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The International Comparative Legal Guide to:

Litigation & Dispute Resolution 2012

A practical cross-border insight into litigation & dispute resolution

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Austria

Oblin Melichar

Dr Klaus Oblin



I. LITIGATION

1 Preliminaries

1.1 What type of legal system has Austria got? Are there any rules that govern civil procedure in Austria?

Austria is a civil law country; thus, laws are codified into collections. Civil procedural rules are contained in various acts such as:

- the Austrian Jurisdiction Act (“*Jurisdiktionsnorm*”, AJA), regulating the organisation and jurisdiction of courts;
- the Austrian Code of Civil Procedure (“*Zivilprozessordnung*”, ACCP), governing the contentious proceedings in civil courts; and
- the Austrian Enforcement Code (“*Exekutionsordnung*”, AEC), determining the enforcement of judgments (as well as arbitral awards and preliminary remedies).

In addition, Austria is *inter alia* party to the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters (“Brussels Convention”) and the Lugano Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters.

1.2 How is the civil court system in Austria structured? What are the various levels of appeal and are there any specialist courts?

On the first level, civil proceedings are initiated either before the district court (“*Bezirksgerichte*”) or regional courts (“*Landesgerichte*”).

District courts have jurisdiction in most disputes relating to tenancy and family law (subject matter jurisdiction) and in matters with an amount in dispute of up to €10,000 (monetary jurisdiction). Appeals on points of fact and law are to be made to the regional courts. If a legal question of fundamental importance is concerned, another, final appeal can be submitted with the Supreme Court (“*Oberster Gerichtshof*”); see below.

Regional courts have monetary jurisdiction in matters involving an amount in dispute exceeding €10,000 and subject matter jurisdiction in IP and competition matters, as well as various specific statutes (Public Liability Act, Data Protection Act, Austrian Nuclear Liability Act). Appeals are to be directed to the Higher Regional Courts (“*Oberlandesgerichte*”). The third and final appeal goes to the Supreme Court.

As a general rule, a matter may only be appealed to the Supreme Court if the subject matter involves the resolution of a legal issue of general interest, i.e. if its clarification is important for purposes of legal consistency, predictability or development, or in the absence of coherent and previous decisions of the Supreme Court.

With respect to commercial matters, special Commercial Courts (“*Handelsgericht und Bezirksgericht für Handelssachen*”) only exist in Vienna. Apart from that, the above-mentioned ordinary courts decide as Commercial Courts. Commercial matters are, for example, actions against businessmen or companies in connection with commercial transactions, unfair competition matters, etc. Other special courts are the Labour Courts (“*Arbeits- und Sozialgericht*”), which have jurisdiction over all civil law disputes between employers and employees resulting from (former) employment as well as over social security and pension cases. In both commercial (insofar as Commercial Courts decide in panels) and labour matters, respectively, lay judges and professional judges decide together. The Court of Appeal in Vienna decides as the Cartel Court (“*Kartellgericht*”) on the trial level. This is the only Cartel Court in Austria. Appeals are decided by the Supreme Court as the Appellate Cartel Court (“*Kartellobergericht*”). In cartel matters, as well, lay judges sit on the bench with professional judges.

1.3 What are the main stages in civil proceedings in Austria? What is their underlying timeframe?

The statement of claim (“*Klage*”) is filed with the court and passed on to the defendant, along with an order to file a statement of defence (“*Klagebeantwortung*”). If the defendant replies in time, a preparatory hearing will be held, which mainly serves the purpose of shaping the further proceedings by discussing the main legal and factual questions at hand as well as questions of evidence (documents, witnesses, experts, etc.). In addition, settlement options might be discussed. After an exchange of briefs, the main hearing(s) follow. The average duration of first instance litigation is one year. However, complex litigations may take significantly longer. At the appellate stage, a decision is handed down after approx. six months.

1.4 What is Austria’s local judiciary’s approach to exclusive jurisdiction clauses?

Mutual agreements on jurisdiction are permitted unless expressly prohibited by law. If a valid jurisdiction clause is applicable, courts (if their jurisdiction is not agreed upon) have to dismiss the case.

