



BALTIC DISPUTES MARKET OVERVIEW 2024



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COBALT Baltic Disputes Market Overview 2024

The COBALT Baltic Disputes Market Overview for 2024 marks an important milestone in our commitment to delivering insights into the most significant legal trends shaping the Baltic region. Building on the positive reception of our previous reports focusing solely on Estonia, we are proud to expand this publication to encompass the dynamics of dispute resolution across all three Baltic countries: Estonia, Latvia, and Lithuania. This broader perspective reflects the interrelation of these markets and underscores our dedication to providing practical analysis to support businesses and legal professionals navigating this complex landscape.

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A Year of Resilience and Transformation

Despite ongoing economic challenges, the disputes market across the Baltic region has demonstrated remarkable resilience. From an increase in competition-related disputes to a rising number of bankruptcy and reorganization cases, the past year emphasized the critical role of effective dispute resolution in maintaining commercial stability.

The Baltic economies, like much of the world, continue to grapple with the aftershocks of the pandemic, inflationary pressures, and geopolitical tensions. These factors have had a tangible impact on the disputes landscape, influencing everything from employment-related disputes to public procurement challenges. Amidst these changes, we have seen a growing emphasis on alternative dispute resolution mechanisms, such as arbitration, and increased regulatory scrutiny across various sectors.

About the Report

The report includes insights from our own cases, as well as cases from other law firms, drawn from publicly available data. By doing so, we aim to provide a comprehensive view of the disputes landscape and its key developments.

We hope this report serves as a valuable resource for businesses, legal practitioners, and policymakers navigating the complexities of dispute resolution in the Baltic region. As always, we welcome your feedback and look forward to engaging in discussions about the trends outlined herein.

On behalf of COBALT's Disputes Resolution Practice Group, we extend gratitude to our team of experts who contributed their insights to this report. We remain committed to supporting our clients with tailored, strategic advice to meet the demands of an ever-changing legal landscape.

Sincerely,

Jaanus Mody
Managing Partner
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Looking Ahead

As we move into 2025, the Baltic disputes market is poised for continued evolution. New EU directives, technological advances, and shifting economic priorities will shape legal disputes. We anticipate growth in data protection litigation, cybercrime, and environmental disputes, alongside a focus on corporate governance and compliance.

Civil matters

Employment disputes

Comments by Managing Associate Kadri Michelson (EE), Senior Associate Ivo Maskalāns (LV) and Associate Partner Jovita Valatkaitė (LT)

Over the years, most employment disputes in **Estonia** have concerned the termination of employment contracts, and the complex economic situation in 2024 has led to an increase of such cases. This is further evidenced by a rise in inquiries received by the Labour Inspectorate regarding terminations as well as planned and actual lay-offs. However, the overall amount of employment claims filed to court has remained the same compared to 2023, being steady at 255.

The decision of the Supreme Court made in 2023 has also led to an increase in disputes related to the illegal use of employers' trade secrets. There is also an upward trend in the number of terminations by employers due to decrease in capability to work, showing that employees are expected to be (more) efficient in the current tight economic situation. Poor and inadequate communication between the parties is an apparent cause of labour disputes as well. Feedback from employers is interpreted as excessive criticism, injustice or bullying, often culminating in unequal treatment and discrimination disputes. Alongside the number of labour disputes, the claimed amounts have also been steadily increasing, likely because of rising wage levels, among other things.

Similarly to Estonia, in **Latvia**, the most common employment disputes continue to concern the termination of employment contracts. In numerous instances, courts have scrutinized employers' authority to dismiss employees under specific circum-

stances, including violations occurring outside the workplace or working hours. Similarly, courts have continued to refine the definitions of ethics and morality, which constitute a distinct basis for termination.

A significant judgement introduced a crucial principle concerning negotiations with trade unions, requiring employers to obtain the union's consent to dismiss a member if the employee has been a member for at least six months prior to the termination. The court emphasised that the effective resolution of a case is the priority of such negotiations and introduced a definition of the union's final and conditional responses, which are vital for calculating the procedural deadline for filing a claim with the court.

In **Lithuania**, employment law disputes have seen a significant increase over the past year, due to the rapidly changing work environment. Most employment disputes have involved salary recovery claims. Other prominent issues included unlawful dismissals, claims for non-pecuniary damages, and disagreements over employment contract terms. Additionally, there has been a recent rise in employment terminations due to economic reasons, often unrelated to employee performance or misconduct. This trend reflects the economic pressures facing many companies, leading to an increase in layoffs and contract terminations driven by business needs. A growing focus has also emerged on cases involving psychological violence and harassment at work, influenced by amendments to the Labour Code implemented in 2022. Alongside these developments, attention has turned to preventing illegal work, with recent legislative changes introducing higher penalties for employers engaging in such practices.

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Amitec Project vs Virgo Kuristi	The employer's claim based on employee's breach of the non-competition agreement. The Supreme Court provided guidance on how to assess whether an employment contract (or another type of contract) had been concluded, and how to assess the validity of a non-competition agreement, considering that non-competition agreements should be reasonably delimited in terms of geography, time and subject matter and must be clearly recognizable to the employee.	Cuesta Lawyers, Lillo & Lõhmus
A.S. vs VKG OIL	Employment dispute about whether the time for changing clothes and personal protection items is considered working time. The court held that if employees are required to change clothes according to the employer's instructions, this time (and other necessary actions related to this) qualifies as working time or overtime and must be reimbursed. The court further clarified principles of overtime compensation when no prior monetary agreement exists.	Jewelex, LINKLaw

TREV-2 Grupp vs employee	<p>Landmark employment dispute with a former employee on the violation of the employer's business secret.</p> <p>The court held that sending documents containing employer's business secrets that are not necessary for performing work duties to an employee's personal email address is considered as using them for personal purposes. By doing so, the employee violated an obligation arising from the employment contract not to use the employer's business secret for personal purposes and was ordered to pay the employer a contractual penalty provided for in the contract.</p> <p>This is the first case where the court explained the application of the business secret protection regulation, specifically what "personal use" means, providing guidance that serve as a reference in the subsequent disputes related to the violation of the use of employer's business secret.</p>	COBALT, MOSS Legal
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LATVIA

Private person X vs Municipality	<p>Latvia is the rare country where, in order to terminate a trade union member, the employer must seek permission from the union. Should the union decline such a request, the employer is then required to take the matter to court. A case has established the principle for calculating the deadline for submitting a claim to the court if the labour union disagrees with the termination of its member. The court determined that it must examine whether the union's refusal to consent to the dismissal is absolute or qualified (one in which a solution aimed at considering the employee's interests through an out-of-court process is proposed), and in the event of a dispute, it must interpret the communication between the union (employee) and the employer to ascertain the moment when the final absolute refusal was received.</p>	The parties represented themselves
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X (a global company) vs Y (an employee)	<p>The case concerned the possibility of an employee to withdraw from a termination agreement. The parties had mutually agreed to terminate the employment. However, after signing the agreement, the employee changed his mind and initiated legal proceedings, claiming that the agreement should be declared void, because he had been misled into signing the agreement due to a lack of understanding of its consequences and that the representative's use of the phrase "<i>read and sign</i>" during negotiations was perceived as coercive.</p> <p>The court dismissed all of the employee's claims, stating that to annul the agreement, it must be proven that it was signed under duress or deception which is quite challenging to demonstrate. Therefore, a mutual agreement remains the safest method for an employer to terminate employment.</p>	COBALT, Ilze Plakane
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X (a theatre) vs Y (an actor)	<p>The case examined the definitions of fairness and justice, which form distinct bases for either party to terminate employment. The court determined that considerations of fairness and justice are invariably linked with ethical and moral standards (non-material values), and therefore, in practice, such important reasons could encompass an individual's reputation, personal characteristics, and behaviour. Such behaviour can be disrespectful, unethical, and unprofessional towards one's colleagues. The court acknowledged that the employee, through his public actions of publishing derogatory posts about colleagues and the theatre and involving third parties, undermined the reputation of both colleagues and the theatre. Thus, in this instance, principles of fairness and justice can serve as grounds for termination. The court also recognised that posts on a social network can serve as grounds for termination if such posts damage the employer's reputation.</p>	Eversheds Sutherland, Dace Kaminska
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LITHUANIA

Doriantas vs State Labour Inspectorate	<p>Employment dispute regarding the recognition of dancers' activities as illegal work.</p> <p>The court determined that the relationship between the strip club and its dancers, who were engaged under copyright contracts, in fact constituted an employment relationship. As there were no written employment agreements concluded, this arrangement was deemed to constitute illegal work. Some dancers identified themselves as ballet show artists. However, after a detailed assessment, the court concluded that choreography was not a central element of the performances, as the dances were largely improvised. This case provides useful guidance for identifying illegal work.</p>	N/A
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Employee vs Open Agency	<p>Employment dispute with a former employee on the termination due to a violation of the remote work policy.</p> <p>The Supreme Court clarified that remote employees are not under the constant supervision of their employer. Therefore, employers must define in writing all aspects of remote work organization, including communication methods, rules for working time accounting, requirements for the remote workplace, usage of provided work equipment, reimbursement for expenses, and other relevant details.</p> <p>The court explanations provide valuable insights for employers on structuring remote work policies.</p>	WIDEN
X vs Employees	<p>Employment dispute with former employees on the recovery of material damage caused by group employees.</p> <p>The court ruled that in a case where a group of employees, who were materially responsible for safeguarding and overseeing the company's goods, breached their duties, it must be identified what was each employee's specific unlawful action and the extent of damages caused by each employee in order to hold them liable. Notably, the Labour Code prohibits material liability agreements that outline rules for covering damage caused by a group of employees. As a result, when damage is caused by a group and individual contributions cannot be identified, proving damages and seeking compensation through civil litigation becomes highly challenging, if not nearly impossible.</p>	COBALT, Kęstutis Rakauskas, Ramūnas Jucevičius

Construction and planning disputes

Comments by Specialist Counsel Tavo Tiits (EE), Specialist Counsel Sergejs Rudāns (LV) and Partner Vydmantas Grigoravičius (LT)

While the prevailing mood in the **Estonian** construction sector has been notably pessimistic recently, the construction and real estate companies express cautious optimism for the coming years. In 2024, disputes between developers and main contractors, as well as between main contractors and subcontractors received the most attention. These disputes mostly concerned proper performance of obligations and financial claims under the construction contracts, with key issues including the scope and quality of the works, agreed deadlines and budget, as well as parties' differing interpretations of the construction contract. Construction disputes are often characterised by the need for an expert opinion to identify and prove deficiencies in the work. Although obtaining expert opinions can be expensive and time-consuming, the courts consider them as one of the most reliable forms of evidence.

