JUDGMENT

On 22/9/2005 the Municipal Court in Prague decided in the case of the Plaintiff - CCB, spol. s r.o. - against the Defendants No. 1 - ONE CZ, s.r.o. and No. 2 - CZ.NIC - on registration of the cad.cz Internet domain and appropriate satisfaction:

- Defendant No. 1 is obliged to refrain from using the "cad.cz" domain name and to remove the defective condition in the form of transferring the registration of the "cad.cz" domain name to the Plaintiff, all this to be done within three days after the judgment becomes legally effective.
- Defendant No. 2 is obliged to transfer the registration of the "cad.cz" domain name to the Plaintiff, within three days after the judgment becomes legally effective.
- The action requiring that Defendant No. 1 should be ordered the duty to pay the Plaintiff appropriate compensation in the amount of CZK 150,000 is dismissed.
- None of the parties is entitled to receive any compensation for the costs of the proceedings.

The Plaintiff sought a decision to be issued by which the court would impose the duty upon Defendant No. 1 to remove the defective condition by refraining from using the "cad.cz" domain and the duty upon Defendant No. 2 to remove the defective condition by cancelling the registration for Defendant No. 1 concerning the cad.cz domain name and then by enabling the Plaintiff immediately after that to register the domain again, for which purpose it shall provide the Plaintiff with the period of 15 days. It has also lodged a claim against the Defendant to pay appropriate compensation in the amount of CZK 150,000. It has stated in the justification of the action that it is a company engaged in publishing activities and publishing, among other things, the magazine CAD since May 1991; the magazine is registered by the Ministry of Culture of the Czech Republic under file No. MK ČR E 6579 (under No. MK ČR 6579 until 3rd May 2002) and is a part of the Plaintiff's large publication edition called IT Business.

Since 24th October 1996, the Plaintiff has had the duly registered trademark "CAD" in the register of trademarks kept by the Office of Industrial Ownership of the Czech Republic with a priority right since 7th July 1995 as a word trademark intended for the class of magazines, books and publishing activities under No. 194630. This trademark has been used by the Plaintiff systematically firstly for the publishing of the magazine CAD and secondly for operation of Internet pages under the "cad.cz" domain name.

In 1997 the Plaintiff registered the "cad.cz" domain name through the Second Defendant. On the Internet pages under this domain, visitors could find, above all, information on the Plaintiff, about the magazine CAD and some other information of an advertising and promotional nature.

During November 2000, the Plaintiff allegedly forgot to pay the Second Defendant the regular renewing annual administrative fee in the amount of CZK 800 (CZK 840 including VAT), due to the fact that the Plaintiff was not duly delivered any request to make payment and subsequently any reminders in that month. As a result, the Plaintiff's registration was cancelled by the Second Defendant after 76 days from the alleged first request. Immediately after that, on 21st November 2000, the "cad.cz" domain name was registered in favour of the First Defendant. In the period since January 2001, the First Defendant has been operating, under the cad.cz domain, pages that only inform that these pages continue to be operated on the www.one.cz server, i.e. on the server of the First Defendant, and it has placed advertising "banners" with links to both its pages and pages of third entities here.

The First Defendant tries to achieve the maximum financial benefit from its parasitic situation, which is contrary to good manners of economic competition. The First Defendant illegally makes it impossible for the Plaintiff to provide advertising and similar information on the website in question. The Second Defendant, which has enabled the conduct of the First Defendant by not fulfilling the

obligation in the full scope to take reasonable measures in order to exclude the possibility of intervention in the Plaintiff's rights has also been responsible for the unfavourable state of affairs. The Second Defendant does not intervene in the situation, although it is a domain registrar and there were unclear items on its part at the beginning of the state described.