1.5 What are the costs of civil court proceedings in Austria? Who bears these costs?

Legal costs comprise court fees and – if necessary – fees for experts, interpreters and witnesses. According to the Austrian Court Fees Act (“*Gerichtsgebührengesetz*”), the claimant (appellant) must advance the costs. The amount is determined on the basis of the amount in dispute. The decision states who should bear the costs or the proportion in which the costs of the proceedings are to be shared. Lawyer’s fees are reimbursed pursuant to the Austrian Lawyers’ Fees Act (“*Rechtsanwaltstarifgesetz*”).

1.6 Are there any particular rules about funding litigation in Austria? Are contingency fee/conditional fee arrangements permissible? What are the rules pertaining to security for costs?

Unless agreed otherwise, lawyer’s fees are subject to the Austrian Lawyer’s Fees Act. Agreements on hourly fees are permissible and common. Lump sum fees are not prohibited but are less commonly used in litigious matters. Contingency fees are only permissible if they are not calculated as a percentage of the amount awarded by the court (“*pactum de quota litis*”).

Legal aid (“*Verfahrenshilfe*”) is granted to parties who cannot afford to pay costs and fees. If the respective party can prove that the financial means are insufficient, court fees are reprieved or even waived and an attorney is provided free of charge.

If a foreigner files a lawsuit, upon a defendant’s request, a security deposit for legal costs must be made unless an international agreement provides otherwise. This does not apply if the claimant has its residence in Austria or if the court’s (cost) decision is enforceable at the claimant’s residence state, or if the claimant disposes of sufficient immovable assets in Austria.

2 Before Commencing Proceedings

2.1 Is there any particular formality with which you must comply before you initiate proceedings?

No, there is not.

2.2 What limitation periods apply to different classes of claim for the bringing of proceedings before your civil courts? How are they calculated? Are time limits treated as a substantive or procedural law issue?

Limitation periods are determined by substantive law.

Claims are not enforceable once they become statute-barred. The statute of limitations generally commences when a right could have been first exercised. Austrian law distinguishes between a long and a short limitation period. The long limitation period is 30 years and applies whenever special provisions do not provide otherwise. The short limitation period is three years and applies e.g. to accounts receivable or damage claims.

The statute of limitations must be argued explicitly by one party yet must not be taken into consideration by the initiative of the court (“*ex officio*”).

3 Commencing Proceedings

3.1 How are civil proceedings commenced (issued and served) in Austria? What various means of service are there? What is the deemed date of service? How is service effected outside Austria? Is there a preferred method of service of foreign proceedings in Austria?

The proceedings are initiated by submitting a statement of claim (“*Klage*”) with the court. The statement of claim is considered officially submitted upon receipt.

Service is usually effected by registered mail (or, once represented by a lawyer, via electronic court traffic, i.e. an electronic communication system connecting courts and law offices). The document is deemed served at the date on which the document is physically delivered to the recipient (or available for viewing).

Within the EU, the Service Regulation (Council Regulation (EC) No 1348/2000) applies. Service to international organisations or foreigners enjoying immunities under public international law is effected with the assistance of the Austrian Ministry for Foreign Affairs. In all other cases, service abroad is effected in accordance with the respective treaties (particularly the Hague Convention on Civil Procedure).

3.2 Are any pre-action interim remedies available in Austria? How do you apply for them? What are the main criteria for obtaining these?

Discovery proceedings do not exist.

However, the parties may turn to the court for assistance with safeguarding evidence both before and after a statement of claim has been filed. The required legal interest is considered established if the future availability of the evidence is uncertain or if it is necessary to examine the current status of an object.

Interim relief by injunctions is granted by various measures such as freezing orders on bank accounts or the seizure of assets including plots of land. In addition, third parties may be ordered not to pay accounts receivables.

3.3 What are the main elements of the claimant’s pleadings?

The statement of claim must state the facts which build the basis of the claim, declare the supporting evidence and specify the relief sought. If no payment order is requested, the amount in dispute has to be determined.

3.4 Can the pleadings be amended? If so, are there any restrictions?

Amendments to the pleadings are generally admissible.

As to the statement of the claim itself, once it has been served, it can only be amended with the consent of the other party. However, courts may grant an amendment even without the defendant’s consent if the court’s competence remains and a risk of major delays does not exist.

