RULING

(Decision of the Court of Appeal on the appeal against the ruling of the court of first instance of 7 July 2003 - see judgement 59a)

The Supreme Court in Prague decided on 10 August 2004 (the ruling has come into legal force) in the legal matter of the Plaintiff Č. P. against Defendant No. 1. J. H and Defendant No. 2 CZ.NIC on the protection of the commercial firm and rights to trademarks, on the appeal of Defendant No. 1 against the Ruling of the Municipal Court in Prague of 7 July 2003 as follows:

- The ruling of the court of first instance is altered in the challenged statements I and II in the matter itself only to the extent that the demand for the payment of 100,000 CZK by Defendant No. 1 is refused, otherwise it is confirmed in the correct wording that Defendant No. 1 is obliged to refrain from disposing in any way with the domain of the second level "x+y+z", registered under the top level domain "cz" and Defendant No. 2 is obliged within three days of the coming into force of the ruling to carry out a change in the subject of the holder of the second level Internet domain "x+y+z" under the top level domain "cz" so that the Plaintiff is registered as the holder of domain "x+y+z.cz" instead of Defendant No. 1.
- None of the participants is entitled to compensation for the costs of proceedings before the courts at both levels.

In this matter the Plaintiff is demanding - after the adjustment of the petition permitted by a resolution of the Court of 20 May 2003 - the issue of a ruling by which on Defendant No. 1 would be imposed the obligation to refrain from any kind of manipulation with the domain "x+y+z" and to pay the Plaintiff 200,000 CZK and on Defendant No. 2 would be imposed the obligation to carry out a change in the holder of the domain from Defendant No. 1 to the Plaintiff, to pay the Plaintiff 100,000 CZK and to publish an apology to the Plaintiff. In substantiation of the demands implemented, as summarised briefly above, the Plaintiff declared that both Defendants - the first in that he had the domain "x+y+z.cz" registered to his benefit and not in good faith, and the second in that he enabled this as the registering subject - violated his rights to the wording of the commercial firm (both according to the regulation of the Commercial Code - Par. 12, and of the Civic Code - Par 19b), and his rights to the trademarks of which he is the owner, including a generally known trademark. Defendant No. 1 in addition acted in the spirit of unfair competition in the sense of Par. 44 of the Commercial Code, and Defendant No. 2 abused his monopoly status (Par. 10 and following of Law No. 143/2001 Coll. (Collection of Laws), on the protection of economic competition), which he has within the framework of the provision of services in the operation of the national domain of "cz" in the Internet network. In the statements of fact the Plaintiff stated that the two Defendants concluded an agreement on the registration of the domain name on the basis of which the Defendant No. 1 became from 1 January 2000 the holder of the domain "x+y+z.cz". With regard to the fact that it is not possible to two domain names with the same wording, the Plaintiff does not have the possibility of opening web pages under the given designation and offering his products and services there. At the same time the Plaintiff is the owner of several trademarks containing the text X+Y+Z - combined trademark No. 123456 with priority right from 22 May 1991, combined trademark No. 234567 with priority right from 11 November 1992, which was declared by the Office of industrial Ownership as famous, the verbal trademark No. 345678 "X+Y+Z, a.s." with right of priority from 8 March 2000 and combined trademarks registered according to the Madrid Agreement with WIPO in Geneva on 23 November 1998. The common characteristic of the trademarks is the text "X+Y+Z", which is also - since 1991 - according to the record in the Commercial Register the basis of the commercial firm of the Plaintiff. The Plaintiff owns the exclusive right to use the trademarks for the designation of his services, in commercial correspondence and for advertisement and the authority of the trademarks is not in any way restricted and therefore also applies to the environment of the Internet. The Plaintiff

drew the attention of Defendant No. 1 to the infringement of his rights, but the latter reacted negatively and made the possible transfer of the rights of disposal conditional on the payment of the "symbolic charge" of 100,000 CZK. The Plaintiff considers this behaviour to be at variance with good morals and commercial customs, it is evident, as he further stated, that the domain name had become a subject of trade and Defendant No. 1 thus of his own will entered into economic competition with the possibility of influencing the results of the business of competitors and economic competition as such, he abused the commercial firm of the Plaintiff and interfered with the exclusive rights of the Plaintiff to it. Defendant No. 2 as a subject with a monopoly status in the given sphere does not, according to the Plaintiff, operate his services in such a way that the rights of third parties are sufficiently protected, he registers the domain names applied for without any check according to the rule of "first come, first served" and in the rules of registration reserves for himself a status with wide authorisation without any responsibility.

