RULING

The Supreme Court in Prague decided on 15 September 2004 in the legal matter of the Plaintiff F. against Defendant No. 1 K. and Defendant No. 2 CZ.NIC on the ordering of a preventive measure, with regard to the appeal of Defendant No. 2 against the ruling of the Municipal Court in Prague of 27 April 2004, as follows:

The ruling of the court of first instance is altered in such a way that the petition for the ordering of a preventive measure that Defendant No. 2 be enjoined to restrict the transferral of the domain name "a+b+c.x+y+z.cz" to any other person than the Plaintiff is refused.

Through the above-mentioned ruling the court of first instance ordered, at the proposal of the Plaintiff before the start of proceedings, a preventive measure by which it enjoined Defendant No. 1 to refrain from using the domain names "a+b+c.x+y+z.cz" and "x+y+z.cz" including the handling of these in any way, then imposed on Defendant No. 2 the obligation to restrict the transfer of the domain names "a+b+c.x+y+z.cz" and "x+y+z.cz" to any other person with the exception of the Plaintiff, and enjoined the Plaintiff to lodge a complaint on the matter within a time limit of one month from the delivery of this ruling.

The court of first instance started off from the petition through which the Plaintiff demanded the imposing of the above-mentioned obligations on Defendant No. 1 and Defendant No. 2, stating that he is an entrepreneur in the field of intermediary activity, collecting and publishing and that he is the owner of the verbal trademark in the wording "X+Y+Z" No. 123456, with right of priority from 11 March 1993. His commercial firm is identical with the wording of the trademark. Defendant No. 1 does business in a similar sphere to the Plaintiff and registered the domains "x+y+z.cz" and "a+b+c.x+y+z.cz" for himself. On his website he provides services focussing on philately, postage stamps, exchange markets for postage stamps, etc. Defendant No. 2 is a special-interest association of legal entities with a subject of activity which is the registration of domain names. The Plaintiff considers the behaviour of Defendant No. 1 on the one hand as intervention in his exclusive right to the use of the trademark X+Y+Z according to the provisions of Par. 8 section 1 of Law No. 441/2003 Coll. (Collection of Laws), on Trademarks, and on the other hand as unfair competitive activity in accordance with the provisions of Par. 44 and following of the Commercial Code, concretely the evocation of the risk of confusion and practising on reputation. The Plaintiff is also of the opinion that Defendant No. 1 has interfered through his behaviour with the rights of the Plaintiff to his commercial firm, all this with the aim of utilising the reputation of the Plaintiff and acquiring benefit for the results of his business which he would not acquire otherwise. The Plaintiff stated that he had expended considerable financial means on the promotion of his firm, his trademark and the maintenance of a good name, from which Defendant No. 1 is dishonourably benefiting, rendering impossible the further promotion of the Plaintiff through the Internet and causing him considerable detriment in connection with the amateur execution of Internet pages under a name which is characteristic of the Plaintiff in customer circles. For this reason the Plaintiff demands that Defendant No. 1 be enjoined to refrain from using the above-mentioned domain names, because he is convinced that it is necessary to regulate the relations of the participants temporarily. With regard to Defendant No. 2 the Plaintiff then demands that it should be made impossible for Defendant No. 1 to transfer the domains to a further person before the court reaches a decision and thus thwart the purpose of the proceedings.

The court of first instance considered it to be verified that the Plaintiff was established by registration in the Commercial Register on 21 January 1993, that he does business in the field of intermediary activity in the sphere of culture, advertising and promotion, issuing and publishing and intermediary activities and is the owner of the verbal trademark "X+Y+Z" No. 123456. It further considered as

verified that Defendant No. 1 was established through registration in the Commercial Register on 4 October 1994 and does business, among other things, in the field of production and intermediary activity in the sphere of culture, advertising and promotion, issuing and publishing and intermediary activities. The Defendant is the holder of the domains "x+y+z.cz" and "a+b+c.x+y+z.cz". The Office of Industrial Ownership refused his application for the registration of verbal trademarks in the wording of the above domains and in the analytical proceedings the Chairman of the Office of Industrial Ownership confirmed this decision. Defendant No. 2 is an association of legal entities with the subject of activity, among other things, of registrar of domain names. The Plaintiff also testified that he has been using the trademark "X+Y+Z" on a long-term basis as the name of a periodical that he publishes, and on correspondence postcards. The court of first instance reached the conclusion that the Plaintiff and Defendant No. 1 are in competition with one another and that the above-mentioned domains of Defendant No. 1 are capable of interfering in the rights of the Plaintiff to his trademark. In this connection the trademark right must be understood as part of the wider right of competition and thus it is necessary to see the use of the concept "x+y+z" in both domains also as a blow against the good morals of economic competition. In the opinion of the court of first instance there are therefore grounds for the temporary regulation of the relations of the participants in the relationship between the Plaintiff and Defendant No. 1 by means of the proposed preventive measure. Also with regard to Defendant No. 2 as the registrar of domain names, whose status in the proceedings is derived from and dependent on the result of the proceedings with regard to Defendant No. 1 the court of first instance considered the petition to be substantiated and therefore complied with it to the full extent. It then enjoined the Plaintiff in accordance with the provisions of Par. 76 section 3 of the Civic Court Rules to lodge the complaint on the actual matter within the time limit of one month.