Concerning additional submissions, there are procedural limits. In principle, the facts shall be presented before the first hearing; e.g. additional requests for evidence and statements on legal questions are accepted until the proceedings of first instance are closed.

4 Defending a Claim

4.1 What are the main elements of a statement of defence? Can the defendant bring counterclaims/claim or defence of set-off?

The statement of defence must present the facts, declare the evidence and contain a specified request (in principle the dismissal in whole or in part).

The defendant may either raise a counterclaim (“*Widerklage*”) or claim a set-off (“*Aufrechnungseinrede*”).

A counterclaim represents an independent claim which is yet closely connected to the main claim.

A set-off aims to receive the court’s dismissal of the main claim, based on the argument that it can be set-off against an existing claim against the claimant.

While a set-off does not require that the court has jurisdiction over the defendant’s claim, a counterclaim is only admissible if the court does have jurisdiction for the claim.

In addition, a set-off does not trigger court fees.

4.2 What is the time limit within which the statement of defence has to be served?

The time limit is four weeks. If the defendant fails to submit its statement of defence in time, a default judgment can be obtained (upon request).

4.3 Is there a mechanism in your civil justice system whereby a defendant can pass on liability by bringing an action against a third party?

There is no such mechanism. Even if the object in dispute is transferred to a third party during the litigation, the transferee (e.g. buyer) may not join the proceedings without the opponent’s consent.

4.4 What happens if the defendant does not defend the claim?

The claimant will request from the court that it issues a default judgment.

4.5 Can the defendant dispute the court’s jurisdiction?

The defendant can dispute the court’s jurisdiction but they must do so as soon as possible, i.e. before stating their defence at the district court level or along with their statement of defence at the regional court.

5 Joinder & Consolidation

5.1 Is there a mechanism in your civil justice system whereby a third party can be joined into ongoing proceedings in appropriate circumstances? If so, what are those circumstances?

Yes, third party intervention is admissible if the prospective judgment might affect the third party’s legal position.

5.2 Does your civil justice system allow for the consolidation of two sets of proceedings in appropriate circumstances? If so, what are those circumstances?

Yes, in order to save time and costs, courts may consolidate two (or more) proceedings involving the same parties even if the final judgment will have to be announced separately for the parties.

5.3 Do you have split trials/bifurcation of proceedings?

Yes, courts may split proceedings and separately hear claims which have been raised in one submission.

6 Duties & Powers of the Courts

6.1 Is there any particular case allocation system before the civil courts in Austria? How are cases allocated?

The courts allocate the cases in accordance with criteria defined on a regular basis by a particular senate.

6.2 Do the courts in Austria have any particular case management powers? What interim applications can the parties make? What are the cost consequences?

Proceedings are primarily controlled by the judge who is in charge of the schedule. The judge orders the parties to submit briefs and produce evidence within a certain period of time. If necessary, the experts are also nominated by the judge. However, the parties may file procedural motions (e.g. for time-extension), yet also agree on the stay of the proceedings.

6.3 What sanctions are the courts in Austria empowered to impose on a party that disobeys the court’s orders or directions?

The powers to impose sanctions on parties are limited. If briefs are not filed in time, they may be disregarded; however, the parties are permitted to give their statements orally until the end of the (final) hearing anyway.

If a witness fails to show at the hearing or to testify at all without a valid excuse, an administrative penalty is imposed. Such refusals are also considered when weighing the evidence. Courts also have the power to take witnesses under oath.

6.4 Do the courts in Austria have the power to strike out part of a statement of case? If so, in what circumstances?

Courts only deal with those parts of the submissions which they consider relevant for the decision.

6.5 Can the civil courts in Austria enter summary judgment?

Upon request, default judgments are rendered if the defendant fails to submit a statement of defence in time or fails to show at the first hearing.

If the claim calls for a payment order and the amount in dispute is below €70,000, instead of the invitation to submit a statement of defence, a payment order is issued (based on the statement of claim). If the defendant does not respond within the time set, the claimant receives an enforceable title and may proceed to the

enforcement stage. If the defendant replies, a regular litigation follows.

6.6 Do the courts in Austria have any powers to discontinue or stay the proceedings? If so, in what circumstances?

Proceedings are stayed if the parties so agree or (both) fail to show at the hearing.

