alimony, parentage, matrimonial issues, or disputes relating to the lease of apartments. Regional courts have first instance jurisdiction for all other matters, but also decide on appeal against judgments of district courts. Furthermore, there are four higher regional courts (*Oberlandesgerichte*), which act as appellate courts for all judgments by regional courts. The Austrian Supreme Court has jurisdiction in the third instance to decide on appeals brought against second instance judgments by regional courts or higher regional courts.

What makes the Austrian judiciary effective is also the fact that, in addition to the general courts described above, specialised courts have jurisdiction over certain matters. For example, in Vienna, the Commercial Court will decide disputes between entrepreneurs, and the Labour and Social Court decides employment and social law disputes. In some proceedings, the tribunal will consist of a panel involving “expert” lay judges, especially in antitrust cases, and “informed” lay judges in labour and social cases.

The integrity of the judiciary is guaranteed by Article 6 of the European Convention on Human Rights, which protects the right to a fair trial, and which has constitutional status in Austria. This principle is supported by Article 87 of the Austrian Federal Constitution, which guarantees the independence of judges. It provides that, in the exercise of their judicial office, judges are independent and are not bound by any instructions. Article 87 further provides that judges may not be removed from office or transferred against their will, except in cases provided by law and on the basis of a judicial decision, or when they have reached a statutory age limit for retirement. Judges are – by law – appointed by the Federal President, but this right may be delegated to the Minister of Justice. In practice, most judges are appointed by the latter. Compared to common law countries, the role of Austrian judges is rather inquisitorial: to establish the relevant facts, judges can order witnesses to appear at a hearing, unless this is opposed by both parties, or appoint experts at their own discretion.

## Enforcement of judgments/awards

Foreign judgments and awards are enforceable in Austria. Depending on the origin and nature of the judgment or award and the applicable European regulations and international agreements, various requirements and procedural steps have to be observed. In general, the competent Austrian court has to first bestow the necessary enforcement effect upon the judgment or award by issuing a declaration of enforceability – the mere recognition does not suffice. The judgment or award can then be grounds to authorise enforcement.

Judgments by courts from EU Member States must, under Regulation (EC) No. 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I Regulation), be declared enforceable by the competent court of the country in which enforcement is sought. No declaration of enforceability is required if an EU judgment (e.g. decree, order, decision) has been certified as a European Enforcement Order under Regulation (EC) No. 805/2004 creating a European Enforcement Order for uncontested claims. In matters relating to Switzerland, Iceland and Norway, that is, the European Free Trade Association, the Lugano Convention is the equivalent of the Brussels I Regulation. Judgments from these countries are recognised and enforced in the same way as judgments from EU countries. Special rules apply to the enforcement procedure of alimony decisions, and the enforcement of decisions according to international treaties in the field of international transport, as well as certain other fields of law.

Non-EU judgments can be declared enforceable in Austria if reciprocity has been established between Austria and the state of origin by virtue of international treaties. Where reciprocity has not been established, no declaration of enforceability will be issued. No reciprocity is needed regarding the enforcement of decisions in marital status law and personal status law. Apart from the reciprocity, the judgment must be enforceable in its state of origin. Provisional enforceability is sufficient: the judgment does not yet have to be final and legally binding. In this case, the opponent can file the stay of the enforcement proceedings until a final judgment is rendered by the court of origin. The Austrian court may, however, authorise enforcement against the provision of security.

The recognition and, consequently, the enforcement of EU judgments as well as non-EU judgments may be denied for several reasons; a judgment will not be recognised in case of: a violation of Austrian public policy; a violation of the right to be heard; the right to a fair trial; or in case of the irreconcilability with another foreign or domestic judgment. The practical scope of these provisions in the Austrian Enforcement Code (*Exekutionsordnung*) is rather slim.