Defendant No. 2 gave his opinion of the complaint, in which he explained first and foremost his standing in the administration of the national domain .cz and the method of registration of the second level domain names. He confirmed the statement of the Plaintiff that he does not check and in any case, as he said, he is not even capable of checking the domain names applied for (at present there are around 190,000 of these and the number increases every day by further hundreds) and verifying whether they do not violate the rights of third parties. If he were forced to verify them, then he would also have to assess - in the case of their conflict with other rights to the designation - who has the "greater" right to the designation and the right to the registration of the domain name, which quite evidently, however, is not appropriate to him. It was therefore necessary to leave the responsibility for the applied for and registered domain names to the applicants, and it is on this principle that the rules for the registration of domain names issued by him are based. The standing of Defendant No. 2 thus corresponds to the function of technical guarantor, and although it is naturally a monopoly standing, Defendant No. 2 rejected the claim that he has in any way abused this standing in the regulation of relations with applicants for and users of domain names either by means of the rules issued or through his other activity. He also referred in this connection to the decision of the Office for Economic Competition of 31 January 2002, by which the rules for registration were considered and no abuse of status by Defendant No. 2 was found. He therefore proposed that the case against him be dismissed, with the provision that he has no objection to the imposition of the obligation to carry out the re-registration of the holder in favour of the Plaintiff, providing the Plaintiff adjusts his proposal in this sense in the manner further described by Defendant No. 2.

By the ruling designated above the court of first instance decided in sentence I. that it would impose on Defendant No. 1 the obligation to refrain from any kind of manipulation with the second level domain "x+y+z", registered under the top level domain ".cz", and also to pay the Plaintiff 100,000 CZK and 36,500 CZK for the costs of proceedings. With sentence II the Court then imposed on Defendant No. 2 the obligation to carry out a change in the registration of the subject of the holder (IDADM) with regard to the second level Internet domain "x+y+z" under the top level Internet domain of ".cz" with the Plaintiff as the subject of the holder (IDADM) with regard to the domain of "x+y+z.cz" instead of Defendant No. 1, doing so at his own expense, and thus to enable the Plaintiff to deal with this domain from the date of the making of the change in the manner permitted by the current legal code. In sentences III and IV the Court dismissed the case for the payment of 100,000 CZK by Defendant No. 1 and for the payment of 100,000 CZK by Defendant No. 2 and also for the publication of a public apology to the Plaintiff by Defendant No. 2 on his introductory web page. With sentence V. it further decided that compensation for the costs of proceedings would not be awarded to Defendant No. 2 and in sentence VI. it enjoined the Plaintiff to complete the payment for the court fee with a further 15,000 CZK. In the substantiation of the ruling the court of first instance first of all gave the statement of the Plaintiff according to the complaint, the defence of Defendant No. 2, and then described its ascertainment made from the presented evidence and in its factual and legal