Proceedings are discontinued either by law e.g. if a party gets insolvent or ceases to exist, or by a court order, depending on various reasons to be considered by the judge.

7 Disclosure

7.1 What are the basic rules of disclosure in civil proceedings in Austria? Are there any classes of documents that do not require disclosure?

If a party manages to show that the opposing party is in possession of a specific document, the court may issue a submission order if either: (i) the party in possession has expressly referred to the document in question as evidence for its own allegations; (ii) is under a legal obligation to hand it over to the other party; or (iii) the document in question was made in the legal interest of both parties, certifies a mutual legal relationship between them, or contains written statements which were made between them during negotiations of a legal act.

A party is not bound to present documents which concern family life, if the opposing party violates obligations of honour by the delivery of documents, if the disclosure of documents leads to the disgrace of the party or of any other person or involves the risk of criminal prosecution, if the disclosure violates any state-approved obligation of secrecy of the party from which it is not released or infringes business secrets (or for any other reason similar to the above).

7.2 What are the rules on privilege in civil proceedings in Austria?

Following the attorney's professional confidentiality rules, there is no obligation to produce documents unless the attorney advised both parties in connection with the disputed legal act. Attorneys have the right of refusal to give oral evidence if information was made available to them in their professional capacity.

7.3 What are the rules in Austria with respect to disclosure by third parties?

The court may order third parties to disclose if (i) the third party is under a legal obligation to hand over a particular document to the requesting party, or (ii) either the document was established in the legal interest of both the third and the requesting party, it certifies a legal relationship between them, or it contains written statements which were made between them during the negotiation of a legal act.

7.4 What is the court's role in disclosure in civil proceedings in Austria?

See question 7.1 above. The evidentiary proceedings are mainly shaped by the judge.

7.5 Are there any restrictions on the use of documents obtained by disclosure in Austria?

No, there are no restrictions of this kind.

8 Evidence

8.1 What are the basic rules of evidence in Austria?

Evidence is taken during the course of the litigation, not before. The parties are required to produce the evidence supporting their respective allegations or where the burden of proof is on them, respectively.

8.2 What types of evidence are admissible, which ones are not? What about expert evidence in particular?

The main types of evidence are documents, party and witness testimony, expert testimony and judicial inspection.

Written witness statements are not admissible.

Yet, experts render their reports in written form but are often invited to attend the hearing to further explain and answer additional questions orally.

8.3 Are there any particular rules regarding the calling of witnesses of fact? The making of witness statements or depositions?

There are no depositions and no written witness statements.

Witnesses are obliged to show at the hearing and testify. Regarding sanctions, see question 6.3 above.

Restrictions to this obligation exist, e.g. privileges for lawyers, doctors, priests or in connection with possible incrimination of close relatives.

Witnesses are examined by the judge followed by (additional) questions by the legal representatives of the parties.

8.4 What is the court's role in the parties' provision of evidence in civil proceedings in Austria?

The judge takes any evidence which he considers relevant, i.e. by examining parties and witnesses, ordering the production of documents (see section 7 above), arranging for a local inspection and nominating an expert.

Documents and witnesses must have been introduced by the party/ies. Experts are appointed if at least one party's allegation has made it necessary.

9 Judgments & Orders

9.1 What different types of judgments and orders are the civil courts in Austria empowered to issue and in what circumstances?

Court decisions on the merits are referred to as judgments ("Urteil"). In general, they are handed down in writing a couple of months after the final hearing.

Concerning default judgments, see question 6.5 above.

Decisions of a procedural nature are referred to as orders ("Beschluss").

9.2 What powers do your local courts have to make rulings on damages/interests/costs of the litigation?

The decision on costs is part of any court's final decision. It can be challenged separately. The prevailing party has to get reimbursed for all the costs including lawyers fees, calculated on the basis of the Austrian Lawyers' Fees Act to the extent it has prevailed (*pro rata*).

Decisions on damages and interest are rendered if substantiated, requested and provided for under the applicable substantive law.

9.3 How can a domestic/foreign judgment be enforced?

If the defendant does not satisfy the claims awarded by the judgment, the claimant may obtain compulsory enforcement.

Judgments are enforceable once they have become final and binding (e.g. if no appeal has been raised within the respective time limit).