Concerning the enforcement of foreign arbitral awards, Austria acceded to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (“New York Convention”) on 2 May 1961. As a signatory state, Austria has to ensure that awards made in another signatory state are recognised and enforced in the same way as domestic awards, even if court judgments from that country are not recognised in Austria. The recognition and enforcement of foreign arbitral awards can be denied for a number of reasons listed in the New York Convention. These reasons largely correspond to the reasons for which the recognition of foreign court judgments can be denied in Austria.

The declaration of enforceability for foreign court judgments or arbitral awards is issued by the district court of the district where the opponent resides or, if the opponent is a legal entity, the place of its registered office. The creditor must provide the original judgment or award, or a copy thereof issued by the court or competent authority. The decision is issued without any prior oral proceedings or hearing of the opponent. However, depending on the outcome, the opponent or the creditor may file an appeal against the decision. The opponent is then under a duty to plead all grounds for non-recognition which are not on record, otherwise these grounds for objection are deemed to have been waived.

The request for issuance of a declaration of enforceability can be combined with a request to authorise enforcement. The court decides on both requests concurrently. Even if an appeal is lodged against the declaration of enforceability, the creditor can request the commencement of enforcement immediately after its authorisation – the appeal does not have suspensive effect. The enforcement court may, however, stay the proceedings until the declaration of enforceability has become effective. At this stage of the proceedings, the foreign judgment or award is equal to Austrian judgments, or awards which are enforceable. However, if the judgment or award is annulled or amended by the court of origin, the

opponent may file a request for annulment or amendment of the declaration of enforceability, as well as a request for denial or restriction of the execution.

### Cross-border litigation

In the EU, Regulation (EC) No. 1206/2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters sets out the rules for judicial cooperation with regard to obtaining evidence abroad. The regulation applies to all Member States of the EU except Denmark. Under the regulation, a court can either request the competent court of another Member State to obtain evidence, or it can request to gather evidence itself in another Member State. Such requests are directly transmitted from the requesting court to the requested court, without the need to use diplomatic channels. The regulation also promotes the use of communication technology such as telephone and video conferencing for obtaining evidence in other Member States. The requests are executed in accordance with the law of the requested Member State, and must be processed within 90 days after receipt. Hence, if an Austrian court receives a request for judicial cooperation under this regulation, it will be dealt with according to the relevant Austrian procedural provisions.

With regard to requests from countries which are not members of the EU, the 1957 Hague Convention on Civil Procedure provides the basis for mutual legal assistance in civil and commercial matters. Article 8 of this convention provides that a judicial authority of a contracting state may make an application to the competent authority of another contracting state to request to obtain evidence, or to perform other judicial acts. Moreover, Austria has entered into several bilateral amendments to the Hague Convention, as well as bilateral agreements with states which are not parties to the Hague Convention.

Where there is no international agreement with the requesting country, a formal request transmitted through diplomatic channels is necessary in order to obtain evidence in Austria for proceedings elsewhere.

### Privilege and disclosure

According to the Austrian Attorneys' Code (*Rechtsanwaltsordnung*), attorneys are subject to an obligation of confidentiality. This obligation applies to the entire attorney-client relationship. It covers all matters which have been confided to the attorney and which have come to the attorney's attention in the course of their profession, as long as the confidentiality is in the interest of the client. Therefore, an attorney is entitled to the privilege to refuse to give evidence regarding their client under the Austrian Code of Civil Procedure (*Zivilprozessordnung*, "ACCP"). This attorney-client privilege also extends to the attorney's employees, e.g. secretaries. The privilege may not be circumvented by any orders of courts or competent authorities to produce evidence, or by the confiscation of such evidence. However, under certain circumstances, where an attorney suspects a client of money laundering or the financing of terrorism, the attorney is obligated to inform the competent authorities of these suspicions in spite of the attorney-client privilege.