assessment it found - although not to the full extent - grounds for the complaint against Defendant No. 1. The Court took it to be proved that the Plaintiff has been registered since 1992 in the Commercial Register with the commercial firm of X+Y+Z, a.s, and is the owner of several also internationally registered trademarks, one of - combined trademark No. 234567 - was pronounced in 1995 to be a famous trademark (in the sense of the former legal regulation). As it stated, the designation "X+Y+Z" is commonly connected with the Plaintiff and has been for a long time. It further ascertained that Defendant No. 1 is a physical person who does not have any connection with the Plaintiff or with the services provided by the Plaintiff, Defendant No. 2 is a special-interest association of legal entities whose subject of activity is ensuring the registration of second level domains in the national domain according to rules issued by him and the operation of nominal servers for the domain of cz. It took it to be demonstrated that Defendant No. 2, on the basis of the application from Defendant No. 1, which fulfilled the formal requirements prescribed by the rule, registered for Defendant No. 1 in the year 2000 the domain name of "x+y+z", and in the thus designated domain Defendant No. 1 did not open his own web pages. From the rules of registration the Court deduced that they do not permit the further registration of an identical domain name and that without the consent of the holder, provided he has paid the appropriate charges, it is not possible to cancel it or to transfer it to a third party (except in the case where this is stipulated by a valid court decision, as will be referred to later). The Court concluded that Defendant No. 1, in that he registered the domain name concerned for himself, violated the rights of the Plaintiff to the commercial firm and to the trademarks. It pointed to the legal arrangement of the commercial firm according to Par. 8 and following of the Commercial Code, which the entrepreneur is obliged to use and is also entitled under its wording to offer the public its products and services, which also includes within it the right to present itself on the Internet under a designation identical to the wording of the commercial firm, because this is normally expected, whereas the significance of such a presentation in the environment of the Internet has undoubtedly increased. Defendant No. 1, however, made it impossible for the Plaintiff to use the designation identical to the commercial firm for the domain name and thus he also restricted his possibility of presenting his range of services. A similar conclusion applies with regard to the rights of the Plaintiff to the use of trademarks, but the protection of the right relating to a generally known trademark (formerly described as famous) is, according to the legal arrangement of Law No. 137/1995 Coll. absolute and includes the right to use this trademark (part of which is the text "X+Y+Z") also in the environment of the Internet. By his action, however, Defendant No. 1 also restricted this right of the Plaintiff in an inadmissible manner. The Court further drew attention to the failure of the negotiations of the Plaintiff with Defendant No. 1 before the start of proceedings, the fact that the sum demanded by Defendant No. 1 for the voluntary transfer of the domain name exceeded by many times the level of the expense of maintaining the registration of the domain name, and also deduced the speculative intention of Defendant No. 1 in the registration of the domain name concerned. The Plaintiff therefore rightly turned to the court and the court found his case against Defendant No. 1 to be substantiated for the most part. It is appropriate to comply with the implementation of a preventive measure and there are partly also grounds for the demand of the Plaintiff for the awarding of satisfaction in money. As the Court stated in this connection, Defendant No. 1 seriously restricted the Plaintiff in his possibilities for the presentation of services on the Internet, doing under the designation identical to his commercial firm and the wording of his trademark, and this continued for a period of more than two years. He thus made access difficult for normal visitors to the web pages of the Plaintiff. The Court considered adequate for covering the detriment caused the payment of the sum of 100,000 CZK, which in its opinion corresponds to the gravity and the duration of the illegal activity of Defendant No. 1. It also took into account the fact that this sum also corresponds to the amount requested by Defendant No. 1 for the transfer of the domain. In the remainder - to the extent of the payment of a further 100,000 CZK by Defendant No. 1 - the Court dismissed the case. The situation is different, however, in relation to Defendant No. 2. As the Court stated, he did not infringe the rights of the Plaintiff with his actions. He was not authorised - bound by his own rules for registration - to deny

Defendant No. 1 the registration of the domain name he selected, as a private subject in law he does not have the status that would enable him to decide whether an applicant has a right to registration or not. From the Rules for the registration of domain names it emerges that full responsibility for any infringement of the rights of third parties is borne by the applicant and Defendant No. 2 is not entitled of his own will to realise changes with regard to the holder of a domain. The exception is only the case regulated in the Rules, that Defendant No. 2 may cancel the registration for a holder on the basis of an executable court ruling. Although, then, Defendant No. 2 did not infringe any contractual or legal obligation in relation to the Plaintiff, the change in registration of the person of the holder may be achieved - according to the Rules for registration - precisely by imposing on Defendant No. 2 the obligation to make this change so that the Plaintiff is registered as the holder. In the relationship of the Plaintiff and Defendant No. 2 the Court therefore concluded that for the elimination of the illegal situation - caused by the action of Defendant No. 1 - it would impose on Defendant No. 2 the above-mentioned obligation to realise the change in registration, otherwise the case against him was not seen to be substantiated. The Court substantiated the statement on the costs of proceedings by the result of the proceedings: in the relationship between the Plaintiff and Defendant No. 1 the Plaintiff was quite successful (the decision on the level of the satisfaction awarded depended on the consideration of the court) and by the fact that Defendant No. 2 waived his right to compensation for costs in relation to the Plaintiff. The Court further enjoined the Plaintiff to pay the court fee of 15,000 CZK, which was not - as he stated - assessed for him by mistake.