In planning disputes, the courts have delivered several significant rulings this year, annulling detailed spatial plans for residential and commercial development on environmental grounds. This trend highlights the need for developers and local authorities to prioritize environmental factors when drawing up plans and developing property.

The last few years have demonstrated a steadily increasing number of construction disputes in **Latvia**, primarily driven by the development of large-scale and strategic construction projects. Financial instability among some developers and contractors has intensified these issues, with several companies facing insolvency. A hot topic in Latvian construction law is the first demand guarantees issued by insurance companies at the request of contractors. Some insurers attempt to avoid paying the guarantee amount by invoking specific terms of the insurance policy. Additionally, first demand guarantees have become a broader point of contention, as Latvian courts usually grant the interim measures which prevent enforcement of the guarantee quite generously and in a way which is incompatible with the essence of the first demand guarantee.

In **Lithuania**, the volume of construction and planning disputes remains stable, with no fundamental impact on established judicial practice this year. A common cause of legal disputes in the territorial planning sector arises from differing interpretations of legal regulations by local municipalities across various cities. In private disputes, issues related to the performance of construction contract obligations remain predominant. Experience from the previous year also indicates that parties tend to reach a compromise, sooner or later.

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Ihaste Residents' Association vs City of Tartu	Landmark dispute in which an environmental group successfully challenged a detailed spatial plan in which the local authority had failed to assess whether the implementation of this plan would result in significant environmental damage to a protected permanent habitat of plant species.	HEED Entsik, RASK

Oma Ehitaja vs Pro Kapital	Dispute in which the real estate developer brought an unprecedented claim for a contractual penalty of nearly EUR 2 million and sought to enforce the builder's bank guarantee due to delays in the construction of apartment buildings. The dispute is notable because it concerns the payment of a first demand guarantee, which can be enforced by simply submitting a formally correct request to the guarantor (in this case a bank).	LEVIN, Nurmela & Co
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Veiko Ulm vs Viimsi Municipality	Detailed spatial plan dispute in which the courts found that the local authority has made significant mistakes in the planning procedure by failing to identify the negative effects of the proposed commercial building and car park on the functioning of the area's green network, including fauna and birdlife. The court decided to annul the detailed spatial plan due to these omissions.	COBALT, WALLESS
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LATVIA

Latvijas Energoceltnieks vs Rēzekne's municipality	The Supreme Court ruled that the contractual penalty for delays with the construction works (finalization of the construction process and commissioning of the building), expressed as certain percentage, shall be calculated not from the whole amount of the construction agreement but shall be limited to the value of the overdue works. Otherwise, the contractual penalty is not proportionate. In addition, the Supreme Court explained that the client who has withheld a part of remuneration to be paid to the contractor does not have to file a counterclaim to enforce this retention. In the opinion of the court, such retention shall not be regarded as a setoff and that is why the requirement established by the Supreme Court in other cases to bring a counterclaim if there is a dispute about the setoff shall not be applicable to this legal dispute.	Individual attorney-at-law
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Unknown individuals vs FLEBOMEDIKA	In this landmark judgement, the Supreme Court has clarified the owner's liability for construction works, i.e., for damage which has been incurred to third parties when performing the construction works. The court explained that strict liability does not apply to the owner of a construction site. However, the owner can still be held liable even if the owner has fully complied with the requirements of the law provided that the owner has failed to make reasonable actions to prevent possible harm to third parties of which a prudent person would be aware. The court also recognized the right to establish servitude (access to neighbouring property) for construction purposes without remuneration.	N/A
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Unknown individual vs Ministry of Transport	The Supreme Court recognized the right to dispute a construction permit even before all design conditions have been fulfilled. The state argued that the applicant in this case had to wait until the construction design was fully completed. This decision emphasizes the rights of individuals affected by large-scale infrastructure projects (in this case it was Rail Baltica) and underscores the need for procedural rigor in permitting processes.	N/A
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LITHUANIA

Community of gardeners Vilnelė vs State Territorial Planning and Construction Inspectorate	The Court clarified that efforts to eliminate the consequences of unauthorised construction, initiated during the appellate court proceedings, can influence the validity of the fine imposed on the owner, i.e., the court has the authority to reduce and/or cancel the fine, even if no active measures were taken to address the unauthorised construction at the time the fine was imposed (increased).	COBALT
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Vilnius municipality vs V.V	The Court clarified that the obligation to pay state land rent arises from the moment the immovable property on the land plot is acquired. The Court also explained that it is not important whether the owner actually operated the buildings in accordance with their intended purpose (or not) during the dispute period, as the owner of these buildings is, in any case, considered a user of the state land necessary for their operation.	N/A
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V. Z vs National Land Service under the Ministry of Environment

The applicant seeks the annulment of the decision of the authority approving the cadastral data of a residential area and establishing a sanitary protection zone (SPZ) with special conditions for the use of land. The case will examine whether a SPZ could have been established for the applicant's property in the absence of an individual administrative act; whether SPZ could have been established in the absence of the documents required by law; and whether the decision adopted by the authority unjustifiably restricted the applicant's right to property by causing damage.

AKJ CONSULTUS,
COBALT, WALLESS

IP, IT and data protection disputes (including pharma)

Comments by Specialist Counsel Liina Jents (EE), Specialist Counsel Līga Fjodorova (LV) and Partner Žilvinas Kvietkus (LT)

In **Estonia**, most intellectual property disputes were addressed by the Industrial Property Board of Appeal, the mandatory pre-litigation body for most patent, design, and trademark disputes (excluding infringement cases). Representation before the Board requires specialized patent attorneys, typically employed by patent firms or law firms such as COBALT and Ellex. Court decisions predominantly involved copyright issues, followed by trademark disputes.

In the area of data protection, several high-profile data security incidents occurred (e.g. the Asper Biogene data leak, the illegal downloading of data of Apotheka loyalty card holders). These incidents underscored potential inadequacies in safeguarding personal data and highlighted the risks to data controllers, including legal disputes and financial penalties.

Overall, the number of IP disputes remained stable, but data protection issues require increasing attention to ensure that data subjects' rights are adequately guarded.

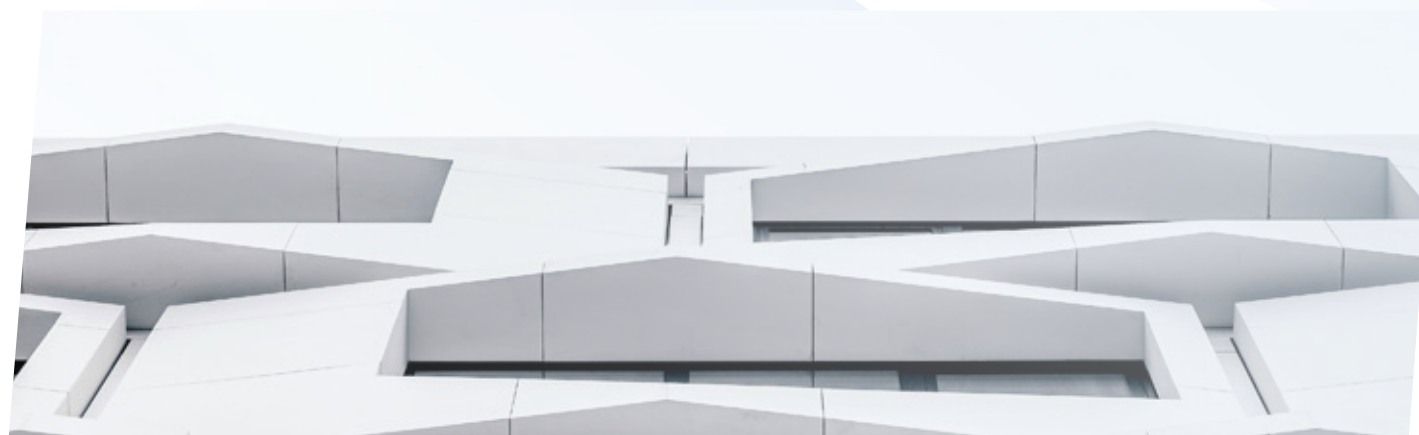
In **Latvia**, after the Industrial Property Board of Appeal was granted the authority to handle trademark revocation, cancellation, along with the opposition cases in 2023, the number of such cases before the Board of Appeal has increased. In cases where the claimant seeks not only the revocation or cancellation of a trademark but also an order to terminate its use, such claims shall fall under the jurisdiction of the court.