Defendant No. 1 stated with regard to the action that on 21st December 2001 the so-called Contract on registration of the "cad.cz" domain name entered into between Defendant No. 1 and Defendant No. 2 became effective. It is of the opinion that it has not breached the Plaintiff's rights arising from the word trademark worded as "CAD" by registering the "cad.cz" domain. "CAD" and "AUTOCAD" are the so-called branch trademarks. The Defendant also thinks that it is important that the name of the magazine submitted to the court is "it cad", not "cad". The Plaintiff failed to prove, in a relevant manner, its statement on the alleged speculative character of registration of the cad.cz domain by Defendant No. 1. The Plaintiff failed to show the existence of obligatory features of the general clause, in particular a conflict with good manners of competition and a competitive relation between the Plaintiff and Defendant No. 1. Defendant No. 1 is not a "speculative dealer in domains" as it purchases domains in order to realise projects, e.g. "DOVOLENA.cz" or "ADSL.cz", where Internet connection services are offered in cooperation with companies such as Český Telekom a.s. Other projects of Defendant No. 1 include e.g. "Loga.cz" or "PrazskoReality.cz". All the aforementioned Internet sites were empty in the period of preparation of projects, similarly to "cad.cz". The reason for this was just the project preparation. Defendant No. 1 plans to create an Internet shop offering various variants of CAD software as well as information for users of this software. The supplier for this project is Tech Data Distribution s.r.o., the company with which Defendant No. 1 has already entered into the so-called dealer contract - also for the project called "ADSL.cz". The Plaintiff failed to prove that it had suffered any loss in direct connection to acts of Defendant No. 1. Therefore its requirement for appropriate compensation is quite irrelevant. Defendant No. 1 is of the opinion that it did not commit any illegal act while registering the cad.cz domain and also that the Plaintiff did not suffer the loss claimed by the Plaintiff in connection with the acts committed by Defendant No. 1. It proposed that the action filed against Defendant No. 1 should be dismissed.

Defendant No. 2 said with respect to the action that the Plaintiff had registered the cad.cz domain name with the predecessor of Defendant No. 2 since 5th December 1997. In the period concerned, registrations of domain names were not subject to any payment. In the course of 1999, Defendant No. 2 took over administration of domain names of the second level. On 1st September 1999, the new rules for registrations of domain names and the communication rules came into force. At the same time it was decided that registration of domain names and extension thereof will become subject to payment and the price list of registration of domain names came into force on 1st September 1999; the price list fixed the price for extension of a registration by one year to the amount of CZK 800. The Plaintiff paid the fee for extension of registration of the domain name on 11th January 2000, whereby it agreed with the wording of the contract on registration of a domain name, which also includes the text of rules for registration of domain names as an integral part thereof. The Plaintiff did not register any contact e-mail address. In accordance with the contract for registration of a domain name, Defendant No. 2 required, before the period of time for which the cad.cz domain name had been registered expired, that the Plaintiff should pay the price for the extension of the registration by another year. In view of the fact that the extension was not paid, the Plaintiff was sent two reminders. As the extension fee was not paid even then, the Plaintiff was informed on 8th December 2000 that the registration of the cad.cz domain name was being cancelled. The second reminder and the notification on registration cancellation were also sent to the technical administrator the Plaintiff had chosen for the given domain name. The Defendant declared that it was ready to comply immediately with a court decision which would order a duty to change the registration of the cad.cz domain name from the First Defendant to the Plaintiff. It was of the opinion that it was not to blame that the Plaintiff had lost the cad.cz domain name and that the First Defendant had obtained this domain

name. Therefore it proposed that the action should be dismissed in the part in which the Plaintiff sought an award of compensation for the costs of the proceedings from the Second Defendant as well.

Between the parties to the proceedings, copies of entries in the Commercial Register of the Plaintiff and Defendant No. 1, a copy of the entry in the register of interest associations of legal entities of 8th July 2002, the certificate on the entry of the Plaintiff's trademark, the contract on registration of a domain name, bank statement of the Plaintiff's bank account of 12th January 2001, a printed copy of the domain register made on the Internet on 12th January 2001, the Plaintiff's letter of 18th January 2001, a copy of the Plaintiff's Internet site made on 19th May 2003, a copy of the periodical CAD - year 13, No. 2/2003 published by the Plaintiff, photocopies of pages 610 - 621 of the book entitled the Law on information and telecommunication systems, an Internet printed copy of the Contract on registration of the domain name, the Rules for registration of domain names in force from 1st September 1999 till 28th February 2001, Archives of news, Browsing the cad.cz domain, Browsing the entity CCB s.r.o., Browsing contact Lubor Bus, Rules of Internet domain names - interpretation of the provisions of articles 13.4 and 13.5 of the Rules, summary of the logs of the Defendant No. 2 to make a payment with VS 2012078626, the Rules for communications from 1st September 1999 till 28th February 2002, were indisputable.

