

## NEW TECHNOLOGIES SHAKING UP BUSINESS IN HUNGARY

### INTRODUCTION

In recent years digital technologies substantially changed the business environment of many industries such as media, retail, travel, accommodation. The operation of the new undertakings was facilitated primarily by digital technologies. In Hungary and other parts of Central Europe that process has often been rapid as the incumbents were weak or not well established—see for example the opportunity presented to budget airline Wizz by the collapse of Malév or the speed with which mobile telephony became established in the 1990s, in the absence of any well developed fixed line network.

As a result of new market entrants applying internet based techniques, there has been a rapid redistribution of market shares on various markets, such as the hotel market or the personal car transportation business. By offering cost effective shared services via the internet new-comers, such as Uber or Airbnb, are causing significant difficulties to existing market players operating with a substantially higher cost base.

While most consumers appreciate the new services which simplify their lives and help cut their expenditures, incumbent corporations often pressurize legislators and lobby against the unwellcome competition.

Hungarian legislators and regulators have been receptive to arguments against newcomers based on losses in tax revenue or job losses, and also seek to ensure that laws on anti-competitive practices, consumer protection, data protection, intellectual property and financial regulation are not breached. To a large extent the issues are arising in a broadly similar form in most countries, although the approach taken depends on local factors and politics. For example in Hungary data protection is a sensitive issue with European regulation being strictly enforced and in some cases surpassed by local regulation. It is likely that the new digital technology based companies represent the future of the respective industries but the road to that future clearly involves some roadblocks being set up by incumbents, the real need for new regulation to be developed to address new circumstances and also adoption by incumbents of some of the new technologies.

### CLIENTS

Our relevant experience in this area includes:

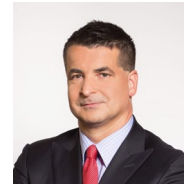
- Representing leading social media platforms before the Hungarian Competition Office and on regulatory issues;
- Assisting Uber in the course of its disputes with the various Hungarian authorities and the legislator;
- Advising an airline on on-line marketing issues;
- Advising a major software company in various areas;
- Advising an online games provider on complaints made by the Hungarian Consumer Protection Authorities;
- Representing two leading mobile phone manufacturers in disputes with the Hungarian performing rights organization.

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## LEGAL ISSUES

- The existing legislation does not adequately address the challenges represented by the new internet based techniques, which creates an uncertain legal environment. There are no decent court judgements which could provide clear guidelines to market players in respect of the interpretation of existing laws. For example in Hungary legislators tried to regulate personal car transportation intermediation service and some other areas in which regulations are in part tested before the European Court of Justice.
- These internet based services are often supplied to numerous countries from a regional hub, but in many occasions national authorities are incapable of properly applying the relevant EU laws or simply neglect the cross-border nature of the service and try to interpret the activities as national services.

## WHAT CAN WE OFFER?

When representing clients from the new industries, LKT has been involved in various disputes with courts and authorities on the interpretation of the existing laws. We can assist our clients with:

- interpretation of the relevant EU laws and local regulations;
- representation before the authorities;
- experience in constitutional challenges;
- experience in advising legislators on new laws;
- detailed knowledge of the regulatory environment in key sectors.

## ABOUT LAKATOS, KÖVES AND PARTNERS

Lakatos, Köves and Partners (LKT) is a 9 partner, 40 lawyer full service commercial law firm based in Budapest, Hungary, with a predominantly international client base, offering cutting-edge know-how and matching innovative legal solutions to business needs. For many years the firm was Clifford Chance's office in Budapest, but since 2009 has been independent. LKT's market standing is reflected in top tier rankings in many areas including Corporate/M&A, Banking & Finance, Real Estate, Dispute Resolution, TMT and Tax. The firm has an extensive referral network of leading international law firms.

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