RULING

The Prague Municipal Court decided on 16 December 2004 in the legal matter of the Plaintiff T. against Defendant No. 1: J. V. and Defendant No. 2: CZ.NIC on the petition for the ordering of a preventive measure in the proceedings for the protection of the rights of the owner of a trademark, protection of a commercial firm, protection of good reputation and protection against unfair competition, as follows:

The Court orders the following preventive measure:

I. Defendant No. 1 is obliged to refrain from the date of the delivery of this ruling from using the domain name "x+y+z.cz" and dealing with it in any way with the exception of its free transfer to the Plaintiff.
II. Defendant No. 2 is obliged from the date of the delivery of this ruling to restrict the transfer of the domain name "x+y+z.cz" to any other person with the exception of transfer to the Plaintiff.

With the petition for the beginning of proceedings on the matter itself the Plaintiff is demanding with regard to the protection of the rights of the owner of a trademark, protection of a commercial firm, protection of good reputation and protection against unfair competition the imposing of the obligation on Defendant No. 1 to refrain from the use of the domain name "x+y+z.cz" and the handling of it in any way with the exception of free transfer to the Plaintiff, and on Defendant No. 2 the obligation to refrain from the registration of the transfer of the domain name concerned to any other person with the exception of the Plaintiff and to transfer the domain name to the Plaintiff.

At the same time he proposed the ordering of a preventive measure by which the Court would impose the obligation on Defendant No. 1 to refrain from the use of the domain name "x+y+z.cz" and handling of it in any way, with the exception of its free transfer to the Plaintiff, and on Defendant No. 2 the obligation to restrict the transfer of the domain name "x+y+z.cz" to any other person with the exception of transfer to the Plaintiff.

In substantiation of this proposal in the context of the substantiation of the complaint in the matter itself he stated that he does business in the sphere of the production and sale of motor vehicles. Defendant No. 1 does business in the sphere of the automated processing of data, web design and web hosting. Defendant No. 2 is the administrator of the national domain "cz" and ensures the registration of domain names of the second level under the "cz" domain, with the provision that his standing in this activity is exclusive. The registration of domain names is governed by the rules set by Defendant No. 2.

The Plaintiff is an affiliated company - the joint enterprise of two important world manufacturers of motor vehicles. Production will begin in the first quarter of 2005. The investment was a subject of great interest to both the media and the public from the very beginning. The founders of the Plaintiff and subsequently also the Plaintiff himself used the abbreviation X+Y+Z to designate the project from the beginning of the considerations about the realisation of the project and this soon became generally known through the media. The first mentions of the prepared project in which the abbreviation X+Y+Z appears can be found at the beginning of January 2002. The designation X+Y+Z is protected as a verbal trademark registered in the register of trademarks kept by the Office for Industrial Ownership under Reg. No. 123456.

On 10 January 2002, in other words on the same day that the first news appeared in the press on the prepared commercial firm of the Plaintiff and its shortened form (X+Y+Z), Defendant No. 1 had registered with Defendant No. 2 the designation x+y+z.cz as an Internet domain. This registration was speculative, motivated by the vision of financial gain on the possible transfer of the domain to the Plaintiff, because the Defendant attempted to contact the leading representatives of the Plaintiff in an

effort to sell him the domain or operate it for a regular monthly payment of several thousand Czech crowns. The Plaintiff refused this and called upon Defendant No. 1 to release the domain for the payment of his expenses connected with the registration of the domain. 18. On 19th November 2004 the Plaintiff ascertained that Defendant No. 1 had begun to use the domain actively when he began to operate a website making sexually explicit material available to registered persons. On these pages he began to use the designation X+Y+Z in a graphic form that is identical to the graphic design of the logo that was created and used by the founders of the Plaintiff even before the Plaintiff was established and which the Plaintiff continues to use. After receiving the registered letter from the legal representative of the Plaintiff of 3 December 2004 Defendant No. 1 partly adjusted the graphic design of the logo, using squares instead of circles in the same combination of colours. At a meeting with the legal representatives of the Plaintiff Defendant No. 1 repeated his proposal for the payment of a purchase price of several hundred thousand Czech crowns for the transfer of the domain or regular monthly payments of several thousand for the operation of the domain. Defendant No. 1 did not react to the arguments concerning the illegal nature of his behaviour. The use of the designation X+Y+Z and the domain x+y+z.cz by Defendant No. 1 is the execution of a right that interferes with the rights and authorised interests of the Plaintiff and is at variance with good morals and as such does not enjoy legal protection.

