

LEGALINK

INVESTMENT AND BUSINESS START UP IN SLOVAKIA

(A) Legal system

1. What is the legal system (i.e. common law system, civil law system or both) in your country?

Slovakia has a civil law system.

2. What are the major law courts in your country?

The Slovak judiciary system comprises district courts as the court of first instance and 8 regional courts at the appellate level, after which any appeal goes to the Supreme Court. In addition, the system of courts also includes the Special Criminal Court. An independent judicial body to oversee compliance with the Constitution is the Constitutional Court of the Slovak Republic.

3. What are the sources of laws (such as constitution, statute law and common law) in your country?

In terms of the level of legal force, the Slovak Constitution and constitutional acts are jointly at the highest level.

In terms of the level of legal force, legal provisions may be classified as follows:

- Constitution and constitutional acts,
- Results of obligatory national referendum (same legal force as constitutional acts),
- International treaties on human rights and fundamental freedoms, international treaties whose execution does not require an act and international treaties which directly establish rights or obligations of natural persons or legal persons and which were ratified and promulgated in a manner laid down by an act,
- Legally binding acts of the European Union,
- Acts adopted by the Parliament,
- Other international treaties ratified and promulgated in a manner laid down by an act (same legal force as acts of the Parliament),
- Results of referendum (same legal force as acts of the Parliament),
- Derived legislation:
 - Regulations issued by the Government,
 - Generally binding legal regulations of ministries and other central state administration bodies,
 - Generally binding legal regulations of local bodies of state administration,
 - Legal regulations of self-governmental units.

As regards case-law, in Slovakia court judgments do not have legally binding force. However, in passing judgments the courts follow rulings by the Slovak Supreme Court.

4. What is/are the official language(s) in your country?

The official language in Slovakia is the Slovak language.

(B) Foreign investment

5. Are there any restrictions faced by a foreign individual or company when they want to invest in your country? Is an approval or permit required if a foreign individual or company wants to enter a certain industry?

Foreign persons (i.e. a legal entity which has its registered office outside the territory of the Slovak Republic (“a foreign legal entity”) or a natural person whose residence is outside the territory of the Slovak Republic (“a foreign natural person”) may perform business in Slovakia under the same conditions and to the same extent as Slovak ones, unless stipulated otherwise by law. In general, a foreign person’s authorization to perform business in Slovakia takes effect on the day as of which that person, or that person’s branch office, is entered in the Commercial Register; such a foreign person may perform business within the scope of issued licenses.

A foreign natural person may conduct business in Slovakia:

- upon being granted a trade authorization for conducting business activity in Slovakia,
- through setting up a legal entity in Slovakia,
- through property participation in a Slovak legal entity,
- by concluding an association agreement (an association is created by a group of natural persons or legal entities in order to pursue one or more mutual interests. An association does not constitute a separate legal entity.),
- by concluding a silent partnership contract (silent partnership is established by a written contract between a silent partner and an entrepreneur, under which the silent partner undertakes to make a specific investment contribution in return for a share of the profit).

A foreign legal entity may conduct business in Slovakia:

- through setting up a branch office in Slovakia (a branch office does not constitute a separate legal entity),
- through setting up a legal entity in Slovakia,
- through property participation in a Slovak legal entity,
- through relocation of its seat to the territory of the Slovak Republic,
- by concluding an association agreement,
- by concluding a silent partnership contract.

Subject to a few very limited exemptions (e.g. certain categories of agricultural land and forests) the foreigners are in general allowed to acquire real estate in Slovakia. The ownership title to real estate property can be acquired on contractual basis or by operation of law (by inheritance, decision of a state body or other mean recognized by Slovak law). In all cases, the new owner must be registered in the Cadaster Registry.

6. Are there any exchange control or currency regulations in your country?

Slovakia, in general, does not restrict the flow of currency into or out of the country. Both residents and nonresidents can hold bank accounts in any currency. Certain reporting obligations are imposed to control tax evasion and money laundering.