In 2024, there was a relatively high number of patent cases pending before the court of first instance, compared to previous years.

In several instances, the courts have issued preliminary injunctions ordering prohibition to import, purchase, store, advertise, supply, sell, or make available for use infringing products.

The data protection dispute landscape in Latvia is still evolving, with limited cases reaching the courts as the Data State Inspectorate (DSI) cautiously enforces fines. A key challenge is the fragmented jurisdictional approach: civil courts handle disputes between private parties over alleged data violations, administrative courts review DSI decisions contested by controllers or processors, and criminal courts address fines imposed by the DSI. This division of competences hinders the consolidation of legal expertise, slowing the development of a robust and consistent framework for resolving data protection disputes.

In **Lithuania**, intellectual property disputes have remained stable over recent years, but 2024 saw a notable increase in pharmaceutical patent cases. These cases reflect heightened legal activity in the pharmaceutical sector, focusing on the protection of innovations and patent rights. Courts have been tasked with addressing several unprecedented issues on patent validity, which should contribute to the development of the Lithuanian case law. This evolving jurisprudence would serve as a valuable resource for navigating the complexities of future pharmaceutical patent litigation. Data protection disputes in 2024 frequently involved breaches of company-owned databases and the theft of personal data. Cases often centered on the adequacy of safeguards implemented by data controllers and compliance with GDPR requirements, where effective legal guidance played a crucial role in helping organizations align with regulatory expectations.



Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Exeltis Baltics vs Bayer Pharma	The dispute is aimed at compensation for damages (loss of income) caused by interim protection in a patent dispute. The proceedings assess whether and to what extent the damage caused to the manufacturer and distributor of a generic medicinal product by denial of its generic product's access to the Estonian market due to interim protection requested by the manufacturer of the original medicinal product is compensable. The judgment has not yet entered into force, but the appeal court has accepted the majority of the compensation claims (incl. loss of income). Such a decision is the first of its kind in court practice and extremely important in terms of patent law, as well as compensation for damages caused by interim protection in general (incl. loss of income). From now on, it is clear that while applying for interim injunction to refrain manufacturer and distributor of a generic medicinal product from entering the market, the manufacturer of the original medicinal product takes high of compensation.	COBALT, Ellex
ITK's data protection dispute relating to a data breach	The Data Protection Inspectorate fined the East Tallinn Central Hospital (ITK) EUR 200,000 for throwing papers containing patients' personal data into a construction waste container. This is the first fine of this magnitude in the field of data protection. ITK contested the fine and the Supreme Court decided to terminate the misdemeanour proceedings due to expiry.	TRINITI
X vs ALPIMAJA	The Circuit Court addressed the issue of how to establish and interpret the terms of a contract between a producer and a performer when no formal written contract existed, despite being required by law, and the parties' communication occurred orally and through SMS. The Court underscored the need to ascertain the mutual intent of the parties and the specifics of their agreement, including whether they had agreed on the transfer of rights or the granting of a license. Ultimately, the Court concluded that the defendant had the right to use the claimant's performance in alignment with its intended purpose.	AVP Law, EMERALDLEGAL
LATVIA		
AKKA/LAA vs Latvijas Televīzija	The court ruled that public subsidies used for maintaining a broadcaster's infrastructure should be included in the revenue base for calculating royalties owed to collecting societies. It emphasized that equitable remuneration is based on gross receipts, including state granted subsidies, as part of the broadcaster's economic framework.	N/A
CV Online vs Melon	The Senate upheld the judgment of the appellate court and held that the defendant's operation of a specialised search engine did not in itself constitute an infringement of the applicant's rights as a database creator. The Senate concluded that some negative impact of the aggregators' activities on the interests of the database creators could not be ruled out, but that the court's task in considering the merits of the case was to balance the interests of the database creators and aggregators, as well as those of the users. In the view of the Senate, the alleged infringement of the terms of use of a database constitutes an independent cause of action and a cause of action which is distinguishable from the alleged infringement of the rights of the database creator. During the dispute, the Court of Justice of the European Union (CJEU) also issued a preliminary ruling on the matter.	COBALT

Koburg and TP cor vs B.D.S.1

In this case, the court examined the application of EU trademark laws to marks registered under previous regulations, confirming that despite their registration under earlier laws, the current legislation governs challenges to their validity. It highlighted that anyone can dispute older trademarks on absolute grounds without any time restrictions, with the assessment being based on the law in effect at the time of the challenge.

The case involved a 3D trademark representing a shape essential for technical functions. The court ruled that such marks cannot be registered to prevent monopolies on functional features. A two-stage analysis, based on objective evidence, is used to identify the essential characteristics of the sign and determine whether they serve a technical function.

The court also clarified that for 3D marks to be considered distinctive, they must significantly differ from industry norms and indicate the origin of the product; novelty alone is not sufficient.

N/A

LITHUANIA

Bayer Intellectual Property GmbH vs Krka, EGIS, Zentiva, Polpharma, Teva, Viatris, Stada, Sandoz, and Auxilia

Complex patent invalidation and/or enforcement litigation, initially involving twelve separate patent cases initiated by or against generic manufacturers Krka, EGIS, Zentiva, Polpharma, Teva, Viatris, Stada, Sandoz, and Auxilia. This patent litigation spans multiple jurisdictions and involves more than 20 countries (e.g. Germany, Norway, Australia, UK, Poland, Latvia, Estonia, etc.)

COBALT, Glimstedt, IP forma, Sorainen, TRINITI

Berlin-Chemie vs Lex Ano

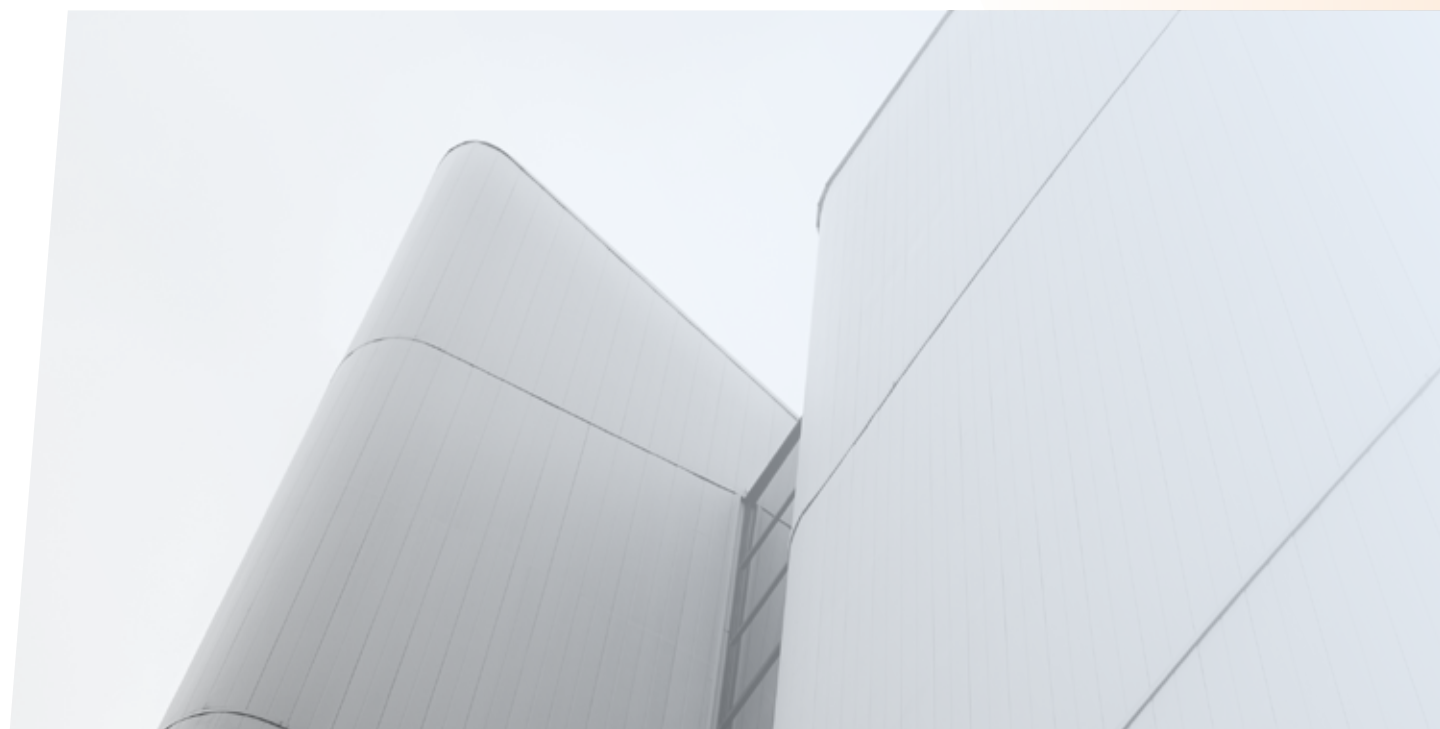
A landmark civil case against parallel importer Lex Ano concerning the parallel import of the medicinal products "Letrox" from Hungary to Lithuania, which was reboxed and renamed "L-Thyroxin Berlin-Chemie". This case is significant for the development of Lithuanian case law, as it is the first case to address the infringement of a trademark holder's rights through the rebranding of a parallel-imported medicinal product.