In the letter of 12th July 1991 the State Technical Library informed the addressee designated as CAD Centrum Brno that the magazine CAD has been assigned an international number of serial publications ISSN 0862-996X and that the ISSN number was to be specified on the front page or on the cover according to CSN 01 0187.

In the letter of 3rd May 2002, the Ministry of Culture of the Czech Republic informed the Plaintiff that the registration number of CAD had been changed from MK CR 6579 and MK CR E 6579.

In the letter of 16th January 2001, Defendant No. 2 informed the Plaintiff that the board of directors of Defendant No. 2 had dealt with the Plaintiff's application for returning the "cad.cz" domain name and had reached the conclusion that the Plaintiff's application could not be satisfied. The history of messages sent by Defendant No. 2 to the Plaintiff forms an annex to the letter.

It was found out from the printed copy of the Internet page at http://www.cad.cz/ made on 29th September 2003 that this page informed that this domain had already been registered. Below this sentence there was the information "Complete presentation including the domain", below that there was the word "one" and below followed the information that the pages were operated on the server www.one.cz.

It was found out from an e-mail dated 7th February 2003 that Luboš Buš, the editor-in-chief of the magazine IT CAD, informed Mr. Eigl that he had not received from him the conditions (procedure) under which Defendant No. 1 was ready to hand over the cad.cz domain to the publishing house CCB, s.r.o. Lubor Buš required the same from Martin Eihl in his e-mail of 12th February 2003.

In the letter of 24th February 2003 the Plaintiff required Defendant No. 1 to deliver a report specifying the idea of Defendant No. 2 on the manner of transferring the domain http://www.cad.cz/ to be used and administered by the Plaintiff as Defendant No. 2 promised at the meeting held on 23rd January 2003.

On 27th July 2004 the server www.itpravo.cz published an article entitled Court ordered to transfer a domain to the "authorised user". The article deals with the judgment made by the Regional Court in Brno in the case of EUROPRESS, kom. spol. (plaintiff) against the company ONE.CZ s.r.o. in respect of the possession (lawful use) of the tina.cz domain in May 2003.

At the meeting held on 12th September 2005, Defendant No. 1 submitted a proposal of graphic design of the Internet site of the cad.cz domain and extracts from Internet domains named adsl.cz, dovolená.cz and loga.cz.

In its judgment made on 7th May 2003 the Regional Court in Brno decided to order the defendant, i.e. the company ONE.CZ s.r.o., to refrain from using the "tina.cz" domain name and to remove the defective condition through transfer of the registration of the "tina.cz" domain name to the plaintiff as the authorised user; at the same it decided that the plaintiff was entitled to receive compensation for costs connected with the registration. The justification of the judgment states, among other things: "In reply to the court the defendant said that it registered various general names after they had become released because they were or could be interesting and if the defendant itself had not registered them it would have lost this possibility because someone else would have registered them most probably. It had domains registered this way and temporarily not used in a kind of reserve in the scope of several hundreds and put them into operation according to the needs of the market, sometimes within a year, sometimes within five years." "The court accepted the identical statements made by the parties as the facts found out that the plaintiff had chosen the following words or abbreviations as domains and had them registered: ossz, česká pošta, český rozhlas, české dráhy." "The court is of the opinion that it has been proven in the form of a copy of the entry in the Commercial Register and copies of entries of trademarks that this was not any coincidence or a general feature and that the defendant, while choosing the word tina, also clearly intended to wilfully block the economic competition illegally and/or even to sponge on the reputation of other entrepreneurs in order to obtain a benefit which it would never have achieved in business otherwise."

On the basis of the facts brought in evidence the court reached the following conclusions:

