# JUDGMENT

On 7 September 2004 the High Court decided the case of a) C and b) C. ČR, the Plaintiffs, versus 1. P.Š. and 2. CZ.NIC, the Defendants, (the decision has come into force) conceming the protection of rights to trademarks and unfair competition, and the appeal against the decision of the Municipal Court of Prague of 9 September 2003, lodged by the Defendant No. 1, as follows:

The judgment on the case, issued by the court of primary jurisdiction and contested by appeal, is changed as follows:

1. The pre-trial settlement of the parties is approved as follows:
   The Defendant No. 1 undertakes to refrain from disposing of the domain names "r+s+t.cz", "u+v+w.cz", "x+y+z.cz", and hereby expressly agrees to the changing of the holder of the above domains, with the changing to be performed by the Defendant No. 2, so that the Plaintiff b) is registered as the holder of the domains. The Defendant No. 2 undertakes to make the change within 14 days after delivery of the judgment by the court of appeal.
2. The action for CZK 100,000 to be paid by the Defendant No. 1 to the Plaintiff is rejected.

None of the participants is entitled to compensation of the court fees incurred in the proceedings in both the courts.

Having issued the above judgment, the court of primary jurisdiction imposed on the Defendant No. 1 the obligation to refrain from any kind of manipulation of and use of the second-level domain names "r+s+t.cz", "u+v+w.cz", "x+y+z.cz", to pay to the Plaintiff b) the amount of CZK 100,000 and the compensation of court costs of CZK 70,440 (statement I. contained in the judgment ); the Court imposed on the Defendant No. 2 the obligation to proceed so that within three days after the judgment coming into force, the Plaintiff b) is registered as the owner of the above domain names (statement II.). The Court also decided that the Defendant No. 2 is not entitled to compensation of court costs (statement III.) and that the request of the Plaintiff b) for the amount of CZK 300,000 to be paid by the Defendant No. 1 is rejected (statement IV.)

As stated in the reasoning of the judgment, having brought the action, the Plaintiffs requested the Defendant No. 1 to refrain from the disposal and use of the above domains and to pay CZK 400,000 to the Plaintiff b). Furthermore the Plaintiffs requested the Defendant No. 2 make the changes in registration so that the Plaintiff b) was registered as the holder thereof. In order to justify the claims, the Plaintiffs stated that having registered the domain names identical to the trademarks of the Plaintiff a) and products distributed on the Czech market by the Plaintiff b) with the Defendant No. 2 on 22 November 2000, the Defendant No. 1 infringes the rights of the Plaintiff a) to trademarks and performs unfair business practices. The Plaintiff a) is a world-known distributor dealing especially in soft drinks, denominated among other ways by R+S+T, X+Y+Z and U+V+W, whose denominations are protected in the Czech Republic by the registered trademarks No. 123456, 234567, 345678, and these trademarks are generally known within the provisions of Article 6bis Paris Convention for the Protection of Industrial Property. The products are sold by the Plaintiff a) through subsidiaries in the Czech Republic, among others through the Plaintiff b). Having registered the domains, identical with the names of the products, the Defendant No. 1 must have been aware of the fact, as stated by the Plaintiffs, that these names are generally known and connected with the products sold by the Plaintiffs. In spite of that the Defendant No. 1 did not request their consent to use the domain names. Having registered the above domain names for himself, the Defendant No. 1 prevented the Plaintiff b) from executing the rights of the holder of the trademarks, and prevented both the Plaintiffs - with regard to when the Plaintiff b) uses the subject names with the approval of the Plaintiff a) - from registering the domain names and presenting the products on the web sites under these domains. The above restraint affects above all the Plaintiff b) who was deprived of the possibility of presenting his

products on the Internet (under the names of the products offered). With respect to the Plaintiff b), a domestic distributor of drinks of the subject names, the Defendant No. 1 performed unfair business practices. The Defendant No. 1 acted, as stated by the Plaintiffs, with an evident aim to benefit to the prejudice of the Plaintiffs as he requested the amount of CZK 400,000 for transferring the domains. The Defendant No. 1 has not launched any web site under the domains, so that visitors looking at the domain names get the impression that the Plaintiffs are incapable of creating such web sites. According to the Plaintiffs, the Defendant No. 1 committed so-called domain grabbing since there is no reason entitling the Defendant No. 1 to register and keep the subject domain names. The Defendant No. 2 was designated as a participant in the proceedings because he is able to secure technically the transfer of the domains from the Defendant No. 1 to the Plaintiff b). They reprove him for not providing his services in order to protect the interests of third parties from speculative registrations of certain names.