COBALT, HubLegal, Motieka & Audzevičius

Bristol-Myers vs EGIS

A patent invalidation case that raised important issues related to the entitlement to priority, achievement of technical effect and the need to provide experimental data in the context of the requirement of a sufficient disclosure of the invention. Given that patent invalidation cases are very rare in Lithuania, this case is important for the development of the Lithuanian case-law.

COBALT, IP forma



Competition disputes

Comments by Managing Associate Rauno Ligi (EE), Partner Ūģis Zeltiņš (LV) and Partner Rasa Zaščirinskaitė (LT)

Competition disputes in **Estonia** included various civil law disputes, supervisory proceedings and misdemeanour proceedings conducted by the Competition Authority, as well as criminal proceedings led by the prosecutor's office in "cartel cases".

For several years now, the legislator has been transposing the European ECN+ Directive which, from the state's point of view, would give the Competition Authority more powers in conducting supervisory proceedings, including imposing fines in the millions of euros on companies and essentially obliging companies to engage in self-prosecution (the constitutionality of which is questionable). Once the act enters into force, a significant increase in competition disputes can be expected, particularly in relation to the Competition Authority's supervisory procedures, including the potentially higher fines.

The Competition Authority itself has emphasized that the focus will be on enhancing the effectiveness of competition enforcement, especially in the areas where it conducts both regular and ad hoc market analyses. The Competition Authority's recent market analyses have covered pharmacy reform, the fuel market, organised waste transport, the electric vehicle charging network as well as electricity and gas markets.

Meanwhile **Latvia** has made significant progress in the private enforcement of competition law, with public authorities and state-owned enterprises increasingly pursuing damages from procurement cartels uncovered by the competition authority. The Office of the Prosecutor General has launched an inquiry into the follow-up, or lack thereof, to procurement cartel decisions that have become final. It has warned officers of public authorities and publicly undertakings that they risk being held liable for negligence if they do not attempt to recover damages from the cartelists.

Courts of first and second instance have begun to provide meaningful guidance on both procedural and substantive aspects of antitrust damages actions, although some controversial developments have also surfaced. Key challenges include the treatment of time limits for bringing claims, the evidentiary burden of proving the existence and extent of damages, and the temporal scope of the presumption of a cartel surcharge. Notably, courts have, in some cases, stated that the 10% presumption of a cartel surcharge, effective from 1 November 2017, may be applied by analogy to events that occurred before that date. The Supreme Court is yet to provide definitive guidance on these matters.

In terms of sheer case-count, if not by the value of claims, Latvia has emerged as one of the most active European jurisdictions for private enforcement.

In recent years, the **Lithuanian** Competition Council has prioritised cases involving anti-competitive conduct within associations and their members (Lithuanian Pharmacy Association, Lithuanian Association of Real Estate Agencies), as well as employee non-solicitation agreements (Lithuanian Basketball League, Lithuanian Association of Real Estate Agencies). However, the Competition Council's primary focus over the past decade has traditionally been on resale price maintenance and bid-rigging cases.

Sector-specific trends highlight a concentration of cases in food (e.g., Maxima LT), pharmaceuticals/healthcare (e.g., Implamedika, Lithuanian Pharmacy Association), and consumer goods (e.g., Oda LT, Giantera).

Another notable trend is the prevalence of cases involving procedural infringements related to excessive amounts of data collected during dawn raids, exemplified by the Kesko Senukai Lithuania case. In this instance, the European Court of Human Rights ruled against Lithuania, stressing the importance of distinguishing between relevant and irrelevant information during investigations.

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Estonian Karting Union and others vs Estonian Autosport Union	In this important decision, the Supreme Court clarified that different sports federations may hold a dominant position within the meaning of the Competition Act and abuse it, potentially leading to the annulment of a decision of the sports federation or a claim for damages against the federation.	Hedman, LEVIN
Prenton vs Competition Authority	The dispute concerns the Competition Authority's supervisory proceedings and precept relating to a consortium founded by timber hauling companies for the State Forest Management Centre's public tender. The outcome could have significant implications on consortiums in public procurement. The dispute is pending in the administrative court.	COBALT
Water consumers vs Tallinna Vesi	Several actions challenging water tariffs imposed by Tallinna Vesi, a dominant player, are ongoing. With claims exceeding EUR 10 million, the Supreme Court has remanded the case to the first instance court for further review. The outcome could have significant implications for tariff-setting by dominant entities.	NOVE, TGS Baltic, TRINITY

LATVIA

Latvijas Sabiedriskais Autobuss vs Daugavpils municipality, Daugavpils autobusu parks et al.	The first attempt in Latvia at the private enforcement of state aid rules. A privately owned intercity coach company filed a claim against the Daugavpils municipality and its public transport company, alleging unlawful state aid and requesting, among other things, that the direct award of the contract (i.e., non-tendered entrustment) be annulled and that the alleged aid be quantified and recovered from the municipal company. The Supreme Court ruled that the dispute must be addressed through administrative, rather than civil, proceedings, after which the claimant abandoned the action before a ruling on the merits could be issued.	COBALT
Latvijas valsts meži vs White Water House	The state-owned forestry company Latvijas valsts meži brought a follow-on damages action against IK White Water House, which had been found liable for participating in a bid-rigging cartel by the Latvian Competition Authority. The cartelized bids were submitted and manipulated in February and March 2014, and the agreement between the claimant and the respondent was concluded on 7 April 2014. The claimant relied on the 10% surcharge presumption, but the court concluded that this presumption, effective from 1 November 2017, could not be applied to pre-2017 facts. Consequently, the burden of proof regarding the quantification of damages rested with the claimant. The judgment was upheld by the Supreme Court.	N/A
Puriņa vs Renault Trucks	In 2004 and 2005, a construction company purchased Renault trucks. In 2016 and 2017, the European Commission adopted decisions with which it established that Renault Trucks had been involved in the so-called trucks cartel between 1997 and 2011. In 2020 and 2022, the construction company's claims against the cartel were assigned to the claimant. The claimant brought an action against Renault Trucks for damages in the amount of EUR 7 311.19, i.e., 10% of the price the construction company had paid for the trucks. The court ruled that, although the 10% surcharge presumption was introduced in Latvian law only on 1 November 2017 – after the cartel's operational period – the presumption could nevertheless be applied to earlier facts by analogy, creating conflict with the formerly cited Latvijas valsts meži vs White Water House case.	Ellex, RASNAČS

LITHUANIA

Kesko Senukai Lithuania vs the Competition Council	Kesko Senukai Lithuania challenged the scope of information collected during a dawn-raid, arguing that its right to defence was violated because the company was not given the opportunity to contest the actions of the Competition Council in Court. Consequently, the European Court of Human Rights (ECHR) ruled that the company's right to the inviolability of the home and the confidentiality of correspondence had been breached. Regarding the scope of information, the ECHR held that the Competition Council must share the burden with the inspected companies in determining whether to exclude certain information from the collected data.	Ellex
Lithuanian Basketball League and others vs the Competition Council	The dispute concerns an infringement decision by the Competition Council, which found that the Lithuanian Basketball League and 10 basketball clubs entered into an anti-competitive agreement by deciding not to pay players' salaries for the remainder of the season after the championship was terminated due to the pandemic. The decision was annulled by the Vilnius Regional Administrative Court, but on appeal, the Supreme Administrative Court decided to reopen the case.	COBALT, Ellex, Sorainen
Lithuanian Pharmacy Association and others vs the Competition Council	The Lithuanian Pharmacy Association and related pharmacies have sought annulment of the Competition Council's decision, which found them guilty of forming a cartel by agreeing on the margins of reimbursable medicines and imposed a fine of EUR 72 million. The dispute is currently pending before the Vilnius Regional Administrative Court.	Ellex, Sorainen, WALLESS

Bankruptcy and restructuring disputes

Comments by Partner Annika Peetsalu (EE), Specialist Counsel Mārtiņš Aljēns (LV) and Partner Paulius Markovas (LT)

Continuing economic difficulties in 2024 led to a further increase in the number of bankruptcies compared to 2023 (around 14%) in **Estonia**. The hardest hit sectors were industry (30 bankruptcies), construction (26 bankruptcies) and commerce (24 bankruptcies), with several of the bankrupt industrial companies also linked to the construction sector. As a rule, such bankruptcies have a wide impact, as unsecured creditors usually fail to recover much, if anything, while secured creditors only receive a portion of their claims.

2024 also brought a significant rise in restructuring proceedings, with a record number of 28 proceedings initiated. The most widely publicized case was the Planet42 restructuring, which strongly affected the Estonian investment community as many local investors had made significant capital contributions to the company that were restructured in the hopes of turning the business around in the near future. This development may indicate a shift in confidence towards restructuring as an alternative to bankruptcy, potentially inspiring more successful examples in 2025.

Latvia experienced a moderate rise in insolvencies, increasing from 242 in 2023 to 283 in 2024, with construction and trade sectors most affected. One significant case was insolvency of Baltic International Bank SE at the beginning of 2024, following an attempt to wind up the bank which proved to be unsuccessful due to reassessment of the bank's assets and arrest of the bank's as-

sets in criminal proceedings. Restructuring proceedings also increased from 90 in 2023 to 137 in 2024. In addition to the impact of the economic turbulence, such an increase could have been facilitated as a result of the implementation of the EU Restructuring Directive, which extended the preparation period for restructuring plans from two to four months. However, despite this growth, a substantial gap remains between initiated proceedings and approved restructuring plans, with only 28 plans approved in 2024.