The enforcement procedural rules are contained in the AEC.

The European ("Brussels") Convention and the Lugano Convention are the most relevant multilateral treaties on recognition and enforcement of foreign judgments. In addition, a couple of bilateral treaties exist.

9.4 What are the rules of appeal against a judgment of a civil court of Austria?

There are ordinary appeals against the judgment of a trial court ("*Berufung*"), and appeals against the judgment of an appellate court ("*Revision*"); see question 1.2 above.

Procedural court orders can be challenged as well ("*Rekurs*"); the procedure in principle follows the same rules as appeals (yet a bit less informal).

An appeal against a judgment suspends its legal validity and – with few exceptions – its enforceability.

As a general rule, new allegations, claims, defences and evidence must not be introduced (they will be disregarded).

Other remedies are actions for annulment or for the reopening of proceedings.

Following an appeal, the appellate court may set aside the judgment and refer the case back to the court of first instance, or it may either alter or confirm the judgment.

II. ALTERNATIVE DISPUTE RESOLUTION

1 Preliminaries

1.1 What methods of alternative dispute resolution are available and frequently used in Austria? Arbitration/Mediation/Expert Determination/Tribunals (or other specialist courts)/Ombudsman? (Please provide a brief overview of each available method.)

The main extra-judicial methods provided for by statute are arbitration, mediation (mainly in family law matters) and conciliation boards in housing or telecommunication matters.

In addition, various professional bodies (lawyers, public notaries, doctors, civil engineers) provide for dispute resolution mechanisms concerning disputes between their members or between members and clients.

The Austrian arbitration law (contained in the ACCP) substantially reflects the UNCITRAL Model Law on International Commercial Arbitration, while granting a great degree of independence and autonomy to the arbitral tribunal.

1.2 What are the laws or rules governing the different methods of alternative dispute resolution?

The Arbitration Law is regulated in sections 577-618 ACCP. They provide the general framework for arbitration proceedings, both for domestic and international arbitrations. Specific rules apply to consumers and employees.

Mediation is governed by the Civil Law Mediation Act ("*Zivilrechts-Mediations-Gesetz*").

Mediators are qualified experts using approved methods. The solution reached with the assistance of the mediator is not enforceable by the court.

1.3 Are there any areas of law in Austria that cannot use Arbitration/Mediation/ Expert Determination/Tribunals/ Ombudsman as a means of alternative dispute resolution?

All pecuniary claims as generally arbitrable except for claims relating to family law and disputes between landlord and tenant. Further exemptions concern labour-law related disputes and the Cartel Act.

1.4 Can local courts provide any assistance to parties that wish to invoke the available methods of alternative dispute resolution? For example, will a court - pre or post the constitution of an arbitral tribunal - issue interim or provisional measures of protection (i.e. holding orders pending the final outcome) in support of arbitration proceedings, will the court force parties to arbitrate when they have so agreed, or will the court order parties to mediate or seek expert determination? Is there anything that is particular to Austria in this context?

Austrian courts may only intervene in arbitration matters when they are expressly permitted to do so under sections 577-618 ACCP. The intervention of courts is limited to the issuance of interim measures, assistance with the appointment of arbitrators, review of challenge decisions, decision on the early termination of an arbitrator's mandate, enforcement of interim and protective measures, court assistance with judicial acts that the arbitral tribunal does not have the power to carry out, decision on an application to set aside an arbitral award, determination of the existence or non-existence of an arbitral award and recognition and enforcement of awards.

The arbitral tribunal – or any party with the approval of the arbitral tribunal – may request a court to perform judicial acts (e.g. service of summons, taking of evidence), for which the arbitral tribunal does not have the authority.

1.5 How binding are the available methods of alternative dispute resolution in nature? For example, are there any rights of appeal from arbitration awards and expert determination decisions, are there any sanctions for refusing to mediate, and do settlement agreements reached at mediation need to be sanctioned by the court? Is there anything that is particular to Austria in this context?

The only available recourse to a court against an arbitral award is

an application to set the award aside. This also applies to arbitral awards on jurisdiction. Such application to set aside is to be filed within three months from the date on which the claimant has received the award.