Through the use of the domain x+y+z.cz for the operating of Internet pages with sexually explicit content Defendant No. 1 is committing interference with the rights of the Plaintiff to the trademark and commercial firm and is destroying the good reputation of the Plaintiff. He is also committing unfair competition when his activity fulfils the basic facts of acting as a parasite on the reputation of the Plaintiff and causing the risk of confusion. By unauthorised use of the verbal trademark X+Y+Z as a domain Defendant No. 1 is preventing the Plaintiff from using this designation in its simplest and for the public most easily remembered form, and causing and utilising the frequent cases of confusion when those interested in information on the Plaintiff logically seek this information first of all under the designation X+Y+Z, which is sufficiently well known to the public. The domain x+y+z.cz takes him, however, to a website he is not seeking and would not otherwise visit. This is taking place in a situation where the Plaintiff is at the stage of recruiting manpower and searching for suppliers and where individuals, employment agencies and businessmen are looking for the web pages of the Plaintiff in order to establish future contacts. Defendant No. 1 is thereby also misusing the good name and reputation of the designation X+Y+Z. This behaviour is leading to the loss of the distinguishing power of the designation X+Y+Z and through the connection of the trademark with sexually explicit material is causing detriment to the good name and reputation of the Plaintiff. The Plaintiff sees the intervention in the rights arising from the commercial firm in that Defendant No. 1 is restricting the rights of the Plaintiff to use the commercial firm for the Internet domain and is evidently unlawfully benefiting from public awareness of the commercial firm of the Plaintiff or of its abbreviated version. The time connection between the publication of the commercial firm of the Plaintiff, including its abbreviated version, and the registration of domain x+y+z.cz by Defendant No. 1 lead to the undoubted conclusion that this is a case of speculative registration of the designation of a new business subject for the purpose of acquiring capital benefit on transfer of the domain to its rightful user. This behaviour is, because of its blatantly speculative nature, at variance with the good morals of economic competition and is of a nature to cause detriment to the Plaintiff, who is forced to use another more complicated domain name for the operation of his web pages and to devote more attention and means to the promotion of this domain. Through his unauthorised action Defendant No. 1 is worsening the position of the Plaintiff in economic competition and the Plaintiff is threatened with serious non-property detriment in what is now the highly sensitive phase of the completion of the construction and assembly of the production equipment, the preparations for production and the making of contacts.

Due to the fact that Defendant No. 2 does not ensure the authorisation of registration from the point of

view of the rights to intellectual property of third parties and according to his own rules will eliminate the faulty situation by cancelling the registration of a domain name only on the basis of an executable court ruling, the Plaintiff could not do otherwise than accuse him together with Defendant No. 1.

The urgent need for the temporary adjustment of the relations of the participants is proven according to the Plaintiff by the fact that as a result of the activity of Defendant No. 1 the Plaintiff has recorded several negative reactions on the part of the public. It is necessary that Defendant No. 1 should cease immediately to use the domain name x+y+z..cz. With regard to the speculative activity of the Defendant it is highly probable that Defendant No. 1 will try in the period before the issue of the final ruling on this matter to transfer the domain name to a third party. It is therefore necessary to restrict the transfer of the domain name from Defendant No. 1 to a third party and to impose this obligation also on Defendant No. 2 because only in this way is it possible to exclude the possibility of a change in the group of participants in the proceedings and the possible foiling of the execution of the final ruling.

In reaching a decision on the proposal for the ordering of a preventive measure the Court considered whether the conditions were fulfilled as stipulated in the provisions of Par. 102 in relation to the provisions of Par. 74 and following of the Civil Court Code and investigated the admissibility and substantiation of the proposed preventive measure. It is possible to order a preventive measure if it is necessary to regulate temporarily the relations of the participants, or if there is fear that the execution of the court ruling might be at risk. In the given case fear of a threat to the execution of the future court ruling is out of the question with regard to the nature of the subject of the conflict. It therefore remains to be considered whether the need exists for the temporary adjustment of relations. In making this decision the Court starts off from the definition of the proposed preventive measure and from what grounds the Plaintiff gives for the need for temporary adjustment of relations. The one who is demanding the ordering of the preventive measure must prove the existence of the basic prerequisites for admission of what would form his claim in the proceedings in the actual case. The Court therefore investigated whether the documents submitted by the Plaintiff verify the facts claimed by him so that the Court can consider whether in the given case this concerns the relations of the participants whose temporary adjustment is required by the circumstances. In the proceedings on the petition for the ordering of a preventive measure the Court need not evaluate the evidence submitted, the claim need not be proved to be well founded, but it must be verified.

In verification of his claims the Plaintiff submitted the extract of the Plaintiff from the Commercial Register, the extract of Defendant No. 1 from the Central Register of Entrepreneurs of the Czech Ministry of Industry and Trade, the extract of Defendant No. 1 from the ARES Register, the presentation of Defendant No. 1 under the address www.t+u+v.cz, the confirmation of the registration of Defendant No. 2, the rules for the registration of a domain name in the "cz" domain at the decisive time and the rules valid at present, the Czech Government Resolution No. 66 of 16 January 2002,articles from the daily press "M. M.", the extract from the research of the database of trademarks of the Office of Industrial Ownership, and data on the registration of domain x+y+z.cz, the web pages of Defendant No. 1 under the address x+y+z.cz in the earlier version and in the present form, material with the graphic logo of the Plaintiff, and the letter from the legal representative of the Plaintiff to Defendant No. 1 of 3 December 2004.