Lithuania also faced a 14,9% increase in bankruptcies of legal entities in 2024, with a total of 877 bankruptcy proceedings (of which 16 were later cancelled), but still not reaching pre-pandemic levels.¹ The largest increase in bankruptcy proceedings was observed in the transport and storage, manufacturing, administrative and service activities, wholesale and retail trade, and construction sectors. In contrast, fewer bankruptcies were recorded among companies operating in accommodation and food services, as well as artistic, entertainment, and recreation sectors.

The number of restructuring cases increased by 7.7% compared to 2023,² with a total of 28 restructuring cases (of which 4 were later cancelled).³

The number of bankruptcies in Lithuania was influenced by various factors, including political decisions such as the decision to increase the minimum wage or the cessation of the preferential 9% VAT rate for catering services provided by restaurants, cafes, and similar catering establishments. Moreover, some companies are still struggling to manage debts deferred during the pandemic.

1 Overview of Insolvency Proceedings for the I-III Q of 2024, prepared by the Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania. The annual statistics for 2024 will be officially published only in April, 2025
 2 The period analysed - the first to third quarters of 2024
 3 Overview of Insolvency Proceedings for the I-III Q of 2024, prepared by the Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania. The annual statistics for 2024 will be officially published only in April, 2025

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Bankruptcy of Nordica and Xfly	Estonia's second attempt to have a national aviation company ended in December 2024, when Nordica and its subsidiary Xfly filed for bankruptcy. The companies faced difficulties securing a new investor and new contracts after terminations by SAS. It is yet to be seen how the bankruptcy proceedings will evolve and whether the previous management will be held liable for any breaches that were pointed out in a special audit. It is, however, clear that these bankruptcies will have a wider impact on the Estonian aviation sector due to numerous subcontractors and people involved.	TBD
Bankruptcy proceedings of CoinLoan	The court declared the crypto company CoinLoan bankrupt in proceedings initiated by a German individual. More than a year later, the issues surrounding the disposal of the crypto assets remain unresolved, leaving over 1,000 creditors from all over the world uncertain about the amount and timing of recoveries.	COBALT, Glikman Alvin, Hedman, Laus & Partners, LEVIN, Magnusson, NJORD, WIDEN

Reorganization of Planet42	Inclusion, known after their brand Planet42, is a car rent platform startup founded in 2017 that operated mainly in South Africa and Mexico. During the summer of 2024, it became evident that the company was facing severe financial difficulties. The payments to the creditors were frozen and the company submitted an application for reorganization. The case had a severe impact on the local investment community that had invested in the company, a lot of them influenced by an Estonian star investor (J. Roosaare). During the proceedings, the South African business was sold to foreign investors, while the creditors faced stark choices: accept a 95% haircut on their claims or convert their claims into shares in Planet42 (which now comprises of only Mexican business). This case has strongly shaken the investment community and is expected to influence future startup investment strategies.	Glimstedt, KÄHARI, LOOR, RASK, TRINITI, TGS Baltic
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LATVIA

Insolvency proceedings of Baltic International Bank	Following the European Central Bank's decision to revoke Baltic International Bank's (BIB) license, the Bank of Latvia filed an application to wind up BIB. However, soon after, it became clear that the asset value of BIB was overestimated. Furthermore, a significant portion of BIB's assets were frozen – EUR 20 million of BIB's own assets and EUR 15 million of other assets related to separate criminal proceedings. With the situation becoming critical and debts greatly exceeding actual liquid assets, the Bank of Latvia, following liquidator's proposal, submitted an application for BIB's insolvency and BIB was declared insolvent.	CersJurkāns, Linda Sniega-Svilāne, COBALT, and various representatives of creditors
Legal protection process of East Metal	The court granted legal protection to East Metal, a Latvian metalworking company. As a result, the company's two factories in Daugavpils and Dobeles, employing a total of 550 workers, have resumed operations. A detailed plan for East Metal's legal protection process is currently being developed with the goal of fully restoring the company's solvency.	COBALT
Legal protection process of East-West Transit	The Competition Council approved Kool Latvija's parent company's acquisition of the assets of East-West (mainly petrol stations operating under the Latvijas Nafta brand, which is one of Latvia's largest petrol station chains). Soon after this approval, the court approved East-West Transit's application for legal protection proceedings to address EUR 12 million tax debt. East-West Transit successfully prepared and approved a legal protection plan, and now they have several years to restore solvency. However, failure to fulfil the plan could result in East-West Transit's bankruptcy and jeopardize the transaction with Kool Latvija.	COBALT represents creditors' interests, other offices are involved

LITHUANIA

A creditor of Baltic foil vs the former Director of Baltic foil	A case where a creditor of a bankrupt company filed direct claims for damages against the former Director of the company (Baltic foil), after it was found that the bankruptcy of the company was intentional (fraudulent).	COBALT, Katilius ir Partneriai
Restructuring and bankruptcy of Integre Trans	The court opened bankruptcy proceedings for a large logistics and transportation company in the Baltics (Integre Trans) that had sought to restructure initially. It is also a unique case because of the cross-border element (vehicles owned and/or controlled are in different jurisdictions).	COBALT, Ellex, Galubickas, Lukošius and partners, HubLegal
Restructuring of AUGA Group	Auga Group, a leading organic food producer in the Baltics, initiated a large-scale restructuring involving over 20 companies of the Group, with plans to merge or terminate up to 60 entities. The court initiated restructuring proceedings, but the decision has not yet become final.	COBALT, TGS Baltic

Corporate law disputes

Comments by Partner Annika Peetsalu and Managing Associate Kaidi Reiljan-Sihvart (EE), Senior Associate Marija Berdova (LV), Partners Prof Dr Rimantas Simaitis and Marius Inta (LT)

No major new corporate law disputes have come to public attention in **Estonia** in the last year. This does not imply the absence of disputes, but rather reflects the sensitive nature of the business information involved, which means that disputes may be resolved in non-public proceedings, or attempts may be made to proceed without publicity. As always, disputes between shareholders were complex cluster disputes involving essentially everything that can be disputed. As a rule, whoever is able to react more swiftly and go on the offensive will have the advantage, since the success of the initial steps (e.g. gaining control of company management through interim protection) can set the scene for further disputes.

As usual, disputes arising out of shareholders' agreements are more likely to be submitted to arbitration, while many other disputes that may arise between shareholders are often legally impossible to resolve elsewhere than in the regular courts. Disputes between shareholders are increasingly involving members of the management (especially those with ties to a shareholder) and reports of criminal offences are often filed in addition to civil claims. Last years' experience also shows that parties tend to reach a compromise sooner or later. This is usually prompted by a lower court's ruling in favour of one of the parties.

This year is not marked by a number of significant commercial disputes in **Latvia** either. However, a court case related to the

interpretation of "significant infringement" as legal ground for recognition of General meeting's decision as invalid is worth mentioning.

At the same time, due to the amendments to the Commercial Law introduced in 2023, which imposed an obligation on joint stock companies to disclose information about their shareholders (in the same manner as it is done for limited liability companies), the issue of protection of shareholders' personal data became crucial in 2024, resulting in an application before the Constitutional Court. The final decision of the Constitutional Court is still pending as the Court decided to stay the proceedings and refer to the Court of Justice of the European Union as part of the preliminary ruling procedure and seek guidance on the interpretation of Directive (EU) 2017/1132 relating to certain aspects of company law and Regulation (EU) 2016/679 (General Data Protection Regulation).

Corporate disputes in **Lithuania** remained relatively stable, with most cases involving conflicts between shareholders, often overlapping with issues related to bankruptcy and asset division. A growing trend toward arbitration or private agreements, particularly for disputes arising from shareholder agreements, is evident as parties aim to protect sensitive commercial information. Looking ahead, the trend toward early settlements and private litigation is expected to persist.

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Company X vs Company Y	Dispute over the handling of an action filed by a deadlocked company. The court dismissed the action as inadmissible, and it was held that the action could not be decided on the merits as the contradictory positions of the plaintiff's legal representatives made it impossible to ascertain the will (positions) of the corporate plaintiff.	COBALT, TRINITI
Olympic Entertainment Group vs small shareholders	Olympic Entertainment Group's former small shareholders, who are professional investors, are disputing the amount of compensation paid upon the takeover of their shares. After more than 5 years of proceedings, the court has not yet reached a decision.	COBALT, WALLESS
Traat Holding vs Eesti Traat	Dispute brought by a small shareholder on a difference in the payment of dividends. Eesti Traat decided to distribute profits in proportion to the contribution of each shareholder and the profits distributed to Traat Holding were therefore not proportional to its shareholding. Traat Holding objected this as unequal treatment of shareholders. The Supreme Court explained that the shareholders have the right to provide sufficiently defined rules in the articles of association of a company for the payment of dividends which differ from the law, as well as the right to set out that the shareholders decide upon dividend payments on a case basis, without specifying any rule differing from the law in the articles of association.	DEM, TGS Baltic