7. What grants or incentives are available to a foreign individual or company to encourage investment in your country?

Act No 561/2007 Coll. on Investment Aid, as amended, defines four categories of projects that can be supported by investment incentives:

- industrial production,
- technological centres,
- shared service centres,
- tourism.

Each category has specifically defined conditions which shall be met in order to apply for the investment incentives.

The incentives are provided in the form of:

- a subsidy for the acquisition of material assets and immaterial assets,
- an income tax relief,
- a contribution for creation of new jobs,
- transfer of immovable property or exchange of immovable property at a price lower than a general asset value.

The provision of the State aid is governed in particular by law of the European Union which forms the legal framework also for the Slovak authorities.

(C) Business vehicles

8. What is the most common form of business vehicle used by foreign investors in your country?

The most common form of business vehicle used by foreign investors is a limited liability company („LLC“).

Please provide details on:

i. Establishment and Incorporation of LLC

The LLC is established by execution of its foundation document and obtains a legal capacity upon the registration with the Commercial Register kept with the District Court.

ii. Minimum (and maximum) share capital;

The minimum registered capital of LLC is EUR 5,000. There is no maximum share capital for LLC.

The share capital is formed by contributions of shareholders which can be monetary or non-monetary (in such case an expert's appraisal is required). The shareholder's contribution cannot be lower than EUR 750.

Prior to LLC's registration with the Commercial Register, the registered capital shall be paid up to 50%. In case of sole shareholder, the registered capital shall be paid up in full.

- iii. Whether shares can be issued for non-cash consideration, such as assets or services (and any formalities);

Shares can be issued for non-cash consideration.

- iv. Any restrictions on foreign shareholders;

There are no restrictions on foreign shareholders.

- v. Management structure and any restrictions on foreign managers;

The LLC is managed by one or more executive directors (hereinafter referred to as "executive") appointed by the shareholders. Only natural person can be an executive. A residence permit shall be required in case of executives from countries that are not a member state of the European Union or OECD

- vi. Directors' liability;

Executives who breach their obligations while exercising their powers are obliged to jointly and severally compensate the damage thus caused to the company. However, executives shall not bear liability for damage if they can prove that they proceeded in exercising their powers with professional care and in good faith that they were acting in the company's interest. Executives shall not bear liability for any damage caused to the company by their conduct in executing a decision of the general meeting; this shall not apply if the general meeting's decision is contrary to legal regulations, the agreement of association or articles of association. If the company has established a supervisory board, approval of the executive officers' conduct by the supervisory board shall not relieve them of liability.

- vii. Parent company liability; and

Parent companies are not automatically liable for the debts or other liabilities of their subsidiaries.

- viii. Reporting requirements (including filing of accounts).

The LLC must notify changes to its particulars, such as: registered office, change of an executive etc. to the Commercial Register. In addition, the LLC must submit to the Commercial Register ordinary financial statement and extraordinary financial statement.

(D) Employment

9. What are the main laws regulating employment relationships in your country?

The main laws regulating employment relationships in Slovakia are:

- Act No. 311/2001 Coll., the Labour Code, as amended (“Labour Code”),
- Act No 125/2006 Coll. on the Labour Inspection, as amended,
- Act No. 82/2005 Coll. on Illegal Work and Illegal Employment, as amended,
- Act No. 283/2002 Coll. on Reimbursement of Travel Expenses, as amended,
- Act No 5/2004 Coll. on Employment Services, as amended.

10. Is a written contract of employment required in your country, and if so, must it contain any particular language? Are any agreements and/or implied terms likely to govern the employment relationship?

An employment relationship shall be established by a written employment contract between the employer and the employee. The employer shall be obliged to provide the employee with one written copy of the employment contract.

In an employment contract, the employer shall be obliged to stipulate the following substantial particulars:

- the type of work for which the employee was accepted, and its brief description,
- place of work performance,
- day of work take-up,
- wage conditions, unless agreed in collective agreement.
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Further working conditions, particularly concerning payment terms, working time, duration of paid holiday and length of notice period, shall be stipulated in an employment contract. If such conditions are agreed in a collective agreement, it shall be sufficient to give reference to the collective agreement provisions; otherwise, reference to relevant provisions of Labour Code shall be sufficient.