Unlike in the Anglo-American system, there is no pre-trial discovery in Austria: in general, each party must prove its claims and defences during the civil proceedings directly before the court (principle of immediacy). The parties may do so, *inter alia*, by the production of documents. If documents are in possession of a public authority, a party may apply to the court for these documents to be forwarded to the court. No party has an enforceable claim against its opponent for the production of documents. However, if the opposing party does not produce certain documents, e.g. documents to which it refers, or documents which must be disclosed by statutory law, the judge will weigh the evidence and the fact that a specific document has not been produced. Where documents are in possession of a third party, a litigant may request a court order for disclosure of these documents. Such court orders are enforceable only if the third party is obliged to disclose the documents by statutory law or if the documents are "common documents", e.g. contracts between the litigant and the third party. If the third party refuses to produce such documents, the court may impose fines and even prison sentences to enforce disclosure.

To prove their claims, the parties may also request the court to hear witnesses. The questioning of witnesses nominated by the opposing party in a pre-trial deposition is not permissible under the ACCP.

If summoned by court, witnesses are obligated to appear before the court and to testify. In case a summoned witness does not appear before court, it has to bear all costs incurred by its absence, and will be summoned again. In addition, a fine for contempt of court may be imposed. If the witness does not appear for a second time, the fine is doubled and the witness may be brought to the court by the police. Very limited exceptions to this rule exist, e.g. in the case of illness.

Apart from exceptional cases, witnesses must always testify orally; written testimony is not permitted under the ACCP. Witnesses are obliged to tell the truth; otherwise they are liable to prosecution. However, answers to certain questions may be declined under certain circumstances, e.g. if the witness would incriminate themselves or close relatives through truthful testimony, or if they would violate their legal obligation to confidentiality, if any. Witnesses are questioned individually and in the absence of other witnesses, first by the court, then by the party that nominated the witness, and finally by the opposing party. If two witnesses give contradicting testimony, they may be confronted with each other. At the request of either party, witnesses may be questioned under oath; such witness statements are given more weight than unsworn statements.

### Costs and funding

Costs of litigation generally comprise attorneys' fees and court costs. Attorneys' fees are governed by the Austrian Attorneys' Tariff Act (*Rechtsanwaltstarifgesetz*). The statutory fee entitlement of the attorney depends on the amount of the principal claim and on the type of action – e.g. claims, appeals, etc. – carried out by the attorney. Apart from the statutory fee entitlement, attorneys' fees may also be contractually agreed between the attorney and the client. Typically, larger law firms charge hourly rates or – depending on the client – monthly flat rates, rather than the statutory provisions. *Quota litis* agreements between the attorney and the client, i.e. agreements that the attorney will receive a portion of the claim when succeeding at court, are prohibited in Austria. Attorneys are, however, allowed to receive a contingency fee.

Court costs principally consist of: (i) statutory court fees; (ii) fees for witnesses; and (iii) fees for expert witnesses. Court fees are regulated by the Austrian Court Fees Act (*Gerichtsgebührengesetz*). They are lump-sum fees which depend on the amount of the principal claim. It is incumbent on the plaintiff (or the appellant) to pay the court fees in advance. Witness fees comprise reimbursement for travel, and accommodation expenses of witnesses and for their loss of earnings. Where witness fees are expected to exceed €200.-, the party calling the witness must pay an advance on witness' fees; otherwise the witness will not be summoned. Expert witness fees are determined by court order according to the Austrian Fee Entitlement Act (*Gebührenanspruchsgesetz*) after the court has received the expert witness' invoice. This court order may be appealed at the competent higher court, whose decision is final. Subject to certain exceptions, the party under the burden of proof must pay an advance on expert witness' fees. Where both parties request the same expert witness, the advance is split between the parties. However, even where a party fails to pay the advance, the court may nevertheless hear the expert witness if this is deemed necessary.

Where the plaintiff is not an Austrian citizen, the court may – under certain circumstances – order the plaintiff to deposit a security for the defendant's costs of litigation at the court, if the defendant so requests. This does not apply where the plaintiff's habitual residence is in Austria.