The Plaintiff is a company also engaged in publishing activities. Since May 1991 it has issued the magazine CAD, whose registration number assigned to it by the Ministry of Culture of the Czech Republic is MK ČR 6579. The magazine is a part of expansive publication editing activities of the Plaintiff - IT Business. Therefore, the small letters "it" are shown to the left of the name of the magazine CAD and the word "business" is written in the letter "i". The Plaintiff is the owner of the CAD word trademark registered by the Office of Industrial Ownership under No. l94630 on 24th October 1996, with the priority right since 7th July 1995. The trademark CAD is registered for the classes of products and services 16 and 41, i.e. for magazines, books, printed matters and publishing activities. Starting from 5th December 1997 the Plaintiff was the holder of the cad.cz domain. It was registered by Defendant No. 2 till 8th December 2000. While the cad.cz domain was browsed on 23rd December 2003, the box "condition of the domain name" specified that "the domain was cancelled due to a failure to pay". The Plaintiff proved by means of a print of the Internet pages made on 29th September 2003 that after entering www.cad.cz a site appeared saying "This domain has already been registered. Complete presentation including domain. One. These pages are operated on the server "www.one.cz"." Defendant No. 1 is a legal entity registered in the Commercial Register and its sphere of business activities includes automated data processing, purchase of goods for resale and sale and intermediary activities in the field of trade, manufacture and services in the scope not requiring authorisation according to special regulations. Defendant No. 1 has been registered by Defendant No. 2 as the owner of the cad.cz domain since 21st December.

Defendant No. 2 is an interest association of legal entities registered by the department of internal affairs of the Office of the Municipal Part of Prague on 27th May 1998. The sphere of its business activities is to ensure registration of domain names of the second level below the domain of the highest level - CZ, operation of named servers for the CZ domain, and also to ensure operation of named servers for the CZ domain. On 15th October 2003 Defendant No. 2 blocked the cad.cz domain. It did so on the basis of a resolution of this court made on 8th October 2003, delivered to the Defendant on 15th October 2003. The Municipal Court in Prague thereby ordered a preliminary measure by which it ordered Defendant No. 1 to refrain from using the "cad.cz" domain name and any and all acts aimed at changing the registration of this domain name. The resolution concerned became legally effective on 31st October 2003.

On the basis of the facts brought in evidence the court reached the conclusion that the action is largely justified. The Plaintiff has been publishing the magazine named CAD since 1991. It is also the owner of the word trademark CAD registered for magazines and publishing activities on 24th October 1995, with the priority right since 7th July 1995. From 5th December 1997 the Plaintiff was the holder of the cad.cz domain. Information on the Plaintiff, information on the magazine CAD and other information of an advertising and promotional nature was available on the Internet pages under this domain to their visitors above all. Due to a failure to pay the fee for registration extension the Plaintiff ceased to be the holder of the cad.cz domain on 8th December 2000. Practically immediately, namely on 21st December 2000 Defendant No. 1 was made a registered holder of the cad.cz domain by Defendant No. 2. The Plaintiff, after having found out the fact that the cad.cz domain was not free and its holder was Defendant No. 2, conducted negotiations with Defendant No. 1 for the purpose of transferring the cad.cz domain back to the Plaintiff. It required that Defendant No. 1 should specify the conditions under which it was willing to transfer the domain back to the Plaintiff. The Plaintiff stated that at the meeting held on 23rd January 2003, about which no recorded minutes were made, Defendant No. 1 submitted a high compensation not specified in further details. Due to this reason the negotiation was terminated, having failed. No evidence was given during the proceedings that Defendant No. 1 required a high amount from the Plaintiff for transfer of the domain as the Plaintiff only proved that it had required Defendant No. 1 to negotiate and to determine its conditions for transfer of the domain. The Defendant did not deny this statement of the Plaintiff, however. The Plaintiff proved by means of a print of the Internet page, which appeared on 29th September 2003 after entering www.cad.cz, that Defendant No. 1 did not present anything under the cad.cz domain. It only stated that the domain was already registered and that the pages were operated on the server www.one.cz. The domain was blocked by Defendant No. 2 on 15th October 2003, namely on the basis of a preliminary measure ordered by this court.

Defendant No. 1, by having registered the cad.cz domain for itself with Defendant No. 2, made it impossible for the Plaintiff to register the cad.cz domain for the Plaintiff again. Therefore it infringed the Plaintiff's rights from the trademark and its acts performed against the Plaintiff were acts of an unfair competition nature. Although Defendant No. 1 does not present anything under the domain concerned, the court is of the opinion that the registration itself of the domain is an illegal use of the Plaintiff's trademark and a restriction of the trademark owner's right to use it in the Internet environment in an undisturbed manner. Therefore the court ordered Defendant No. 1 to refrain from using the cad.cz domain name and to remove the defective condition in the form of transferring the registration of the domain name to the Plaintiff. Defendant No. 1, by having made it impossible for the Plaintiff to present the magazine CAD issued by the Plaintiff through its Internet pages under the cad.cz domain, to inform visitors to the Plaintiff's Internet pages about the Plaintiff and to use these pages for the Plaintiff's advertising and promotional activities, acted against the Plaintiff in economic competition and this acting of Defendant No. 2 could result in a loss suffered by the Plaintiff as another competitor. The court is of the opinion that the acts of Defendant No. 1 are also acts contrary to good manners of competition because it registered the domain only due to speculative reasons. As mentioned above, in 2001 the Defendant had hundreds of domains registered although it only put some of them into operation, sometimes within a year and sometimes within five years.