11. Do foreign employees require work permits and/or residency permits if they work in your country? If so, how long does it take to obtain them and how much do they cost?

European Economic Area (EEA) nationals can enter and work in Slovakia without applying for permission. Non EEA nationals must usually obtain permission to work in Slovakia.

12. Are employees entitled to management representation and/or to be consulted in relation to corporate transactions (such as redundancies and disposals) in your country?

In principle, employees are entitled to be consulted in relation to substantial corporate transactions. For example pursuant to Article 74 of Labour Code, termination of employment with notice or with immediate effect by the employer shall be pre-

negotiated with the employee representatives; otherwise the termination of employment with notice or with immediate effect shall be invalid.

13. Are there any employment protection laws (such as minimum wage law and/or maximum working hours law) in your country?

The minimum wage is regulated by laws and the exact amount is set forth in the governmental decrees.

The Labour Code stipulates the maximum working time of an employee of 40 hours per week while the maximum average working time including overtime work is 48 hours per week (however, can be agreed with the employee up to 56 hours per week in the health care sector). The employer may instruct its employee with an overtime work at maximum 150 hours per year. An employee may work no more than 400 hours overtime in a calendar year.

14. Is there any pension system in your country? Is it on a mandatory or voluntary basis? If so, please give details.

The pension system in Slovakia is based on three pillars representing an important mandatory public pillar (1st pay-as-you-go pillar), old-age pension saving system (2nd pillar) and voluntary saving pillar (3rd pillar).

15. How is the termination of individual employment contracts regulated in your country? Under what circumstances is the dismissal of an employee unlawful?

Under Slovak law, an employment relationship may be terminated by:

- an agreement
- a notice of termination
- an immediate dismissal or termination
- a notice of termination during a probationary period
- operation of law (e.g. in case of contracts concluded for definite period of time, in case of foreigner - if the employee stay in Slovak Republic terminates pursuant to a final decision on cancellation of stay permit, or if the employee has been expelled from the Slovak Republic or the stay permit to stay in Slovak Republic has expired).

16. Are redundancies and mass layoffs regulated in your country? If so, please give details.

Collective redundancies are when the employer terminates the employment by termination notice due to (i) winding up or re-location of the employer or (ii) redundancy of the employees or (ii) if employment is terminated differently for a reason which is not attributable to the employee's person, during 30 days

- with at least ten employees, if an employer employs more than 20 and less than 100 employees,

- with at least 10% of employees from the total number of employees, if an employer employs at least 100 and less than 300 employees,
- with at least 30 employees, if an employer employs at least 300 employees.

In order to reach an agreement, no later than one month before the commencement of collective redundancies, the employer shall negotiate with the employee representatives, or directly with the employees concerned if no employee representatives operate at the employer, measures to avoid or limit the collective redundancies, in particular the possibility of placing the employees concerned in any of the employer's other locations, whether with or without pre-training, and measures to mitigate the adverse effects of collective redundancies. The employer shall also deliver a copy of such written information, together with the names, surnames and permanent residential addresses of employees whose employment shall be terminated, to the Office of Labour, Social Affairs and Family in order to find solutions to issues associated with collective redundancies.

(E) Tax

17. In relation to employees, what is the basis of taxation (i.e. whether territorial source principle, tax residency principle or other principle is adopted) in your country?

Slovak residents are taxed on their worldwide income, while non-residents are taxed only on their Slovak-source income.

An individual is a Slovak resident if his domicile (a registered permanent stay) or habitual place of abode (a physical presence for more than 183 days in a calendar year) is in Slovakia. Individuals, who are residents in Slovakia, are subject to unlimited income tax liability on their worldwide income (i.e. income from domestic and foreign sources).

18. Under what circumstances are employees subject to taxation in your country?

An international assignee working in the Slovak Republic is likely to be subject to Slovak taxation, either as a Slovak tax resident or as a Slovak tax non-resident. As already explained above, an individual who has permanent residence in Slovakia is subject to Slovak tax on his worldwide income. The same principle applies to any individual who is present in Slovakia for 183 days or more in a calendar year. A tax non-resident international assignee is subject to tax on his Slovak-source income only.

