JUDGMENT

On 13/9/2006 the High Court in Prague decided in the legal case of the Plaintiff: CCB, spol. s.r.o., vs. Defendants: 1/ONE.CZ s.r.o. and 2/CZ.NIC. z.s.p.o. about transfer of the cad.cz domain and payment of compensation, after the appeal filed by the Plaintiff and the First Defendant against the judgment made by the Municipal Court in Prague on 22nd September 2005:

- The judgment made by the court of first instance is confirmed.
- None of the parties is entitled to receive any compensation for the costs of the appellate proceedings.

The Plaintiff in this case sought by filing an action - in the wording of the change therein permitted by the court - that a judgment should be made by which the First Defendant would be imposed a duty to refrain from using the "cad.cz" domain name, to remove the defective condition in the form of transferring the registration of the domain name to the Plaintiff and to pay the Plaintiff CZK 150,000 as appropriate compensation, and the Second Defendant would be imposed a duty to transfer the registration of the "cad.cz" domain name to the Plaintiff. As a justification of the lodged claims, which it had as claims of the owner of the trademark CAD and from acts of unfair competition, the Plaintiff stated that since 1991 he had been, among other things, a publisher of the magazine CAD (within an IT Business edition), whose name he had protected by the registered trademark CAD No. 194630 since 1996. Since 1997 the Plaintiff had used, for its presentation, the "cad.cz" Internet domain registered through the Second Defendant. As a result of the Plaintiff's omission to pay the registration fee and of the fact that it had not received any written notice conceming this circumstance and any request to make payment from the Second Defendant, the domain became free and was immediately after that registered by the Second Defendant on 21/12/2000, which only placed advertising banners and a link to its pages in the "one.cz" domain on these pages. The Plaintiff was forced to spend costs for introduction of the cad.ccb.cz sub-domain, and with regard to unfavourable consequences of losing the original domain and misleading its customers it started negotiations with the First Defendant requiring it to return the domain; nevertheless the First Defendant lodged a claim aimed at paying a high financial compensation. It is clear that the First Defendant is not going to voluntarily return the domain which it does not even use properly and holds it only for speculative reasons; therefore the Plaintiff was forced to lodge its claims at the court. The Plaintiff is of the opinion that a defective condition exists here, lying in the continuing infringement of the Plaintiff's rights related to the registered trademark CAD and of the rights to this designation as such, which has become typical of the Plaintiff's activities and is connected with it by the general public. As the Plaintiff stated, the general public expects by right that the web pages designated as cad.cz are the Plaintiff's presentation and are connected with the contents of its magazine; therefore the created state of affairs results in misleading of and confusion of the public. The Plaintiff pointing to judicial decisions (e.g. a German judgment on the domain shell.de) therefore considers the acts of the First Defendant inconsistent with its rights related to the trademark and rights for protection against unfair competition, and is of the opinion that the Second Defendant is responsible for the created illegal state of affairs due to its inactivity and in fact it is the Second Defendant that can actually remedy the defective condition.

The First Defendant proposed that the action should be dismissed and pointed out the fact that it had not breached any of the Plaintiff's rights. It objected to the claims lodged above all by referring to the different characters of a trademark and a domain name as even several identical trademarks may be registered (unlike a domain name) - for different products and services. The First Defendant, if it does not perform any activities on the web pages, has not even been able to affect the Plaintiff's rights. Furthermore the Plaintiff's statement on the speculative character is not relevant as it is the Plaintiff itself that addressed the First Defendant with a request for transfer of the domain, which occurred

more than two years after the domain had been acquired by the First Defendant - which clearly had not had any benefit from the situation that occurred. The Second Defendant in its statement described its position as a domain registrar within the .cz national domain and refused, in its explanation of the procedure that had resulted in the loss of the domain for the Plaintiff, its responsibility or joint responsibility for the created state of affairs.