Under the ACCP, the party losing in court must reimburse the prevailing party for the court costs and the attorney's fees. Irrespective of the arrangement between the attorney and the client, the party losing in court must only reimburse the attorney's fees according to the Austrian Attorneys' Tariff Act. The fees under this act may be higher or lower than the fees agreed upon between the attorney and the client. If both parties partly prevail, the costs are split proportionally. The court makes a decision on the amount of costs to be reimbursed in its final judgment.

In Austria, many parties carry legal costs insurance. Third party funding is also available. Further, legal aid may be granted to parties who cannot afford litigation without endangering their livelihood. In this case, the court may waive or delay the payment of costs, or an attorney is provided at reduced costs or free of charge. However, where litigation is patently frivolous or without chance of success, legal aid will be denied.

## Interim relief

Under the Austrian Enforcement Code, interim relief may be obtained by way of preliminary injunctions to secure monetary or other claims, or to protect a party from an imminent threat or irrecoverable damage. Through preliminary injunctions, funds or property of the defendant may be frozen by the court. The defendant may also be compelled by the court to perform a certain action, or to cease and desist or refrain from certain actions until the final judgment is delivered.

Preliminary injunctions to secure monetary claims are rather rare in Austria; injunctions to secure other claims and to protect from threats or damages are by far more relevant, especially in the context of competition law and IP law.

According to the general provisions of the Austrian Enforcement Code, the plaintiff must submit to the court *prima facie* evidence of its claim against the defendant. Upon filing for an injunction the plaintiff must also demonstrate the likelihood that the enforcement of its claim will be compromised without injunction. However, these requirements may be relaxed in special regulations:

Under the Austrian Act Against Unfair Competition (*Bundesgesetz gegen den unlauteren Wettbewerb*), preliminary injunctions may be obtained to secure specific cease-and-desist claims without having to demonstrate that the claim would be compromised otherwise. Under Austrian competition law, preliminary injunctions may also be sought against third parties: if an announcement or communication by the defendant which violates competition law is published by a third party, the plaintiff may – under certain circumstances – obtain a cease-and-desist order against the publisher. Special provisions on preliminary injunctions also exist in the context of antitrust law, copyright law, and patent, trademark and design law.

A motion for a preliminary injunction may be filed: (i) before filing a lawsuit; (ii) during legal proceedings; and (iii) during an appeals procedure. Although not required by statutory law in the large majority of cases, courts regularly hear the defendant before issuing a preliminary injunction. The defendant may appeal the injunction within 14 days from service. If the defendant has not been heard before issuance, it may further file an objection against the injunction's admissibility and reasonableness. Appeals against injunctions do not have suspensive effect unless such effect is explicitly granted by the court.

Courts dispose of several means to mitigate adverse effects of preliminary injunctions on the defendant:

In case the plaintiff does not provide sufficient evidence of its claim, the court may decide to issue a preliminary injunction only, against a security deposit by the plaintiff at the court. Even if the plaintiff has provided sufficient evidence, courts may demand a security deposit, depending on how strongly the injunction will interfere with the rights of the defendant, and how likely it will cause damage to the defendant. Further, when granting a preliminary injunction, courts may determine an amount of money for optional payment by the defendant for security purposes. If the defendant deposits this sum at the court, the enforcement of the preliminary injunction will be suspended. Where a preliminary injunction has been issued on the basis of a claim which subsequently does not prevail before court, the defendant may seek compensation for all pecuniary damages suffered by the injunction in a summary procedure.

## International arbitration

In 2006, the Austrian domestic law provisions on arbitration were amended, turning Austria into a "Model Law Country" – the previous provisions were brought into line with the UNCITRAL Model Law on International Commercial Arbitration. Today, sections 577-618 ACCP contain the national rules on arbitration.