19. What income tax or social security contributions must be paid by:

- i. Employees?
- ii. Employers, in relation to their employees?

In general, the income tax imposed on employees is 19% from the tax base which shall not exceed EUR 34,401.74 per calendar year; if exceeded, the 25% income tax rate shall apply in relation to the excess of the tax base.

Both employers and employees are subject to social security contributions on an employee's gross monthly pay. The rates are 35.2% for employers and 13.4% for employees. However, contributions are capped at a maximum of EUR 1,351.91 for employers and EUR 526.62 for employees per month.

20. In relation to corporations, what is the basis of taxation (i.e. whether territorial source principle, tax residency principle or other principle is adopted) in your country?

Corporations having their registered office and/or their place of effective management in the territory of the Slovak Republic are subject to corporate income tax in Slovakia on their world-wide income (i.e. income from domestic and foreign sources).

Non-residents (both individuals and corporations) are taxed only on Slovak-source income.

21. Under what circumstances are incorporations subject to taxation in your country?

Foreign-source income derived by residents is subject to corporate income tax in the same way as income from Slovak sources. Branches are taxed in the same way as subsidiaries.

22. What are the main taxes that potentially applicable to a corporation and what are their tax rates?

Income tax of corporations is 23% from the tax base lowered by the tax loss.

VAT is imposed on a supply of goods or services made in Slovakia as well as on imports into Slovakia. The standard rate is 20%. A reduced rate amounting to 10% is applicable for example on certain pharmaceuticals and healthcare products. Certain supplies (e.g. finance and insurance) are exempt from VAT.

Real estate transfer tax was abolished on 1 January 2005. Therefore, the purchase of Slovak real estate property is not subject to any property transfer tax in the Slovak Republic.

The real estate tax (property tax) comprises (i) land tax, (ii) building tax and (iii) flat tax. The property tax is a local tax levied by municipalities. The tax is in principle payable by the owner or beneficial owner of the real estate. The basic tax rates are as follows:

- land tax: 0,25% of the tax base, but can be changed by the municipality,
- building tax: EUR 0,033 for each sqm of ground space occupied by the building,
- flat rate: EUR 0,033 for each sqm of flats floor area, but can be changed by the municipality.

23. Please explain how each of the following is taxed in your country:

- i. Dividends paid to foreign corporate shareholders?

Dividends paid to foreign corporate shareholders are generally not subject to tax in Slovakia (this applies to dividends from profits relating to the calendar year 2004 onwards). Foreign resident owners of shares in Slovak companies may have to declare and pay tax in their local jurisdiction.

However, natural persons who are subject to health insurance in Slovakia are obliged to pay health insurance contributions on dividends paid out from profit. Insurance rate for individuals who receive dividends is 14% of the assessment base. How the assessment base is calculated and who is subject to compulsory public health insurance in Slovakia is regulated by Act No 580/2004 Coll. on Health Insurance, as amended.

ii. Dividends received from foreign companies?

Dividends received from foreign companies are not subject to tax in Slovakia.

iii. Interest paid to foreign corporate shareholders?

Interest paid by a Slovak tax resident to a Slovak tax non-resident is subject to domestic withholding tax of 19%, unless the rate is reduced under a tax treaty or is exempt from tax in accordance with the EU Directive on the common system of taxation applicable to interest and royalty payments as incorporated into Slovak tax legislation.

iv. Intellectual property (IP) royalties paid to foreign corporate shareholders?

Royalties paid to a non-resident are subject to a 19% withholding tax unless the rate is reduced under a tax treaty or is exempt from tax in accordance with the EU Directive on the common system of taxation applicable to interest and royalty payments as incorporated into Slovak tax legislation.

24. Are there any thin capitalization rules (i.e. restrictions on loans from foreign affiliates) in your country? If so, please give details.

There are no thin capitalization rules in place in Slovakia.

25. Are there any controlled foreign company rules (i.e. the profits of a foreign subsidiary must be imputed to a local parent company) in your country? If so, please give details.