The Defendant No. 1 defended himself claiming that he did not infringe the rights to trademarks in any way since he did not use their names for protected classes of products and services, and he did not perform any unfair business practices as no business activities, products or services of the Defendant No. 1 are presented under the subject domain names. The Defendant No. 1 also pointed out that the Plaintiffs do not have their own domains under the names of their products within other top domains (eg. .com, .net) either. The Defendant No. 2 described mainly his position and role in administering the national domain .cz and the registration of domain names under the national domain, which does not include the obligation to check whether the registering entity has the right to register the given domain name or not.

Concerning the evidence given, the court of primary jurisdiction deems it proved that the Plaintiff a) is the owner of the domain names R+S+T No. 123456, U+V+W No. 234567, X+Y+Z No. 345678, registered in the Czech Republic, and since these names are well-known and are used on a long-term basis for drinks associated with the above Plaintiff, the trademarks are deemed to be well-known, apart from the fact that in certain countries these trademarks are protected under trade mark law. The Defendant No. 1, an entrepreneur authorized to purchase and sell goods, deals in registering various domain names, as is evident from the information presented, in order to transfer them to interested parties. In this way in 2000 the Defendant No. 1 registered with the Defendant No. 2 the domains r+s+t.cz, u+v+w.cz, x+y+z.cz. Having been asked by the Plaintiffs, the Defendant No. 1 was willing to transfer the domains for the amount of CZK 400,000. The Defendant No. 1 did not launch his own web sites under the domains, and when the case was being heard by the court of primary jurisdiction, a preliminary ruling was issued imposing on the Defendant No. 1 the obligation to refrain from further using and disposing of the domains. Having registered the above domain names for himself, the Defendant No. 1 prevented anybody else, including the Plaintiffs, from registering them, as indicated by the court of primary jurisdiction. Having done so, the Defendant No. 1 infringed the rights of the Plaintiff a) resulting from the trade marks and performed unfair business practices towards the Plaintiff b). Even though the Defendant No. 1 does not offer any goods or services under the above domains, the registration itself must be considered as unauthorized use of well-known trade marks belonging to the Plaintiff a) and a restraint of the full and undisturbed exercising of the right of the owner to a trade mark, also on the Internet, as stated by the Court. For this reason the Court complied with the request of the Plaintiff a) and imposed on the Defendant No. 1 the obligation to refrain from any manipulation with and use of the domain names. Although, as far as the business objective is concerned, the Defendant No. 1 is probably not a competitor to the Plaintiff b), having prevented the Plaintiff b) from pursuing undisturbed business activities under the names of products distributed by him, i.e. from presenting the products on the Internet, the Defendant No. 1 acted as a competitor and the act could have caused damage to another competitor. Since there is no relevant reason for the Defendant No. 1 to have the subject domains registered, the act can be also deemed to be contrary to good manners of economic competition and the elements pursuant to Section 44,

paragraph 1 of the Commercial Code have been realized. As results from the decision, the Plaintiffs are rightly seeking a remedy from the Defendant no. 1. The obligation of re-registering the subject domains to the Plaintiff b) was imposed on the Defendant No. 2, the administrator of the top domain, only for technical reasons. According to the Court of primary jurisdiction, the acts performed by the Defendant No. 1 were capable of causing damage to the Plaintiff b) and the Court believes that non-property damage was actually caused when the Plaintiff b) was not able to present his products under the domains of identical names or realize any advertising in relation to the products. The Court disapproved of the objection by the Defendant No. 1 that the Plaintiff could use only one domain - a+b+c.cz - since for this purpose the Plaintiff b) can keep "as many domains and create as many web sites as he shall think fit." The Court therefore reached the conclusion that the Plaintiff b) should have satisfaction as regards this damage, and taking into account the entity of the Defendant No. 1 the Court found appropriate the obligation to pay CZK 100,000. The Court took into account the period for which the Defendant No. 1 was keeping the domains, refusing to transfer them voluntarily. The remaining part of the compensation was rejected by the Court. Apart from the obligation imposed on the Defendant No. 2, the Court added that it did not find any breach of a statutory duty by the Defendant No. 2 since as the administrator of the top domain he is not responsible for acts of applicants and in the given civil-law relation he is not competent for reviewing the domain names which are registered. His participation in the proceedings is limited only to the technical aspect of the change in registration and the result of the proceedings cannot be considered his failure. The Court also elaborated in detail the reasons for its decision on the court fees, referring to the provisions of Section 142, paragraph 3 of the Civil Procedure and the fact that the Defendant No. 2 waives the right to compensation. The Court concluded that concerning the plea of prejudice made by the Defendant No. 1 in the final proposal, Section 15b, paragraph 2 of the Civil Procedure was observed.