The Defendant submitted an appeal against the above ruling, accusing the court of first instance of the incorrectness of the legal conclusions reached by it. There is not here, as it states, any rule for the transfer of trademarks to an Internet domain, the domain itself is composed of 15 symbols, of which only 11 are in common. In his opinion the sequence "x+y+z" is not the "designation that might be expected", and if this had been the case, then the Plaintiff would undoubtedly have used this sequence from the middle of the nineties for access to its home pages. The Plaintiff, however, used the designation "t+u+v.cz", and now also "a+b+c.cz". Defendant No. 1 could not thus have infringed the rights of the Plaintiff to the commercial firm and the trademarks, the Plaintiff was not denied the right to present himself on the Internet, doing so under the designation that to the greatest possible extent corresponds to his trade name, and search engines also, on being given the commercial firm of the Plaintiff, depict the reference to the home page of the Plaintiff. He further stated that his action cannot be labelled as speculative, he did not transfer the rights to domains to third parties for payment and neither did he himself contact the Plaintiff with the offer of the sale, the sole input from his side was a reaction to the "sharp tone" of the demand of the Plaintiff. In conclusion he proposed that the ruling be changed and - as emerges from the content - the case against him dismissed.

The Court of Appeal investigated the challenged ruling of the court of first instance according to Par. 212 and following of the Civic Court Rules in the extent of its complying sentences I. and II. in the matter itself and the related statements on the costs of proceedings, when it considered Defendant No. 1 as the person entitled also to challenge statement II. of the ruling, in which an obligation is imposed on Defendant No. 2, but through which a decision is also made on the right of Defendant No. 1 to continue to hold the domain name (an intervention made in his range of rights) and it reached the conclusion that the appeal is in part substantiated, although for reasons other than those given in it.

It must be stated that in the appeal proceedings the Court of Appeal started off completely from the findings of the court of first instance, as given in the substantiation of the challenged ruling (to which it therefore refers here for the sake of brevity), and in any case it was not even proposed by the participants that further evidence should be taken into account. The Court of Appeal then fully agreed with the evaluation of the actions of Defendant No. 1, as made by the court of first instance, inasmuch as it considered this behaviour to be infringement of the rights of the Plaintiff to the commercial firm and connected with the trademarks, and there is also reference here to this part of the substantiation of the ruling.

To the objection of the appellant it may then be stated that it is indecisive that the domain name of Defendant No. 1 reads "x+y+z" and not X+Y+Z (the basis of the commercial firm of the Plaintiff and the text in his trademarks), because this is given by the technical possibilities of designation in the Internet network. It is therefore necessary to deduce that the wording of the domain name is identical to the wording of the commercial firm of the Plaintiff and the text of the trademarks. The exclusive right to use the commercial firm and the generally known trademark belongs, however, to the Plaintiff, and this is also the case quite unequivocally in the Internet network. It is further decisive that a person searching on the Internet for information on the Plaintiff and his range of services, usually enters such a designation - identical to the commercial firm - and will expect the opening of the web pages of the Plaintiff. This is not the case in the given situation, the searching person - as was ascertained by the court of first instance - finds a page opening with the offer of the services of a third party (a server, which provides the services of webhosting, etc.). It is also decisive that here there is no legally recognised reason for Defendant No. 1 thus to use (apply to the registrar to use) as a domain name the wording of the commercial firm of the Plaintiff and the text of his generally known trademark. Against the right of the Plaintiff to undisturbed use of the appropriate designation X+Y+Z also in the Internet network as a domain name there is thus no relevant equal (or even stronger) right of Defendant No. 1, the time priority in the application to the registrar is not sufficient for the recognition of the right of Defendant No. 1. The conclusion that he thus interfered with the above rights of the Plaintiff is not altered by the fact that he does not himself offer on the page that opens on entering the domain name any services or products, or the fact that the Plaintiff has placed his web pages in a domain with a different designation. If the Plaintiff saw in the behaviour of Defendant No. 1 the infringement of his rights described above, then in agreement with the court of first instance the Court of Appeal also concluded that he is rightly demanding their protection in accordance with Par. 12 of the Commercial Code and also Par. 15 of Law No. 137/1995 Coll., on trademarks (his rights are, however, also similarly guaranteed according to the existing version of the trademark law). If, then, the court of first instance enjoined Defendant No. 1 to refrain from disposal ("manipulation") of the domain concerned, its ruling is correct and has been confirmed - with an adjustment concerning the wording so that the statement is unequivocal - in accordance with Par. 219 of the Civic Court Rules.