There are no controlled foreign company rules in place in Slovakia.

26. Are there any transfer pricing rules (i.e. restrictions on the pricing of transaction between a local entity and a foreign entity) in your country? If so, please give details.

Transactions between a Slovak entity and a non-resident related entity are subject to transfer pricing rules, which in general follow the OECD Transfer pricing guidelines.

27. How are imports and exports taxed in your country?

Customs duties and quantitative restrictions are prohibited between the EU Member States. Customs duties and taxes are due when importing goods into Slovakia from outside of the EU whether by a private individual or a legal entity. Custom duties and taxes payable are calculated on the value of the imported goods plus the cost of importing them.

28. Is there a wide network of double tax treaties in your country? If so, please give details.

Yes, Slovakia has concluded many double tax treaties. The updated list of double tax treaties is available on the website of the Ministry of Finance: <http://www.finance.gov.sk/en/Default.aspx?CatID=285>

(F) Competition

29. Is there any competition law in your country? If so, please give details.

The main source of Slovak competition law is Act No. 136/2001 on Protection of Competition (“Act on Protection of Competition”).

30. Are restrictive agreements and practices regulated by competition law in your country?

Restrictive agreements and practices are regulated by Act on Protection of Competition. Article 4 of Act on Protection of Competition (modelled on Article 101 of the Lisbon Treaty) prohibits agreements, concerted practices and decisions of associations which prevent, restrict or distort competition.

31. Is unilateral (or single-firm) conduct regulated by competition law in your country?

Unilateral (or single-firm) conduct is regulated by Act on Protection of Competition. Article 8 of Act on Protection of Competition (modelled on Article 102 of the Lisbon Treaty) prohibits conduct by undertakings amounting to abuse of a dominant position.

32. Are mergers and acquisitions subject to merger control in your country?

Yes, mergers and acquisitions are subject to merger control in Slovakia. Merger control is regulated by Articles 9 to 13 of Act on Protection of Competition.

(G) Intellectual property

33. Please outline the main intellectual property rights that are capable of protection in your country. In each case, please state:

- i. What is the nature of the right?
- ii. How is it protected?
- iii. How is it enforced?
- iv. How long is it protected?

The system of intellectual property rights in the Slovak republic may be divided into 2 main parts: (i) copyrights and neighboring rights and (ii) industrial property rights (patents, trademarks, designs, etc.).

Copyright:

Unlike the latter group, copyright is not subject to the registration and it shall commence at the moment when the work is expressed in any objectively perceivable form. Copyright shall include exclusive moral rights and economic rights of the author to the work. These rights entitle author, inter alia, for exclusive use of his/her work during the term of its protection.

Moral rights are non-transferrable and shall terminate by the death of the author. Economic rights in general shall last for the life of the author and for 70 years after his/her death. In specific cases, the Slovak Copyright Act No. 618/2003 Coll. set out different length and terms of protection.

The author whose copyrights were unlawfully infringed or are in jeopardy may request at the competent court by written action: a) the determination of authorship, b) prohibition of jeopardising or infringing of rights, c) information regarding the origin of the copy of work or counterfeit of work, d) removal of consequences resulting from the infringement of the right, and/or e) compensation of loss.

Patents:

Patents shall be granted for inventions which are new, involve an inventive activity and are susceptible of industrial application.

An owner of a patent shall have exclusive right to exploit an invention, to grant consent for exploitation of an invention, to assign a patent to another person or to establish right of lien to a patent.

Protection:

Applications for Slovak patent registration must be made to the Slovak Industrial Property Office in accordance with the Slovak Act No. 435/2001 Coll. on Patents and Supplementary Protection Certificates.

Enforcement:

Patents (and all other industrial property rights) may be enforced in the Slovak republic at 3 semi-specialised courts. The patent holder may seek:

- prohibition of infringement or jeopardising of right,
- compensation of actual damage including profit lost,
- monetary satisfaction (in case of non-pecuniary injury).