The ACCP rules on commercial arbitration are most important for *ad hoc* arbitrations, i.e. arbitration proceedings which are not conducted under institutional rules. These *ad hoc* arbitrations, however, constitute the minority: most arbitrations in Austria are conducted under institutional rules, the most popular being those of the VIAC (Vienna International Arbitral Centre) and those of the ICC (International Chamber of Commerce). The VIAC has most recently amended its arbitration rules to bring them into line with the challenges of modern international disputes. Both institutions enjoy an outstanding reputation in the commercial and legal world. Even for non-*ad hoc* proceedings, some ACCP provisions are binding.



Judicial interference in the arbitration process is very limited: domestic courts must reject jurisdiction if the matter is already subject to arbitration proceedings. Courts must also reject jurisdiction if a claim subject to an arbitration agreement is brought before them and the respondent either does not enter an appearance, or objects to the jurisdiction. If, however, the respondent does make substantive assertions in the court proceedings and does not reject the jurisdiction of the court although there is an arbitration agreement, a domestic court may not reject jurisdiction by virtue of the arbitration clause. In this case, the parties are deemed to have waived the arbitration agreement. However, even then, one party may still commence arbitration proceedings – although the court proceedings are pending – in which case the court must stay its proceedings. In other words, an arbitration agreement can be waived, but subsequently be reinstated.

There are a number of provisions under which courts are to provide assistance to the arbitration process: if there is a disagreement on the appointment of an arbitrator or a chairperson which – under the arbitration clause – must be appointed jointly by the parties or the party-appointed arbitrators, the competent courts may appoint the arbitrator or chairperson at a party's request. When a party challenges an arbitrator and the arbitral tribunal dismisses the challenge, the party whose challenge has been dismissed, may – within certain time limits – request a decision on the challenge by the competent court. Such decision is then not subject to appeal.

Courts also render assistance in executing interim measures ordered by arbitral tribunals. If the tribunal has ordered an interim measure which is not foreseen by the Austrian legal system, the court must interpret the tribunal's order and apply the interim measure under the Austrian legal system which is closest to the measure requested. An arbitral tribunal may generally also request the assistance of national courts for any procedural steps whose execution is not permitted to the arbitral tribunal. Such request for assistance may also include a court's request for judicial assistance to a foreign domestic court.

In Austria, as in most countries, arbitral awards are final – they are not subject to appeal. In order to assure a standard of justice, awards can be set aside at the parties' request for a limited number of reasons. The grounds for the setting aside of an award correspond to the reasons for which an arbitral award can be denied recognition and enforcement under the New York Convention: generally speaking, awards can be set aside by courts if they run counter to national public policy.

In Austria, at present (July 2013), a request to set aside an award must be made before the competent regional court. The court's decision is subject to appeal before the higher regional court. In many cases, the appellate court's decision can be subjected to further legal review by the Supreme Court. In sum, the procedure to have an award set aside by domestic courts often goes through a total of three stages.

The elaborate – and at times lengthy – setting aside procedure has been perceived by many as a weakness, particularly in light of other close-by jurisdictions whose setting aside procedure has only one judicial phase. That is why an amendment to the ACCP's provisions on arbitration was proposed and recently approved by the Austrian Parliament. The amended rules shorten the procedure to set aside an award, in that only the Supreme Court will decide such claims. This will be a novelty in the Austrian judicial system, since, so far, the Supreme Court has never had to act as a court of first instance.

The new setting aside procedure is applicable to all requests to set aside an award which will be received after 31 December 2013. Practical experience with the new system is awaited with keen interest – it may be expected that this amendment will further strengthen Austria's competitive position as an arbitration venue.

## **Mediation and ADR**

The voluntary settlement of disputes through mediation and measures of alternative dispute resolution is increasingly popular in Austria. While Austrian courts may not impose mediation on parties, they can encourage the parties to pursue mediation. At the same time, the areas of the law in which special institutions for mediation and conciliation procedures are available are being continuously expanded.