LATVIA

Shareholder A vs Company B	<p>The dispute concerns the recognition of the general meeting's decision as invalid due to the fact that shareholder A was not invited to the summoned meeting and was not able to use his rights to participate and vote for the agenda's items, which shall be recognized as fundamental violation.</p> <p>The Supreme Court has pointed out that "a fundamental violation in convening a general meeting or making a decision" shall be considered as a violation of the right of each shareholder to receive information, as well as a violation of the shareholder's right to participate or vote in the general meeting. The Supreme Court has concluded that even if the amount of the shareholder's votes does not have an impact on the adoption of the contested decision, it still cannot constitute a legal justification for the violation of the shareholder's rights to receive information and to participate in the administration of the company.</p>	N/A
A group of shareholders of joint stock company X (Latvia)	<p>The Constitutional court case is related to the compliance of the new legal requirement to disclose personal information of stockholders of a joint stock company with the constitutional rights on the protection of their personal data.</p> <p>In November 2024, the Constitutional court decided to refer a question to the Court of Justice of the European Union for a preliminary ruling, as the Constitutional court had doubts as to whether shareholders of joint stock companies are to be regarded as persons participating in the management, supervision or control of the company within the meaning of Directive 2017/1132. The Constitutional court also has doubts as to whether the principles of Regulation 2016/679 allow a Member State to provide that the personal data of any stockholder in a joint stock company may be obtained by any person without the obligation to prove a legitimate interest in obtaining such data.</p>	COBALT
Spring Capital (Estonia) vs PNB Assets (Latvia)	<p>Spring Capital brought a claim against PNB Assets to challenge the disposal of shares in Winergy as a donation. The shares were transferred in 2016 for one euro, allegedly to avoid fulfilling obligations. The Supreme Court upheld the lower court's decision, recognizing the transaction as a donation and allowing Spring Capital to recover not only the original debt but also accrued interest and procedural costs.</p>	CersJurkāns

LITHUANIA

Company X vs former de jure and de facto Directors and shareholders of the Company	<p>The ongoing dispute seeks compensation from both de jure and de facto directors, as well as the shareholders of the company, for damages resulting from a fraudulent bankruptcy. It raises a key question regarding the liability of these parties, as the plaintiff aims to hold both - the legal and actual management - accountable for compensating the creditor harmed by the fraudulent insolvency.</p>	COBALT
CPT Partner vs Director of the Company	<p>The Supreme Court ruled on the procedural burden of proof regarding the decisions of a company's director. When assessing the civil liability of a director for corporate decisions, it is presumed that the director acted in the best interests of the company. This presumption can be rebutted only if the claimant proves that the director breached his fiduciary duties. The burden of proving such a breach lies with the party alleging the director's liability.</p>	N/A
Grigaliunas Holdings vs Isa Balt	<p>The Supreme Court clarified the conditions under which dividends can be paid to shareholders when a company has pending obligations. It stated that if a company neglects dividend payments while continuing to decide on profit distribution, certain restrictions should apply. Specifically, the granting and payment of new dividends are prohibited, if such decisions result in the company failing to fulfil its obligations to other creditors of the company.</p>	N/A



Criminal matters (white collar)

Comments by Partner Lembit Tedder and Managing Associate Rauno Ligi (EE), Managing Partner Lauris Liepa (LV), and Partner Mindaugas Bliuvas (LT)

Historic allegations of money laundering remained topical in **Estonia** throughout 2024. In the case of Swedbank, the allegations proved to be unfounded and the criminal proceedings were closed in the first quarter of 2024, unlike in the criminal case against former Danske Bank employees, which was sent to court in the second quarter of 2023. Although the politician Kajar Lember was acquitted, there is no reason to believe that the investigating authorities will pay less attention to possible corruption offences in the future, and bribery allegations against politicians and public figures will continue to be under intense public and legal scrutiny.

It will be interesting to see whether the conviction of former Via3L executives for breach of trust will encourage the prosecution to take other similar cases to court, or whether different civil claims will remain the main remedy in similar cases. Additionally, it is anticipated that proceedings related to virtual currencies, licences and/or sanctions will increase, reflecting the growing prominence of these areas.

Amendments to the Penal Code, effective from November 2023, extended the liability of legal persons. These changes should simplify and extend the possibilities for holding companies liable in criminal and misdemeanour proceedings when an offence is committed by omission or due to a lack of organisation or supervision of the legal person. This could presumably lead to more proceedings against the companies in particular.

In **Latvia**, tackling money laundering remained a top priority in 2024, alongside a growing focus on financial crime, corruption, national security threats, and cybercrime. Cyber fraud statistics underscore the urgency of addressing this issue: while corporations and individuals had lost EUR 8.5 million to cyber fraud in 2023, the figure rose to EUR 12.5 million in the first ten months of 2024 alone.

Disputes regarding money laundering elevated to the level of constitutional principles and EU law regulation. The Constitutional Court referred for a preliminary ruling to the Court of Justice of the European Union regarding the interpretation of Directive

2014/42/EU on the freezing and confiscation of instrumentalities and proceeds of crime in the EU. The case is now back with the Constitutional Court and will be decided in the first half of 2025.

The number of investigations into alleged international sanctions avoidance surged, with 133 cases opened in the first eleven months of 2024. These cases mainly involve attempts to trade with sanctioned entities, particularly in Russia and Belarus, and most remain in the pre-trial phase.

The Economic Affairs Court (Ekonomisko lietu tiesa), established in 2021, continues to handle a significant portion of white-collar cases. Over the past three years, the court has demonstrated relevant competence in addressing complex business matters and cross-border legal issues.

In April 2024, the Ministry of Justice proposed amendments to the Criminal Code to enhance the framework for preventing illegal political party financing. These proposals, alongside amendments strengthening liability for offences related to national security, represent significant steps in combating corruption and other white-collar crimes.

There has been a notable shift in the **Lithuanian** legal system regarding sentencing in corruption cases. Whereas non-custodial sentences were usually imposed in such cases a few years ago, courts now increasingly lean towards imposing actual imprisonment. This trend is clearly evident in high-profile political corruption cases.

There is also a growing trend of increased cyber fraud. While such offences previously targeted mostly individuals, large companies are now becoming the primary targets of cyber fraudsters. The complexity of these offenses, often spanning multiple jurisdictions, along with the challenges of international cooperation, presents significant obstacles to effectively addressing the issue.

The Lithuanian Criminal Code has undergone quite substantial amendments in recent years, allowing greater flexibility to impose non-custodial sentences for serious crimes. However, these amendments have also affected the criminal liability of legal entities by introducing additional measures to penalize convicted companies.

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
The corruption case of Hillar Teder, Centre Party and Mihhail Korb	An influence peddling case in which the Prosecutor's Office is demanding real imprisonment for a businessman. The decision of the Supreme Court is to be expected in early February 2025.	LEADELL, LEVIN, WALLESS
Extradition of Ivan Turõgin and Sergei Potapenko to the U.S.	The case involved a number of parallel disputes, including the men's arrest, the seizure of USD 145 million worth of assets and the lawfulness of their extradition. A court order extraditing the men to the U.S. entered into force in May 2024.	COBALT, LEVIN
Swedbank's money laundering suspicions	According to media reports, the company, its former board members and two employees were suspected of money laundering in the amount of more than EUR 100 million. The criminal proceedings were terminated in the first quarter of 2024 due to the absence of a criminal offence, following termination requests by the defence.	COBALT, Ellex, LEVIN, RASK, WALLESS
LATVIA		
Release of frozen funds and termination of criminal proceedings	Two court instances ruled in favour of a company whose funds, exceeding EUR 888,000, were seized on suspicion of criminal origin. The courts found no evidence to support claims that the funds were criminally acquired, resulting in the release of the frozen assets and the termination of criminal proceedings. The court concluded that an uncertain origin of funds does not inherently suggest criminality. It also ruled that the involvement of shell companies in commercial transactions or the transfer of assets to such entities does not automatically indicate fraudulent or criminal behaviour, particularly when the company may prove legitimate business operations. This final ruling reinforces the legal principle that lawful commercial activities should not be presumed to involve criminal conduct without substantial evidence.	COBALT
1Dream and others against the Republic of Latvia in CJEU on the request of the Latvian Constitutional Court in joined cases No. 20214401.	A number of parties, after having lost the expedited proceedings in the Economic Affairs Court on the confiscation of their properties (alleged proceeds of crime), challenged the procedural regulation in the Constitutional Court. They opposed against the reversed burden of proof, lack of rights to appeal and other procedural shortcomings that limited their rights to defend their property and infringed their rights to a fair trial. The Constitutional Court applied for a preliminary ruling to the CJEU regarding interpretation of the Council Directive 2014/42/EU on the freezing and confiscation of instrumentalities and proceeds of crime in the EU. In its ruling, the CJEU found that the given EU directive does not apply as the Latvian regulation regarding confiscation of property in a separate procedure until the main proceedings in the criminal case are completed does not fall within the scope of Directive 2014/42/EU. The Constitutional Court has now resumed the national proceedings and will decide the applications during the first half of 2025.	A.Liepiņš Law firm, COBALT Davidsons & Partners, Jaunzars & Partners, NJORD, Ņikuļceva Law firm, Rusanovs & Partners, Valdemārs Law firm, Voronko Law firm, WALLESS, Widen
Latvian company convicted for attempted bribe to the officer of the Lithuanian air defence force	A court convicted a representative of a Latvian company and applied EUR 120,000 penalty to the company for attempted bribery in Lithuania. The court found that the representative of the Latvian company had offered to the officer of the Lithuanian defence force air division EUR 90,000 in exchange for fixing results in a public tender.	N/A

LITHUANIA

Corruption case involving Lithuanian politicians

A former member of the Lithuanian Parliament and ex-leader of a major political party were accused of bribery and unjust enrichment. In total, charges were brought against three members of two political parties, the political parties themselves, a private legal entity, and its vice-president. The case involved allegations of bribery benefiting political parties and their members in exchange for decisions favouring a private company. This case has received significant media attention, as the alleged acts were committed while the accused politicians were active members of the Parliament and prominent political parties. Notably, this is the first case in which politicians have been sentenced to actual imprisonment.