The court considers it verified from this documentary evidence that Defendant No. 1 has been the registered holder of the domain x+y+z.cz with effect from 10 January 2002. Under this domain he is operating web pages with sexually explicit content. In so doing he used the designation X+Y+Z in a graphic form that is identical to the graphic design of the logo of the Plaintiff. The founders of the Plaintiff used the same logo even before the establishment of the Plaintiff in the preparation of the realisation of the joint project of the construction of the plant for production of motor vehicles. At the present time Defendant No. 1 is using an altered form of the graphic form of the designation X+Y+Z,

where in place of the coloured circles he uses squares in the same combination of colours. The date of the registration of the domain by Defendant No. 1 is the same as the date of the publication of information on the prepared commercial firm of the Plaintiff and its shortened form. The Plaintiff was established on 8 March 2002 and is authorised to do business, among other things, in the field of the manufacture and sale of motor vehicles. He is the owner of the verbal trademark X+Y+Z with priority right from 25 October 2002.Defendant No. 2 is the administrator of the national domain "cz" and ensures the registration of domain names of the second level under the "cz" domain.

These verified facts are sufficient for the Court to decide on the petition for the ordering of a preventive measure.

The Court has reached the conclusion that the petition for ordering a preventive measure is substantiated, although not on all the grounds specified by the Plaintiff. The Court saw the proposal to be substantiated on the ground of protection against unfair competition when it reached the conclusion that the action of the Defendant (the operation of web pages with sexually explicit content under the domain x+y+z.cz and the use of the graphic design of the designation X+Y+Z in a form identical to or confusable with the logo used by the Plaintiff and earlier by the founders of the Plaintiff) as action in economic competition, because it concerns in a fundamental manner the participation of the Defendant as a competitor in economic competition. Although the participants do not compete directly in a definite sphere of economic competition it is necessary in the case concerned to consider the competitive relationship in a wider context. The described behaviour of Defendant No. 1 is at variance with the good morals of competition because of its evident speculative nature. This emerges in particular from the time connections between date of the registration of the domain by Defendant No. 1 and the date of the publication of the form of the commercial firm of the Plaintiff and its shortened version and also from the reaction to the letter from the legal representative of the Plaintiff, which was a partial change in the graphic form by Defendant No. 1 of the used designation X+Y+Z. The behaviour of Defendant No. 1 is of a nature to cause detriment to the Plaintiff, in that he is forced to use another domain name for the operation of his web pages and to devote more attention and means to the promotion of this domain. Although the Plaintiff was not established until 8 March 2002 (whereas the domain x+y+z.cz was registered on 10 January 2002), the behaviour of the defendant with regard to all the circumstances on registration of the domain is unfair competition in the sense of the general clause of Par. 44 section 1 of the Commercial Code. The urgency of the temporary need to adjust relations is sufficiently substantiated by the declared situation where the Plaintiff is at the stage of recruiting manpower and searching for suppliers and with regard to the knowledge of the abbreviation X+Y+Z used in connection with the Plaintiff's project it is against the justified interests of the Plaintiff that under this abbreviation users of the Internet are enabled access to sexually oriented web pages. The Court agrees with the fear of the Plaintiff that it is probable that Defendant No. 1 will try in the period before the issue of the final ruling on this matter to transfer the domain name to a third party. The Court therefore complied with the petition for the ordering of a preventive measure in relation to Defendant No. 1.

With regard to the exclusive status of Defendant No. 2 as the registrar of domains of the second level under the national domain "cz" and his interest in resolving conflicts concerning the justification of registration from the point of view of the rights to intellectual property expressed in the "Rules for Registration of a Domain Name in the "cz" Domain" it is evident that for the effective protection of the justified rights of the party, which were affected by the registration of the domain, it is necessary that the temporary adjustment of relations must also apply to this subject. In the context of the above the Court therefore also complied with the petition for the ordering of a preventive measure in relation to Defendant No. 2. 2.

Just for the sake of completeness the Court states that it did not see grounds for the petition for the ordering of a preventive measure in relation to the protection of the rights of the owner of a trademark,

protection of a commercial firm and protection of good reputation, this being with regard to the date of the establishment of the Plaintiff and the fact that the start of the production of motor vehicles (in other words the chief activity of the Plaintiff's whole project) is not to start until the first quarter of 2005. Defendant No. 1 is using the designation identical to the verbal trademark of the Plaintiff for other goods and services that those for which it was registered, and it is not so far possible to talk about the good name of the trademark in connection with the products and services for which it is registered. In the same way, in relation to the main target of the Plaintiff's project it is not possible to speak of the good reputation of the Plaintiff when in this direction the Plaintiff has not yet acquired any reputation. As far as concerns the commercial firm of the Plaintiff and the protection of the rights connected with it, it must be stated that these rights came into being only with the recording of the Plaintiff in the Commercial Register, in other words only as of 8 March 2002.

The costs of the proceedings will be decided in accordance with the provisions of Par. 145 of the Civil Court Code.

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.