As results from the proceedings records of 9 September 2003, the counsel of the Defendant No. 1 made a plea of prejudice of the presiding judge in her final proposal as she is convinced that the presiding judge is prejudiced against her client. The plea of prejudice was added by the counsel of the Defendant No. 1 in her pleading of 10 September 2003, claiming thus, albeit that the procedure rights of the Defendant No. 1 were not prejudiced, the judge did not act professionally, contrary to judicial ethics since a judge should refrain from any manifestation of sympathy or a negative attitude, and therefore the decision issued by the judge does not guarantee fair decision-making. She also pointed to the fact that after the proceedings she obtained materials proving that in May 2003 the judge participated in a seminar organized, among others, by the Defendant No. 2, where a lecture (about domain names) was given by the counsel of the Defendant No. 1 as well as the Counsel of the Defendant No. 2. This fact also raises doubts about the judge's impartiality.

To the extent of compliant statements on the case and related statements on court fees (statements I. and II.), the Defendant No. 1 contested the judgment by appeal for reasons indicated in the provisions of Section 205, paragraph 2 a), e) and g) of the Civil Procedure. He referred to the above plea of prejudice and the reasons further added, which in his opinion, proved that the case was decided by an excluded judge. He objected that the court of primary jurisdiction made a wrong conclusion of facts concerning the nature of the trademarks of the Plaintiff a), and he does not believe that these trademarks should be considered well-known. Furthermore, the Court took wrongly into consideration a list of the domain names registered by the Defendant No. 1, as presented by the Defendant No. 2 during the proceedings, although this list was not even held as a proof and does not concern the period relevant to the case. The dilatory sentence imposes on the Defendant No. 1 the obligation to refrain from activities never performed by the appellant since, as came out, the appellant has not started any web site under the above domain names. If the Court affirms that the registration of the subject domain names itself restrained the Plaintiff, then the appellant objects that it was realized in good faith since the Defendant No. 2 allowed him to realize the registration. The Defendant No. 2 in his monopoly position cannot be relieved of responsibility for the domain names registered. The Court of

primary jurisdiction also concluded wrongly on the realization of the elements of unfair competition since the participants in the proceedings are not even competitors. The rights of the Plaintiff a) to the trademarks were not infringed at all since the denomination is not used for registered products and services or similar products or services protected by trademark. The Plaintiff b), whose business in the Czech Republic is presented on the Internet under the domain a+b+c.cz, was not prevented from pursuing his business activities and the appellant's acts were not capable of causing damage to the Plaintiff, yet contrary to this fact, the compensation of CZK 100,000 was recognized. The Defendant moved for the Court to make an alteration of the judgment contested by appeal and for rejecting the action.

Within the appeal proceedings the Court addressed the above plea of prejudice concerning the presiding judge and concluded that the plea is not justified.

Pursuant to Section 14, paragraph 4 of the Civil Procedure, a judge may not be excluded for his or her action during the proceedings. This statutory restriction itself cannot justify the pleas made by the Defendant No. 1 since the reasons thereof and objections to the judge are based and concentrated on her action in the case indicating that the judge's relation to the case and its participants was not in compliance with the law, which is decisive. The recording of the proceedings will show that the participants did not have the same possibility for explaining their opinions and the room provided for explaining their opinions was different, as was the judge's attitude to them. The plea based on an alleged relation (a different attitude) between the judge and the participants or their counsels is not justified and neither the decision (which is being reviewed) nor the content of the file support the Defendant's affirmation that information on the case was obtained by the judge, and not by the procedure in the case.

As the file does not raise doubts concerning the impartiality of the above judge and she herself stated that she has no relation to the participants or to the case itself, the High Court of Prague did not find any reason to proceed in compliance with Section 221, paragraph 1 b/ of the Civil Procedure.

Within the attempt of the Appeal Court at achieving an amicable settlement, the participants arranged conciliation in front of the appeal court which imposes on the Defendant No. 1 the obligation to refrain from disposing of the domain names r+s+t.cz, u+v+w.cz, x+y+z.cz, and grants an express assent to the Defendant No. 2 to change the domains denominated so that the holder of the domain names is Plaintiff b). The Defendant No. 2 undertakes to change the registration within 14 days of the delivery of the judgment appealed at the Court of Appeal.