Defendant No. 2 appealed against this ruling within the time limit to the extent to which the obligation was imposed on him to restrict the transfer of the domain name "a+b+c.x+y+z.cz" to any other person with the exception of the Plaintiff himself. Defendant No. 2 objected to the court of first instance that this obligation was factually impossible for his to fulfil as the administrator of the domain of the highest level "cz". Defendant No. 2 pointed to the fact that he keeps a register of the domain names of the second level situated within the "cz" domain. The individual domain names are separated from one another by a dot and the order of the individual levels of the domain names is fixed by the order in the sequence of domain names counting from the right. Defendant No. 2 as the administrator of the domain of the highest level is able to influence only the registration of the next lower level of domain names, in other words the registration of the domain names of the second level (in this case x+y+z). The holder of the second level domain is then entitled to create domains of the third level under the domain of the second level. The holder of the domain name "x+y+z.cz" is entitled to use himself or register for the benefit of himself or other persons any number of domain names of the third level, such as "a+b+c.x+y+z.cz". Defendant No. 2 is able to restrict the transfer of the domain name "x+y+z.cz" to another person (and in this area he also does not challenge the preventive measure), but he does not have the possibility of restricting the transfer of the domain name "a+b+c.x+y+z.cz". He therefore proposed that the Court of Appeal should change the ruling of the court of first instance so that the petition for the ordering of a preventive measure, to the extent to which the obligation was imposed on him to restrict the transfer of the domain name "a+b+c.x+y+z.cz" to any other person with the exception of the Plaintiff, is refused.

The Court of Appeal examined the ruling of the court of first instance in the extent challenged according to the provisions of Par. 212 and following of the Civic Court Rules without ordering proceedings (Par. 214 section 2 letter c) of the Civic Court Rules) and reached the conclusion that the appeal is legitimate. The Court of Appeal is of the opinion that through a preventive measure only such an obligation may be imposed the fulfilment of which is possible from the point of view of the subject concerned. Defendant No. 2 as the administrator of the domain of the highest level "cz" keeps a register of the domain names of the next lower level to the domain "cz", in other words of domain

names of the second level. This also emerges from the Rules of Registration of Domain Names in the "cz" Domain, where in Article 2.1.7 the "domain name" id defined as a domain of the second level created by a permitted combination or permitted symbols. Although these are rules created by a private-legal subject, the prerequisite for the registration of a domain of the second level is their acceptance by the subject applying for such registration. One of the basic requirements is the unique nature of the domain name and it is ruled out that two identical domain names of the second level should be registered. In the situation where each domain name of the second level that is registered is unique, it is then left to the will of the holder of such a domain whether he creates domain names of the third and further levels, and this can no longer be influenced by the administrator of the domain of the highest level, nor can he prevent it. If the restriction of the registration of a domain name of the third or further levels is not at his disposal, then he also does not have the possibility of influencing the disposal of these domains. He therefore cannot ensure that a domain name of the third level is transferred to a certain person or that it should not be transferred at all.

Because the court of first instance did not take into account the difference between a domain name of the second level and a domain name of the third level and imposed on Defendant No. 2 an obligation concerning a domain name of the third level, the fulfilment of which is outside the framework of the possibilities of Defendant No. 2, the Court of Appeal has changed the ruling of the court of first instance in the extent challenged according to the provisions of Par. 220 section 1 of the Civic Court Rules in such a way that it refused the petition for the ordering of a preventive measure that Defendant No. 2 be enjoined to restrict the transfer of the domain name "a+b+c.x+y+z.cz" to any third person with the exception of the Plaintiff.

The decision on the costs of the appeal proceedings will be made in accordance with the provisions of Par. 145 of the Civic Court Rules in connection with the ruling by which the proceedings on the matter itself will be concluded.

The participants in the proceedings, with the exception of the association of CZ.NIC are designated only by the first letter of their surname or commercial firm. The domain names concerned are replaced by the sequence x+y+z.cz. If there is mention in the text of further domain names, these have been replaced at random by other sequences of symbols. With the exception of data enabling the identification of the participants in the proceedings or other persons and domain names there has been the least possible interference with the text of the rulings. Any connection of the abbreviations and substitute symbols used with persons or domain names that actually use designations with the use of such abbreviations or substitute symbols is purely coincidental.

In the study of the rulings it is necessary to bear in mind the fact that the decision contains not only the actual statement of the court and its substantiation, but also a summary of the statements of the individual parties, some of which statements the court need not have taken into account at all in the decision (e.g. in the issue of a preventive measure) and these statements therefore represent only the legal opinion of the party concerned and not the conclusion of the court.

A court ruling cannot be automatically applied to other cases (albeit the basic facts are the same) and the CZ.NIC association recommends that a concrete case be consulted with experts on domain names and with lawyers.