In the given case the Plaintiff also implemented the demand for the elimination of the faulty situation and the Plaintiff is entitled to make this demand according to Par. 12 of the Commercial Code, and Par. 15 of Law No. 137/1995 Coll. The faulty state here consists, as has been demonstrated, in the fact that the holder of the domain "x+y+z.cz" is Defendant No. 1 and the Plaintiff, who should have the right to hold this domain, does not have access to it and cannot even acquire it without himself becoming the holder in the register of domains. The valid rules for the registration of domain names, which are part of the agreement concluded between Defendant No. 1 and Defendant No. 2, enable a change in the person of the holder on the basis of negotiations of the present and future holder in relation to the registrar, who on the basis of these negotiations carries out the actual (technical) change. They also make it possible, however, for the registrar to make such a change even without these negotiations on the basis of a court decision. Then the contractual conditions, by which Defendant No. 1 (and also Defendant No. 2) is bound, enable a decision such as was also made at the proposal of the Plaintiff by the court of the first instance. The Plaintiff had a choice of methods by which it would be possible to achieve the elimination of the faulty situation that had arisen. It was possible to demand the imposing of an obligation on Defendant No. 1 to carry out the appropriate negotiations according to the valid rules of registration, which would have led to the subsequent transfer of the domain name to the Plaintiff. In the situation where, apart from the party infringing the right, a participant in the proceedings was also Defendant No. 2 - the registrar - it was, however, also possible to demand that - in accordance with the given contractual conditions - the change in registration be made directly by Defendant No. 2, without further negotiations (proposals) on the part of Defendant No. 1. If the Plaintiff proposed this last-mentioned procedure in the complaint and if at

the same time there was ascertained in the proceedings - and this is an absolutely essential prerequisite - the responsibility of the existing holder of the domain name for the illegal situation that arose, then the decision of the court of first instance, which complied with this demand, cannot be accused of any lapse. For this reason the Court of Appeal confirmed the ruling also in Sentence II as materially correct according to Par. 219 of the Civic Court Rules, although with an adjustment as to its wording, aimed at the unequivocal nature of the obligation imposed and the removal of surplus text.

The subject of the appeal proceedings is also the demand implemented by the Plaintiff against Defendant No. 1 and acknowledged by the court of first instance to the extent of the payment of 100,000 CZK for the provision of satisfaction in money according to Par. 12 of the Commercial Codes and Par. 15 section 3 of Law No. 137/1995 Coll. The prerequisite for the implementation and the acknowledgement of the right to satisfaction by the court is the occurrence on non-material detriment. Although the Plaintiff declared the occurrence of such detriment in the discussion of the matter before the court of first instance, this remained merely at the level of a general declaration, based on the restriction of his possibilities of presenting himself on the Internet in just the domain that was held by Defendant No. 1. The faulty state incurred, as was also stated above, is not, however, in itself sufficient for a decision on satisfaction. The existence of a definite non-material detriment to the Plaintiff was in no way demonstrated in the entire proceedings, nor was its approximate extent and there are therefore no aspects here from which the court might start out when considering adequate satisfaction. Such a viewpoint cannot be the amount demanded by Defendant No. 1 for the voluntary transfer. One cannot do otherwise than conclude that the Plaintiff did not demonstrate the declared occurrence of non-material detriment, which was to be compensated by the requested satisfaction, and the court of first instance was at fault when it complied with the complaint in this situation - albeit only in part. In connection with the implementation of the demand and its substantiation by the Plaintiff the Court of Appeal emphasises that the legal reason for the acknowledgement of the right to adequate satisfaction can only be the rectification of non-material detriment. If the party in the right incurred material detriment, then the means of rectification may only be compensation for damage or else the release of ungrounded enrichment. It cannot be permitted that (e.g. because of the difficulty of demonstrating the level of damage) through a demand for the payment of adequate satisfaction the party in the right resolves material detriment that has occurred for him. In accordance with the burden of statement and proof it is up to the Plaintiff on the one hand not only to declare the occurrence of non-material detriment, but also - and this in particular - to state what this detriment consists of and what its extent is, and to submit evidence in support of his statement.

For the above reasons the Court of Appeal changed the challenged Sentence I of the ruling in the part enjoining Defendant No. 1 to pay the Plaintiff 100,000 CZK, in accordance with Par. 220 of the Civic Court Rules in that it dismissed the case to this extent.

The decision on the costs of proceedings before the courts of both levels was made in accordance with the result of the proceedings and also taking into account the fact that their compensation was waived by successful Defendant No. 2, according to Par. 142 sections 1 and 2, and Par. 224 sections 1 and 2 of the Civic Court Rules, as given in the statement.

Only the first letter of their surnames or commercial firms designates the participants in the proceedings, with the exception of the association of CZ.NIC. 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.