COBALT, LEXIMUM, MARSUS, NOOR

Criminal cases against municipal councillors

Following an initiative by a journalist to expose potentially opaque expenses, the Prosecutor's Office launched investigations into the spending of municipal councillors. The analysis of municipal councillors' spending has resulted in several councillors being charged with fraud, abuse of office, and falsification of documents. Some of the municipal councillors have already been convicted. The cases aim to ensure that allowances for official duties are not misused for personal gain and thus are actually used for their work.

COBALT, N/A

Criminal case against Head of Kaunas Municipality Administration

Head of Kaunas Municipality Administration V.Š. has been accused of directly demanding and accepting a record size bribe of EUR 260,000 from J. K., the head of a construction company, for his own benefit while holding a position at Kaunas City Municipality. He is fully admitted his guilt in court. The Lithuanian Court of Appeal sentenced V.Š. to 3 years and 4 months of imprisonment. This case underscores the increasing trend of real prison sentences for high-ranking public officials involved in corruption.

NOOR





Public law matters

Public procurement disputes

Comments by Managing Associate Kaidi Reiljan-Sihvart (EE), Partner Sandija Novicka (LV) and Partner Dr Deividas Soloveičik (LT)

In **Estonia**, as a general rule, public procurement disputes are subject to a mandatory pre-litigation procedure, i.e., disputes are settled in the first instance by the Public Procurement Review Committee (VAKO). In 2023⁴, 209 requests for review were submitted to the Committee, 22.22% more than in 2022. Large-scale public procurements are challenged more frequently. As for the procurement documents, technical specifications were the most contested. The most common reason for dismissing contestation notices was that the contracting authority had corrected the infringement alleged by the challenger or had annulled the decision or cancelled the public procurement entirely. Of the contracting authorities' decisions, declaring tenders successful was contested most frequently.

Of the Review Committee's decisions, 32 were appealed to the Administrative Court, and 29 of these cases reached a final decision by March 2024. There has been a notable increase in disputes over repayment claims against aid beneficiaries, in cases concerning the State Shared Service Centre (RTK) or the Ministry of Finance.⁵

In **Latvia**, public procurement disputes have been influenced by broader geopolitical considerations. National security interests are being enforced more assertively in procurements involving critical infrastructure and IT systems. This has led to an increase in the exclusion of candidates and tenderers deemed unmitigable security risks, with the Administrative Court handling a growing number of such cases.

Another notable trend involves competitors increasingly challenging significant amendments to procurement contracts. This tactic is particularly evident in markets heavily reliant on public authority procurements and long-term contracts. Such lawsuits can effectively free up a procurement contract if the amendments are deemed illegal, rendering the existing contract non-executable without them.

Additionally, the Administrative Courts are addressing the issue of whether bidders can supplement their bids with additional information after the submission deadline. Courts are increasingly developing case law on this matter, expanding their conclusions to cover new aspects of bids.

An analysis of **Lithuania's** public procurement for 2023-2024 shows that the value of international and simplified public procurement decreased from EUR 7.7 billion in 2023 to EUR 7.6 billion in 2024 and the total number of procurements in 2024 being ~11% lower than in 2023.

The share of centralized purchases has increased to 42.2% of the total procurement value, up from 26.1% in 2022. Compared to 2023, the number of centralized procurements in 2024 remained largely unchanged, increasing by just 0.5 percentage points. The significant growth in the number of centralized procurements in 2022 was driven by changes in legal regulations in the field of public procurement, which significantly expanded the concept and scope of centralization.

The increase in centralized procurements also contributed to a decrease in single-supplier purchases, falling from 23.6% in 2023 to 19.7% in 2024. Compared to 2022, single-supplier purchases decreased significantly by 11%. Excluding centralized procurements, single-supplier purchases made up 44.8% in 2024, showing that the lack of competition among suppliers is still a significant issue in decentralized public procurement.

In conclusion, while the Lithuanian public procurement system is progressing towards greater efficiency and more rational use of funds, efforts to strengthen competition by attracting more suppliers are still needed.

⁴ The practice of the Public Procurement Review Committee is published in the spring following the year under review. The 2024 practice will therefore be available in spring 2025.

⁵ Requests and reviews in 2023 (statistics) - available on the Ministry of Finance website at <https://fn.ee/riigihanked-riigiabi-osalused/riigihanked/vaidlustusmenetus#vaidlustuskomisjoni>

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
MDSC Systems and Maru Metall vs Centre for Defence Investment	Joint procurement with Lithuania for mobile field hospitals and dressing stations. The applicants requested the Ministry of Finance to perform supervision with regard to the modification of tender conditions after the established deadline and discriminatory terms of qualification. The Ministry of Finance decided to terminate the supervisory procedure as it found that although there were shortcomings in the procurement process, it would be disproportionate to annul the procurement.	NOVE
N.R. Energy's appeal vs Tapa Municipality Council's decision	A dispute over whether the Tapa Municipality Council had the right to designate Tapa Vesi, a municipal company, as the network operator for the Tapa town heating district. The lower courts held that the case did not qualify as an internal transaction within the meaning of the Public Procurement Act, as the control criterion for an admissible internal transaction was not fulfilled. The Supreme Court, however, further clarified the prerequisites for an internal transaction, including the control criterion, and found, contrary to the lower courts, that the control criterion had to be considered fulfilled, i.e., the internal transaction with a company fully owned by the municipality was allowed.	Tammer & Tammer, WALLESS
University of Tartu vs RTK	Dispute concerning the application of a financial correction. RTK applied a financial correction to the beneficiary on the grounds that the beneficiary had imposed a restrictive condition on the qualification of tenderers in a public procurement procedure against foreign tenderers. In addition to resolving the alleged infringement (the infringement was not established at the final stage), the Supreme Court emphasised that the application of the financial correction rate cannot be automatic, but that the financial correction rate must be proportional. Also, that the risk of sanctions in connection with structural assistance must not be so high as to discourage persons from applying for assistance and thus prevent the Structural Funds budget from being used for its intended purpose. This is particularly important in situations where the infringement of public procurement law is not obvious.	WALLESS
LATVIA		
Medilink vs Riga East University Hospital and Procurement Monitoring Bureau	The Supreme Court upheld the decision to exclude a tenderer from a procurement involving the hospital's IT system, classified as critical infrastructure. The Court confirmed that legal provisions addressing national security interests are enforceable even if such interests are not explicitly stated in the procurement documents as grounds for exclusion. Furthermore, the Court ruled that if the legally mandated opinion of the competent security agency identifies national security risks that cannot be reasonably mitigated, the contracting authority must exclude the tenderer. Contracting authorities and courts are not obligated to reassess the conclusions made by the competent security agency.	COBALT, in-house lawyers
Public Transportation Service Providers vs Road Transport Administration and Procurement Monitoring Bureau	The Supreme Court examined a case concerning the compliance of the compensation scheme for public transport service providers with legal standards and its appropriateness for 10-year procurement contracts. The dispute centred on whether the scheme guarantees sufficient cost reimbursement as required by EU regulations and Latvian laws. Following the preliminary ruling provided by the CJEU, the Court concluded that the state is not required to fully cover all costs and emphasized that compensation schemes should encourage efficiency among service providers rather than automatically reimbursing all expenses.	COBALT, WALLESS

Strabag and VIA vs
Latvian State Roads and
Procurement Monitoring
Bureau

The case focused on whether a bank guarantee document submitted with the bid satisfied the procurement requirements, specifically regarding its validity period. The Supreme Court determined that the initial guarantee created ambiguity about its compliance, as it did not explicitly state its validity until the submission of contract performance security, as mandated by the procurement regulations. Although the bank subsequently issued a clarifying statement, the Court deemed this a significant amendment to the bid, which is prohibited. It further clarified that the contracting authority's request for additional information was inconsistent with the law, which permits only clarification of unclear information without materially modifying the bid.

Klotiņi & Serģis, TGS
Baltic

LITHUANIA

Euroelektronika vs
Defence Resources
Agency under the
Ministry of National
Defence

The supplier disputed before the court the contracting authority's decision to reject the supplier's tender for non-compliance with the technical specifications. The supplier argued that its compliance was demonstrated through the manufacturer's declaration. The central issue in the case was whether the contracting authority, which had doubts about the reliability of the submitted declaration, could request clarification of the tender's content. The Court held that the contracting authority does not evaluate tenders merely on a formal basis but is obligated to ensure actual compliance with the procurement terms. In cases of doubt, the authority has both the right and the duty to request further clarifications from the supplier.

COBALT

Public institution
Republican Šiauliai
Hospital vs Eirta

The case concerned the suitability of the documents supporting a supplier's qualifications. The supplier relied on contracts with other economic operators to support its qualifications for the tender but failed to specify the value of the works it had performed "by itself" when submitting its tender. As a result, the contracting authority rejected the supplier's bid, citing non-compliance with qualification requirements, and included the supplier in a list of suppliers who had provided false information. The dispute ultimately reached the Supreme Court, which upheld the lower courts' interpretation that the supplier was obliged to specify the value of the works it had carried out by its own forces, and that failure to do so was rightly deemed deceptive. The Supreme Court also significantly developed the concept of "own effort".

COBALT, WALLESS

Transjuda vs
Šilutė district municipal
administration

The case involved a supplier's claim for compensation for damages (loss of revenue) caused by the contracting authority's unlawful actions. The key issue was whether the supplier had adequately proved the amount of its lost revenue. The Court clarified the specificities of proving the amount of damages in cases involving loss of revenue and held that when unlawful conduct is established but the supplier is unable to prove the amount of the loss with certainty, the court must determine the amount of the loss based on the evidence presented by both parties.