As for Defendant No. 2, it did not breach the Plaintiff's rights through its acts. Bound by its own Rules for registration of domain names, it was not entitled to refuse registration of the cad.cz domain name by Defendant No. 1. The applicant. i.e. Defendant No. 1, bears full responsibility for infringement (if any) of the third parties' rights. Defendant No. 2 is not entitled to change the domain holder. According to interpretation of the provisions of articles 13.4 and 13.5 of the Rules, it can only change delegation of the domain name (to remove records on the domain name from the primary named server), to block the possibility to perform a change in the holder of a domain name, to perform a change in the holder of a domain name, or to block the possibility to perform any change in the data

on the domain name, namely on the basis of an enforceable decision of a court. In spite of the fact that Defendant No. 2 did not breach any duty in relation to the Plaintiff, the court ordered it to transfer the registration of the cad.cz domain name to the Plaintiff, the reason being performance of a change in the registration of the person of the holder of the cad.cz domain.

The Plaintiff also sought the duty for the Defendant to pay the Plaintiff appropriate compensation in the amount of CZK 150,000. It took into account the fact that the appropriate compensation is more or less the matter of the court when it is enough to set an outline and to specify the losses that the Plaintiff had incurred as a result of the illegal procedure applied by Defendant No. 1, while it is not necessary to quantify these losses and the amount thereof. It claimed that the Plaintiff's goodwill had been damaged, that the sales of subscription fees with a payment through a bank transfer to its account had dropped, the sales of advertisements had become lower, it had been necessary to introduce and maintain a new trademark - cad.ccb.cz, and it had become impossible to realise development projects, the trademark value had become decreased and the costs necessary to restore the original state (information and regaining of lost clients) had been incurred. The court did not identify itself with the Plaintiff's opinion that after someone had looked for the Plaintiff's magazine at the established address www.cad.cz and had found out that it did not exist there, he/she could come to the conclusion that the medium had ceased to exist with a subsequent loss of subscribers and business partners. The Plaintiff provided the court with a table containing a summary of subscription fees for the period from 1999 till 2002. It follows from this table that these subscription fees dropped already in June 2003 (the Plaintiff was the domain holder till 8th December 2000) and on the other hand it was 13 in October 2000, 11 in November and 20 in December. Nevertheless the submitted table does not have any informative ability with respect to evidence of the data contained in it. The same also applies to the second table containing the accrued loss of 50 subscriptions, to the alleged limitation of sold advertisements, and the necessity to introduce and maintain the new trademark cad.ccb.cz etc. No statement conceming the required appropriate compensation was proven by the Plaintiff. Therefore the court dismissed this claim of the Plaintiff as unjustified.

The statement on compensation for costs of the proceedings is, with regard to the overall result of the proceedings, in relation of the Plaintiff and Defendant No. 1, justified by the provision of section 142 par. 2 of the Code of Civil Procedure. The court reached the conclusion that the success of the Plaintiff or Defendant No. 1 could not be found out to be predominating. In view of the fact that Defendant No. 2 expressly waived a compensation for the costs of the proceedings from the Plaintiff, it was also decided in the relation between the Plaintiff and Defendant No. 2 that neither party is entitled to receive any compensation for the costs of the proceedings.

While the decision is being studied, it is necessary to take into account the fact that the decision contains not only the court's statement itself and its justification but also a summary of claims made by individual parties while the court did not have to deal with some of the claims at all (e.g. while ordering a preliminary measure) and these claims only represent the legal opinion of the relevant party and not the conclusion reached by the court.

The decision made by the court cannot apply automatically to other cases (although similar with regard to the facts of the case) and the association CZ.NIC recommends that a particular case should be consulted with experts on domain names and with lawyers.