The court may order on request of entitled party that products, materials or instruments by means of which patent right is infringed or jeopardised, were:

- a) recalled from the channels of commerce,
- b) definitively removed from the channels of commerce,
- c) prevented from further infringement or jeopardising the rights,
- d) destroyed in a suitable manner.

Duration:

The length of the validity of a patent is 20 years as from the filing date of the patent application. The prerequisite of the duration of the patent protection is the payment of maintenance fees.

Trademarks:

A trademark is verbal, figurative, three-dimensional or combined sign that is distinguishing goods and services on the market and is capable of being represented graphically. The Slovak Act No. 506/2009 Coll. on Trademarks specifies in details the exclusions from registration as well as the signs that cannot serve as a trademark. The proprietor of a trademark shall have an exclusive right to use a trademark in relation to the goods or services, for which the trademark is registered. This right includes the right to use the trademark in a trade correspondence or in advertisement.

Protection:

Applications for Slovak trademarks must be filed with the Slovak Industrial Property Office pursuant to the Act on Trademarks. International (WIPO) and Community (OHIM) trademarks may be also protected within the territory of the Slovak republic. The applications for these internationally valid trademarks may be also filed via Slovak Industrial Property Office.

Enforcement:

Options of trademark protection and their enforcement are set out in the Act on Trademarks. In general, they are similar to the methods of patent protection (see above, Patents).

Duration:

The term of protection of the registered trademark is 10 years as from the filing date of the trademark application. Upon the request of the trademark owner and subject to payment of administrative fee the protection may be repeatedly prolonged for another ten years.

Designs:

The prerequisites for the registration of designs in the Slovak republic are as follows:

- appearance of a product or its part consisting in features, which are particularly lines, contours, colours, shape, texture or materials of a product itself or of its ornamentation,
- novelty,
- individual character.

Registered design owner shall have an exclusive right to exploit registered design, to prevent third parties from exploitation of registered design without his consent, to provide his consent with exploitation of registered design, to assign registered design to another person or to establish a lien to registered design.

Protection:

Applications for designs have to be made to the Slovak Industrial Property Office. The rules for this proceeding as well as the scope of design protection are laid down in

Slovak Act No. 444/2002 Coll. on Designs. The application for the international design (WIPO) and Community design (OHIM) may be also filed via Slovak Industrial Property Office.

Enforcement:

Enforcement methods are similar to those for patents (see above, Patents).

Duration:

Registered design shall be valid five years from the date of filing an application. Validity may be extended four times for another five years up to total term of protection 25 years.

(H) Marketing agreements

34. Are marketing agreements regulated in your country? If so, please give brief details in respect of the following arrangements:

- i. Agency;

The rules regarding commercial agents are contained in Act No 513/1991 Coll., the Commercial Code, as amended. Under this contract the commercial agent as an entrepreneur undertakes to pursue activity for the principal aimed at the conclusion of certain types of contracts or to negotiate and conclude transactions in the name of the principal and on his account and the principal undertakes to pay a commission to the commercial agent. The majority of provisions are dispositive, which means that parties may deviate from the respective provisions or exclude them. However, the parties may not deviate from or exclude the following:

- The contract must be made in writing.
- The commercial agent is obliged to conduct the activity with professional care, respect the principal's interests, act in accordance with the principal's reasonable instructions and provide him with the required and available information.
- The principal is obliged to provide the commercial agent with the information necessary for fulfillment of his obligations arising from the contract, in particular to inform the commercial agent within a reasonable period of any expected substantial reduction of activity in comparison with what the commercial agent could expect under normal conditions.
- The principal is obliged to inform the commercial agent within a reasonable period that he has accepted, refused or failed to fulfill a commercial transaction procured by the commercial agent.
- The commercial agent becomes entitled to the commission at the latest when the third party has fulfilled its part of the obligation or was obliged to do so, provided the principal has fulfilled his part. However, if such third party is about to fulfill its obligation only after the expiry of more than six months from

the conclusion of the commercial transaction, the commercial agent becomes entitled to the commission after conclusion of the commercial transaction.