Having verified that the settlement is not contrary to legal regulations and solves partly the subject of the proceedings, the High Court of Prague approved the settlement made before the Court (Sections 211, 99, paragraph 2 of the Civil Procedure) and changed the judgment of the corresponding case, as results from the provisions of Section 220, paragraph 3 of the Civil Procedure. Pursuant to the provisions of Section 99, paragraph 3 of the Civil Procedure, the approved settlement is effective as a legitimate judgment.

The Court of Appeal also reviewed the judgment issued by the Court of primary jurisdiction with respect to the remaining part (i.e. with respect to the obligation of the Defendant No. 1 to pay to the Plaintiff b) CZK 100,000 and with respect to the court fees) as well as the proceedings which preceded, in compliance with Section 212 et seq. of the Civil Procedure, and concluded as follows:

First it must be pointed out that the Appeal Court reviewed the findings and conclusions of the Court of primary jurisdiction, as presented in the decision contested by appeal, (referred to for brevity herein) - none of the participants proposed extending the proving process by presenting additional evidence.

The subject of the appeal proceedings (after the case has been partly settled by conciliation) is the claim for compensation of CZK 100,000 applied and approved by the Court of primary jurisdiction

pursuant to Section § 53 of the Commercial Code, requested by the Plaintiff b) for the alleged unfair competition committed by the Defendant No. 1. The compensation according to Section 53 can be applied and approved if non-material damage is caused. Due to acts of the Defendant No. 1 (registration of the subject domain names identical with the names of the products distributed by the Plaintiff in the Czech Republic) the Plaintiff was not able to present his products to consumers under the above domains. However, the Court agrees with the appellant's statement that the Plaintiff b) should be able to present his products on the Internet under the name the public associates him with, and under which the public expects to find him and will probably look for him (i.e. the domain a+b+c.cz). It is also generally true that consumers looking for a given business entity on the Internet usually search for a name identical with the business name, not for the names of products. Regardless of the fact that if the Plaintiff b) has been distributing the above products on the Czech market for more than ten years, as stated, nothing has prevented him from the timely registration of the domain names if he has intended to present his business activities under these names also on the Internet, it must be taken into account, however, that the Defendant No. 1 has not started any web site under the subject names. Regarding the removal of the possibility of keeping domain names identical with the names of products - when these products are presented by the Plaintiff b) also under the domain names generally expected - there is no evidence of non-material damage caused to the Plaintiff b). Since the whole proceedings have not proved any such damage (not even an approximate extent thereof) and there are no concrete aspects for the Court to base its decision on concerning appropriate compensation, it can be concluded that the Plaintiff b) did not prove the alleged non-material damage should be compensated, as requested, and the Court of primary jurisdiction made an incorrect decision if under these circumstances it granted the request, albeit only partly.

Based on the above conclusion, the Court of Appeal changed the action and rejected the contested judgment imposing on the Defendant No. 1 the obligation to pay CZK 100,000 pursuant to Section 220 of the Civil procedure.

The court fees for the proceeding before both the court (Section 224, paragraph 2 of the Civil Procedure) with respect to the relation between the Plaintiff b) and the Defendant No. 1 followed Section 224, paragraph 1, Section 142, paragraph 2 of the Civil Procedure), as indicated in the judgment, taking into account the final conclusion of the proceedings, in which none of the participants won; in relation to the other participants the Court decided accordingly, pursuant to Section 224, paragraph 1 and Section 146, paragraph 1 b/ of the Civil Procedure.

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*Apart from the organization "CZ.NIC", the legal proceedings participants are denominated by the first letters of their surnames or tradenames. The subject domains are replaced by a chain of x+y+z.cz. Whenever the decision refers to other domain names, these are randomly replaced by different chains. Apart from the identification of participants or other persons and domain names, the text of the decision is modified to the least degree. Any connection between the abbreviations or symbols and persons or domain names that in reality use such abbreviations or symbols is purely accidental.*

*The decision contains not only the judicial statement and its reasons as issued by the court, but also summarized statements of each party, which represent only legal opinions of the relevant party, rather than conclusions, as the Court may not have dealt with these statements at all (e.g. when issuing a preliminary ruling).*

*The judicial statement may not be automatically used in other cases (albeit with identical facts) and the organization CZ.NIC recommends consulting on any case with domain and legal experts.*