The court of first instance imposed the duty by the aforementioned judgment on the First Defendant to refrain from using the "cad.cz" domain name and to remove the defective condition in the form of transferring the "cad.cz" domain name to the Plaintiff, namely within three days after the judgment becomes legally effective (statement I.), and imposed the duty on the Second Defendant to transfer the registration of the "cad.cz" domain name to the Plaintiff within the same period of time (statement II.), dismissed the action requiring payment of CZK 150,000 by the First Defendant to the Plaintiff as appropriate compensation (statement III.) and decided (in statement IV.) on the costs of the proceedings so that none of the parties is entitled to receive their compensation. In the justification of the judgment it first described the claims in the action and Defendants' opinions and then stated its findings from the evidence submitted, which it assessed from the viewpoint of facts and law. The court took into account the finding that the Plaintiff had been the publisher of the magazine CAD since May 1991; as the magazine is a part of the publication edition called IT Business, this is also stated next to the highlighted name of the magazine CAD. It also considered to be proven that the rights of the word trademark CAD No. 194630 registered for classes of products and services No. 16 and 41 (e.g. magazines, publishing activities) were in favour of the Plaintiff. Furthermore there was not any doubt that the Plaintiff was the owner of the cad.cz domain from 5/12/1997 till 8/12/2000, and that the First Defendant acquired this domain subsequently and placed a link to its own pages one.cz on the web pages designated in this manner. As for the position of the First Defendant the court found out from the judgment made by the Regional Court in Brno on 7/5/2003 (concerning a dispute about transfer of the tina.cz domain) that the First Defendant had also registered various as well as general names as its domains and had several hundreds of domains as a "reserve" for itself. The court deduced that due to its acts the First Defendant made it impossible for the Plaintiff to register the cad.cz domain again if it had registered this domain for itself with the Second Defendant, by which it had infringed upon the Plaintiff's rights from the registered trademark and had acted in an unfair competition manner in relation to the Plaintiff. Even if the First Defendant does not present and offer anything under the cad.cz domain, the court is of the opinion that the registration itself of the domain is an illegal use of the trademark and a restriction of its owner to use the trademark in the Internet environment in an undisturbed manner. In addition to that, the First Defendant, having made it impossible for the Plaintiff to present the magazine CAD published by the Plaintiff on the Internet on the web pages of the corresponding domain, acted in relation to the Plaintiff in economic competition in a manner capable of causing a loss to the Plaintiff, which the court considered to be contrary to good manners of competition, as the First Defendant had registered the domain only due to speculative reasons, which is also evidenced by the aforementioned finding that it had hundreds of domains registered for itself in 2001. Due to these reasons the court admitted the action as for the order for the First Defendant to refrain from using the domain in question and to remove the defective condition by transferring it to the Plaintiff. Although it found out that the Second Defendant had not infringed upon the Plaintiff's right while acting in accordance with the contractual conditions and that the First Defendant was responsible for a breach (if any) of the Plaintiff's rights as the applicant for registration of the domain name, it imposed the duty on the Second Defendant to transfer the registration in accordance with the Plaintiff's requirement so that the change in the registration of the holder's entity might be completed. On the basis of the court's enforceable decision the Second Defendant is entitled to take such measure according to the contractual conditions - the registration rules issued by it. If the Plaintiff then required that the First Defendant should pay a financial satisfaction in the amount of CZK 150,000, the first instance court did not deem the Plaintiff's loss

which should be compensated this way to be proven, therefore it dismissed the action in this scope and furthermore justified the statement on the costs of the proceedings in the conclusion of its judgment.

The Plaintiff challenged the judgment by its appeal in dismissing statement III. and in the statement on the costs of the proceedings. According to its opinion, if the court found the First Defendant's acts to be of an unfair competition character, this conclusion implies that the Plaintiff's right to receive a satisfaction according to section 53 of the Commercial Code is justified and the court should only have considered the amount of the satisfaction and its appropriateness to the loss caused. As it gives further details of the consequences of the defective condition, the required amount of the satisfaction is quite appropriate to the loss caused to the Plaintiff by the acts of the First Defendant, corresponds to decision practice of courts in similar cases and therefore the Plaintiff is of the opinion that the action should have been admitted in this scope as well.

In its appeal, the First Defendant challenged compliant statement I. of the judgment and the statement on the costs of the proceedings. It noted that the conclusion reached by the court that it had made it impossible for the Plaintiff to register the cad.cz domain again was incorrect; at the same time it pointed to the fact that it had registered the domain entirely free, therefore it was the Plaintiff that was not careful about its rights, and even the trademark could not prevent the registration with respect to the principles on which the protection of marking through trademarks is based. The claim of the Plaintiff as the owner of trademarks is therefore irrelevant. If the Plaintiff argued using unfair competition, it did not give evidence for preconditions of such acts in the case of the First Defendant, similarly as in its statement related thereto it argued that it had not registered the domain due to speculative reasons and that it was the Plaintiff that had addressed it with a request for transfer. The First Defendant proposed that the appellate court should change the judgment in the challenged scope and dismiss the action against it.

On the basis of the appeal lodged by the Plaintiff and the First Defendant, the High Court in Prague as the appellate court reviewed, in accordance with section 212 et seq. of the Code of Civil Procedure - Act No. 99/1963 Coll. as amended by later regulations, hereinafter referred to as CCP, the judgment made by the court of first instance challenged by the appeal in its whole scope, considering the First Defendant also to be a person entitled to challenge statement II. of the judgment, which actually imposes a duty on the Second Defendant but decided, at the same time, on the right of the First Defendant to continue to hold the domain name (the sphere of its rights was affected) and deduced from the content of its appeal that it had challenged this statement as well. It then reached a conclusion that the conditions to cancel or change the judgment challenged were not given.