- The commission is due at the latest on the last day of the month following the end of the quarter in which the entitlement to the commission arose.
- The principal is obliged to issue to the commercial agent a written confirmation with a breakdown of the main components required to calculate the commission.
- The notice period is one month for a termination notice given in the course of the first year of the contract's duration, two months for a termination notice given in the course of the second year, and three months for contracts lasting three and more years. The contractual parties may agree to extend the notice period.
- The commercial agent has a right to compensation of damage which was incurred in consequence of the termination of contractual relations with the principal if the commercial agent,
 - has not obtained the commission to which he is entitled despite the fact that he produced substantial benefits for the principal through his activity,
 - has not obtained the reimbursement of costs.
- In the case of termination of a contract, the commercial agent has a right to severance pay if
 - he has acquired new customers for the principal or significantly increased the level of business with existing customers, and the principal enjoys substantial benefits arising from the commercial transactions with such customers, and
 - the payment of severance pay is fair, taking into account all the circumstances
- The right to severance pay shall not arise if
 - the principal has withdrawn from the contract due to a breach of contractual obligation by the commercial agent which entitles the principal to withdraw from the contract,
 - the commercial agent has terminated the contract and such termination is not justified either by circumstances on the part of the principal or by the age, disability or illness of the commercial agent, and if the continuation of their activity cannot be justly demanded of them,
 - under an agreement with the principal, the commercial agent transfers the rights and obligations arising from the contract to a third party.
- A competition clause that the commercial agent must not conduct the activity which was the subject of commercial representation or a different activity which would be competitive in nature with respect to the principal's entrepreneurial activity within a designated territory or towards a designated range of customers in such territory may be concluded for at most two years after the expiry of the contract.

ii. Distribution; and

Slovak legislation contains no special provisions regulating distribution; an innominate contract must be used. An innominate contract is one which does not fall within a specific category of contracts recognized by the Slovak Commercial Code.

iii. Franchising

There are no specific franchise laws in Slovakia.

In general, contractual parties should be aware that EU rules on vertical agreements apply to agency, distribution and franchising (EC Regulation 330/2010 and accompanying guidelines).

(I) E-commerce

35. Are there any laws regulating e-commerce (such as electronic signatures and distance selling) in your country? If so, please give brief details.

Yes, Slovak regulation is based on European regulation (mostly Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce') and Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures. Slovakia also adopted specific national laws in this area, which are mostly the following: Act No. 22/2004 Coll. on electronic commerce, Act No. 215/2002 Coll. on electronic signature, Act No. 136/2009 Coll. on the manner and procedure of using electronic signatures in business and administrative arrangements and Act No. 108/2000 Coll. on consumer protection during household selling and distance selling.

(J) Data protection

36. Are there any data protection laws in your country? If so, please give brief details.

Yes, Slovak regulation is based on European regulation (Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data). The national legislation regarding data protection is represented by the Act No. 428/2002 Coll. on protection of personal data. It shall be noted that a new Act on protection of personal data is about to be adopted in near future.

(K) Product liability

37. Are there any laws regulating product liability and product safety in your country? If so, please give brief details.

Yes, the main act regulating product liability is Act No 294/1999 Coll. on the liability for damage caused by a defective product. This act implements the Council Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products.

Pursuant to this act, a producer is liable for damage to health or life of the injured party or to an item other than the defective product, if the injured party proves that:

- the product is defective, and
- the damage was suffered, and
- there is a causal relationship between the defect of the product and the damage.

The defective product is defined as a product which does not guarantee safety of use that can be reasonably expected from the product, in particular with regard to:

- a presentation of the product,
- the purpose that the product could serve, and
- time when the product was put into circulation.

Under the following circumstances, the producer can release himself from liability for damage caused by the defective product. The producer must prove that

- he did not put the product into circulation, or
- the product was not defective at the moment when it was put into circulation, or that the defect occurred afterwards, or
- the product was not manufactured by the producer for sale or other form of use for business purposes, nor was it distributed in the course of the producer's business,
- the defect of the product is resulting from the producer's compliance with an obligation stipulated by a generally binding regulation, or
- it was not possible to discover the existence of the defect at the time when the product was put into circulation.