Various areas of the law require that disputes are only brought before the courts if no consensus has been reached through prior mandatory conciliation and mediation procedures. Such areas include:



disputes between tenants and landlords; disputes among neighbours; disputes involving the owner of real estate neighbouring real estate on which genetically modified organisms are produced (under the Genetic Engineering Act – *Gentechnikgesetz*); discrimination claims in the area of employment law regarding the equal treatment of handicapped persons; and the dismissal of apprentices. Moreover, under the Environmental Impact Assessment Act (*Umweltverträglichkeitsprüfungsgesetz*), the competent government agency can stay the procedure for granting a public permit, and can require mediation upon a party request in case of major conflicts of interest.

Since the year 2000, in the area of criminal law, the out-of-court settlement of minor crimes and offences aims to avoid the adjudication by means of a judgment, by resolving conflicts with the help of mediation.

Furthermore, at the Commercial Court of Vienna, a project for the mediation of commercial disputes that are already pending has been implemented. If the judges, parties, and their representatives come to the conclusion that a dispute might be resolved through mediation, professional mediators arrange meetings and assist the parties and their representatives in disputes. The programme has proven to be very successful – 80% of such mediations initiated by the Commercial Court of Vienna have led to the parties reaching a final and enforceable agreement. With an average duration of four months, these mediation proceedings are an attractive method to solve a dispute in a time-efficient manner. Because of the programme's success, it is currently being implemented in several other courts throughout Austria.

All EU Member States must implement the Directive on Consumer ADR (Directive 2013/11/EU) by the end of 2015. In preparation for the implementation in Austria, a conciliation board for disputes arising from consumer contracts was set up with the Association for Consumer Information (*Verein für Konsumenteninformation*) in May 2013 as a pilot project for an initial phase of nine months. Consumers can call upon the conciliation board to resolve disputes arising from all contracts with entrepreneurs, except contracts concerning healthcare, the public education sector, leases of apartments and houses as well as cross-border contracts. The procedure is primarily handled via an online service, and representation during the proceedings is not mandatory. At the conclusion of the proceedings, the conciliation board suggests an agreement, which the parties can accept or reject. In case of acceptance, the agreement can be made enforceable by courts. The conciliation board serves two purposes: consumers can resolve their disputes with entrepreneurs without the risk of incurring high costs; and entrepreneurs can settle complaints efficiently and without negative publicity.

Furthermore, several conciliation bodies exist in Austria which aim to resolve disputes, e.g. in the area of broadcasting and telecommunication, energy, transport or medical care. Ombudsmen for disputes relating to the internet or banks also provide an alternative to litigation.

The growing importance of mediation in Austria was also emphasised by the passing of the Civil Law Mediation Act (*Zivilrechts-Mediations-Gesetz*) in 2003. The act applies to the mediation of disputes which fall under the jurisdiction of the ordinary civil courts. It sets out rules and procedures for the listing of mediators, and provides for strict professional requirements that must be fulfilled (a mediator must be a minimum of 28 years old, have certain professional qualifications, be trustworthy, and must have a professional liability insurance) before mediators can be included in the list. Mediators registered under this act are subject to confidentiality and professional secrecy obligations with regard to information entrusted to them during the procedure, or information they gained in connection with the mediation procedure. An infringement of the obligation to secrecy constitutes a criminal offence.

Austria also has implemented Directive (EC) No. 2008/52 on certain aspects of mediation in civil and commercial matters by passing the EU Mediation Act (*EU-Mediations-Gesetz*), which came into force in 2011. This act applies to most cross-border disputes of civil and commercial matters. Under the EU Mediation Act, mediators must decline to testify in court or arbitral proceedings, unless the parties to the mediation agree, overriding considerations of public policy prevail, or disclosure is necessary to enforce the agreement reached through arbitration. However, the act does not set out specific professional requirements that mediators must fulfill.

Although there are no official statistics available on the number of disputes resolved through mediation, it is a frequent demand by practitioners and legal scholars that further measures are enacted to increase the use of mediation and alternative dispute resolution in Austria, by passing new legislation and by making the existing legal possibilities more popular.

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