COBALT, ŠEDBARAS law
partnership

Tax disputes

Comments by Specialist Counsel Karli Kütt (EE), Partner Sandija Novicka (LV) and Specialist Counsel Rasa Mikutienė (LT)

Disputes over the tax liability of the legal representative of a company continued to be an issue in the courts in **Estonia**, but all in all, not many tax disputes reached a solution in the higher courts last year. The tax authority is increasingly issuing liability decisions, and the courts have had to clarify time and again the limits of the tax liability of management and the preconditions for the recovery of tax debt from them.

Due to the specific nature of tax proceedings, the possibility to submit additional evidence is often disputed in court, and higher courts have repeatedly instructed the courts to accept evidence that was not collected in the tax proceedings.

In VAT matters, confusion arose over the definition of “intermediation” in the Value-Added Tax Act, which does not make a good distinction between acting on behalf of oneself and acting on behalf of a client. Courts have clarified how to distinguish between intermediation services and normal resale on the basis of principles familiar from civil law. Regarding income tax, disputes arising from the audit of equity contributions and the conformity of accounting source documents with tax law continued to be subjects of dispute.

Meanwhile, the implementation of a number of tax exemptions is currently under the tax authority’s close scrutiny, and the tax authority has started exploring ways to raise additional tax revenue for the treasury within the existing legal framework. Over the past year, the tax authority has attempted to tax debt push-down transactions and to limit the use of VAT exemptions (especially the use of the health care exemption and the taxation of contractual penalties with VAT). The pricing of transactions between related parties is also being increasingly analysed.

Latvian courts continue to address cases involving business

transfers, refining the legal framework and clarifying the criteria to establish whether a transfer has occurred. The courts frequently side with the State Revenue Service, underscoring the importance for prospective business buyers to conduct thorough due diligence on their target companies. Assessing potential tax risks and ensuring the alignment of future operations are critical to avoiding liability for inherited tax obligations.

Foreign companies operating in Latvia, particularly those involved in large infrastructure projects like Rail Baltica, face complex challenges in structuring their presence and operations. While VAT refund disputes in construction projects are increasingly resolved through established case law, CIT remains a significant concern. Properly structuring projects and evaluating tax implications beforehand is crucial, as addressing CIT issues retrospectively can be difficult.

The most notable tax cases contributing to the development of **Lithuania’s** tax system have involved the transfer of tax losses between group organisations, the use of tax exemptions for collective investment undertakings, the application of VAT laws in triangular transactions, and the application of investment project tax exemption. The most crucial decisions on these issues are described further below. However, the prevalence of many more tax investigations and lower-level court proceedings on these topics underscores the relevance of these tax cases.

The courts are also seeing a continual flow of requests to reduce tax penalties, which under current legislation can range from 20% to 100% of the tax arrears. Tax authorities argue that high-interest charges encourage timely payment, but taxpayers often contend that such penalties are sometimes unfair, prompting courts to address this balance. In recent years, courts have reduced tax fines in several cases by applying the principle of proportionality, a practice that was uncommon years before.

Significant cases:

Case	Description	Main law firms involved
ESTONIA		
Valdor Holding vs Tax and Customs Board	The court clarified that if a (non-market value) transaction taxed under transfer pricing provisions is reversed, the tax authority must revoke its tax decision due to an event with retroactive effect. In prior case law, the courts have denied such a possibility in the case of dividend taxation.	COBALT
Vana Projekt vs Tax and Customs Board	The court clarified that bonuses paid to employees for loyalty and confidentiality must be taxed as remuneration, regardless of whether the income arises from the active or passive activities of the employee.	Accounting consultant
X vs Tax and Customs Board	The Supreme Court agreed with the appellant that a person cannot be required to incur expenses to recover a hopeless claim to avoid tax liability. If a loan is objectively irrecoverable, the waiver of recovery measures cannot be considered a gift if the loan agreement was genuine and the lender expected the loan to be repaid.	Supremia

LATVIA

Basu Projekti vs State Revenue Service	The court annulled the State Revenue Service's (SRS) decision to recover alleged overdue tax payments. The court found no legal basis for the SRS's claim that a business transfer had occurred, enabling the continuation of operations. The court emphasized that SRS failed to demonstrate the existence of coordinated activity or critical business elements being transferred, relying instead on unsupported assumptions. The judgment underscores the necessity of rigorous evidence in applying business transfer principles under Latvian and EU law.	COBALT
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BAUER Spezialtiefbau GmbH vs State Revenue Service	The Administrative District Court emphasised the principle that SRS decisions denying VAT refund must be substantiated by clear, lawful justifications rather than procedural grounds. The court confirmed that SRS cannot reject a validly submitted VAT refund application solely on the basis of a prior refusal and reiterated that such decisions must respect taxpayers' substantive rights. Applying the Senate's conclusions in Case No. SKA-171/2023, the court underscored the requirement for thorough evaluation of SRS justifications, limiting judicial review to the reasons explicitly stated in SRS decisions. Consequently, the court found the SRS's refusal unsupported and ordered the refund of EUR 187,823.33 to the claimant.	COBALT
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Natural person	The Senate confirmed that gambling winnings are subject to personal income tax on the total amount received from the organizer, without deducting expenses like participation fees, as winnings are considered an income. It emphasized that participation in gambling is payment for an entertainment service, and no double taxation occurs since winnings and participation fees serve different purposes.	N/A
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LITHUANIA

X vs State Tax Inspectorate	During a pre-trial procedure, the State Tax Inspectorate confirmed that the so-called investment project corporate income tax incentive is applicable even when taxpayer's long-term assets are transferred to a service provider that uses them to provide services to the taxpayer. At first, the State Tax Inspectorate argued that the tax incentive was inapplicable since they viewed the arrangement as a long-term asset lease. However, a mutual agreement was reached in a pre-trial procedure and the State Tax Inspectorate has abandoned its initial claim. This is a significant practice that affects many other taxpayers since comparable arrangements - where businesses give their long-term assets to their service providers and permit them to utilize them only to deliver services to the transferor - are typical across a variety of industries.	COBALT
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Sunergus vs State Tax Inspectorate	The Supreme Administrative Court clarified the application of VAT rules on triangular transactions. It held that when a taxable person acquires goods from another Member State using a Lithuanian VAT code and the goods are delivered to a Member State other than Lithuania, the intra-Community acquisition of goods is subject to VAT in Lithuania unless the taxable person can demonstrate that he personally paid the VAT in that other Member State. The Court emphasised that VAT payments made by subsequent acquirers of the goods are irrelevant. Therefore, a taxpayer's request for tax authorities to obtain information from another Member State about VAT payments made by future acquirers was deemed unreasonable.	N/A
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Verslo Trikampis vs State Tax Inspectorate	The Supreme Administrative Court ruled in favour of the tax authorities, upholding their decision against the company. The Court found that the company had obtained a licence for a collective investment undertaking primarily to benefit from tax exemptions available to such entities. The licensed entity was found to lack substantial investment activities, as it continued to engage in real estate leasing without attracting and making new investments, effectively failing to operate as a genuine collective investment undertaking. This conclusion was made despite the entity holding a licence issued by the Bank of Lithuania.	N/A
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COBALT is an active member of the Mindful Business Charter, joining a wide range of companies around the world to promote healthier and more effective ways of working

COBALT offices are longstanding affiliates of the selective international employment law firm network lus Laboris

COBALT is a member of the International Trademark Association (INTA) – the global association of trademark owners and professionals

COBALT is the exclusive member for the Baltics of the Global Advertising Lawyers Alliance – the leading network of advertising lawyers in the world

Offices

Estonia

COBALT Estonia is a well-established and internationally recognized law firm in the Estonian and Baltic legal markets, with a team of more than 80 professionals. Founded in 1990 as the first private law office following Estonia's re-independence, the firm has consistently been involved in the region's largest and most significant transactions.

COBALT Estonia is the exclusive member for Estonia of Lex Mundi – the world's leading association of independent law firms, and World Services Group (WSG).

Latvia

COBALT Latvia, established in 1994, is one of the most experienced business law firms in the country, offering comprehensive legal services to clients across various sectors. The firm has an extensive client base and an excellent reputation for delivering exceptional services. With a team of more than 50 highly skilled professionals, the firm provides legal advisory services to multinational banks, global pharmaceutical firms, and other international and local businesses.

Lithuania

COBALT Lithuania, founded in 2001, is one of the fastest-growing law firms in the local market. The firm advises local and foreign clients on all aspects of business law and is a market leader in M&A, competition law, dispute resolution, real estate, pharmaceuticals, and other legal areas. The Lithuanian office employs a team of close to 100 law professionals.

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COBALT excels in daily matters and complex large-scale transactions and disputes, offering leading-edge solutions across key areas of law:

- M&A and corporate transactions
- Corporate advisory and employment
- Banking, finance & capital markets
- EU & competition
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- Real estate, energy & environment
- Tax
- Dispute resolution
- ESG

Mentions

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"COBALT is very strong at handling complex matters. The lawyers are always very practical and usually avoid over-complicated legal language and truly understand what is important in our business and approach."

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Awarded Baltic Law Firm of the Year at the Women in Business Awards 2023



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About COBALT



One of the leading law firms in the Baltics, with offices in Estonia, Latvia, and Lithuania, and a team of over 250 professionals



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