An arbitral award shall be set aside if no valid arbitration agreement exists, or if the arbitral tribunal denied its jurisdiction even though a valid arbitration agreement existed, if a party was incapable of concluding a valid arbitration agreement, if a party was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present the case, if the arbitral award deals with a dispute that is not covered by the arbitration agreement, or contains decisions on matters beyond the scope of the arbitration agreement or the submission of the parties to arbitration, if the constitution or composition of the arbitral tribunal was in violation of the respective rules and if the arbitration proceedings were conducted in violation of Austrian public policy.

Furthermore, an award can be set aside if the preconditions exist under which a court judgment can be appealed by filing a complaint for revision pursuant to section 530(1), numbers 1-5 ACCP. This provision determines circumstances under which criminal acts led to the issuance of a certain award. An application to set aside an award on these grounds must be filed within four weeks of the date on which the sentence on the respective criminal act became final and binding.

An award may also be set aside if the matter in dispute is not arbitrable under domestic law and, finally, if the arbitral award violates Austrian public policy.

As to mediation, see question 1.2 above.

2 Alternative Dispute Resolution Institutions

2.1 What are the major alternative dispute resolution institutions in Austria?

The Vienna International Arbitral Centre of the Austrian Federal Economic Chamber (VIAC) is Austria's most relevant (international commercial) arbitration institution. The framework for the conduct of arbitration proceedings is referred to as "Rules of Arbitration and Conciliation of the VIAC ("Vienna Rules")".

2.2 Do any of the mentioned alternative dispute resolution mechanisms provide binding and enforceable solutions?

Arbitral awards are binding and enforceable just as final binding decisions of state courts are. The recognition and enforcement of foreign arbitral awards also follow the rules of the AEC.

There is no difference between settlements reached with and settlements reached without the assistance of a mediator.

3 Trends & Developments

3.1 Are there any trends in the use of the different alternative dispute resolution methods?

The entry into force of a new Austrian arbitration law on 01 July 2006 has been positively received by the international business and legal community. The legislation put Austria on the map as a venue for international arbitration with courts now statutorily bound to assist, where necessary, the smooth running of both arbitration proceedings and to intervene only in limited circumstances.

3.2 Please provide, in no more than 300 words, a summary of any current issues or proceedings affecting the use of those alternative dispute resolution methods in Austria?

In a 27 January 2010 judgment, the Supreme Court had to decide on the possibility of granting interim measures to ensure the enforcement of awards rendered abroad.

The respective request was based on the AEC rule that interim measures may be issued if a judgment would have to be enforced in a state which is not a party to the EU Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters 1968 or the Lugano Convention 1988.

The court referred to its prior jurisprudence, according to which measures based on this provision cannot be ordered to secure the enforceability of judgments or awards rendered abroad, regardless of where they will be enforced. As the court had confirmed the Austrian courts' lack of jurisdiction, it also denied the requested measure, as the main proceedings would have to be held in the U.S.A.

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Freshfields Bruckhaus Deringer, Vienna.
McDougal Love Eckis Smith&Boehmer, San Diego.
Cerha Hempel Spiegelfeld Hlawati, Vienna.

Languages:

German (native), English (fluent), French (basic).

Specialisation:

Litigation, especially commercial and civil law-related disputes.
Counsel and arbitrator in arbitrations e.g. under the rules of the International Chamber of Commerce (ICC), the International Arbitral Centre of the Austrian Federal Economic Chamber (VIAC), Swiss Rules, UNCITRAL (focus: commercial law, supply contracts, M&A, joint ventures, construction).
Advice with regard to various matters of commercial, contract and construction law.
Establishment of businesses and regular advice on partnerships and corporations.
Mergers and acquisitions.
Directors' and officers' liability.

Publications:

Regular contributions to the litigation-newsletter at the "International Law Office".
Austrian chapter to "The Willis Worldwide Directory of Directors and Officers Liability" (Willis, 2005).
Lectures on International Supply Contracts (ICC Austria).

OBLIN MELICHAR

Law firm practising in the field of domestic and international commercial law and particular expertise in dispute resolution.

Advice and representation with regard to all aspects of judicial and extrajudicial dispute resolution: out-of-court negotiations, litigation and arbitration proceedings as well as national and international enforcement proceedings.

Advice in the areas of domestic and international contract law as well as corporate law.

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