First of all it should be stated that the appellate court is of the opinion that the court of first instance had examined all facts related to the case in the necessary scope and the appellate court accepted them for its decision and took them into account. In order to verify the state of affairs and completeness of the findings the appellate court considered evidence by reading the data from copies of registration of the cad.cz domain name, from registration of the CAD trademark and from complete copies of entries in the Commercial Register of the Plaintiff and the First Defendant which the court acquired and found out the agreement of these data with the state of affairs which the court of first instance had also taken into account, that the cad.cz domain had been in the possession of the First Defendant since 8/12/2000, and that the Plaintiff's word trademark CAD No. 194630 had been registered for classes of products and services No. 16 (books, magazines, printed matters and No. 41 (publishing activities) with priority since 7/7/1995. Furthermore it found out that the Plaintiff was doing business among other things in the activities of organisation of courses and seminars, as a publishing house, and the First Defendant was doing business among other things in the activities of training courses in the field of computer equipment and information technologies, and in publishing activities.

The subject of the dispute is the Plaintiff's claims to impose the duty on the First Defendant to refrain from certain acts (use of the cad.cz domain name), to pay the Plaintiff CZK 150,000 as financial

compensation and to impose the duty on both Defendants to transfer registration of the domain concerned to the Plaintiff. The Plaintiff lodged its claims as claims from infringement of its rights to the trademark and from unfair competition acts, according to section 15 par. 1, 3 of Act No. 137/1995 Coll., on trademarks (now according to section 8 of Act No. 441/2003 Coll., on trademarks, hereinafter referred to as the "AT") and section 53 of the Commercial Code (Act No. 513/1991 Coll., as amended by later regulations, hereinafter referred to as "CommC").

It should be agreed with the First Defendant in its objections focused on the infringement of rights from the trademark claimed by the Plaintiff. In fact it is decisive that the designation CAD is protected for the Plaintiff in the form of a trademark (reserved exclusively for it) for printed matters, books and publishing activities, and then it applies as a matter of principle that in other kinds of products and services not similar to them (see section 8 par. 2 point b/AT) the designation CAD may be used without any infringement of such a user of the Plaintiff's rights from the trademark. The Plaintiff did not claim and therefore did not prove that its trademark might have obtained a good name in the Czech Republic and that it would be necessary to provide it with a wider protection as compared with the aforesaid - against use on any product or in the case of any services, under the conditions of section 8 par. 2 point c/AT.

Thus, if the First defendant had the mark CAD registered for itself in the form of a domain name, it did not infringe upon the Plaintiff's rights from the trademark as a result of the registration itself. As the content of the web pages designated with the domain has no connection with the sphere of products and services for which the Plaintiff has the mark formally protected, the court of first instance made a mistake if it deduced that the Plaintiff was entitled to a delaying claim and the right to remove the defective condition due to protection of its rights as the owner of the trademark (no matter whether according to the former or current legal regulation, as there is no difference between them in this respect).

Although it did not breach the Plaintiff's rights from the trademark, the First Defendant committed acts of unfair competition against the Plaintiff, however (section 44 par. 1 of the CommC). In addition to the fact that the spheres of business activities of the First Defendant and the Plaintiff are partially identical and their offers are in conflict with one another in economic competition, by registering the cad.cz domain name the First Defendant appeared in the relationship of the economic competition with the Plaintiff which had used this marking to designate the published magazine for years. In this respect it is not decisive that the First Defendant does not present itself on the web pages of the domain in question in any manner (except for the link to its pages); on the other hand this fact - that the domain has not been used for a long time - implies the possibility of speculative acts of its holder, which is further supported in this case by the finding that the First Defendant has registered hundreds of domains as a "reserve". Furthermore it is decisive that the First Defendant, although requested by the Plaintiff to do so, did not transfer the domain to it voluntarily (e.g. for a compensation for costs connected with its registration and maintenance), although the right to this mark, established on the basis of long-term use, favours the Plaintiff, of which this Defendant as a businessman in the given market area should have been aware in fact, under the conditions when, contrary to that, the First Defendant does not have any legal right or any legal interest recognised by law to hold this domain for itself as a "reserve". Therefore, good faith, which would justify continuation of the conditions established in any manner, does not exist on the part of the First Defendant. If the First Defendant refused to transfer the domain to the Plaintiff, it acted contrary to good manners of competition as it made it impossible for the Plaintiff to present its magazine under the domain of the same name, in which the general public usually expects to find such presentation. The acts could, without any doubt, cause a loss to the Plaintiff in the decreasing number of the visitors to the pages operated by the Plaintiff, who would have visited them otherwise. On the basis of the aforementioned facts, in agreement with the court of first instance, the appellate court came to a conclusion that the acts of the First Defendant had complied with the conditions for assessment of certain acts as acts of unfair

competition according to section 44 par. 1 of CommC. It is not essential now any longer, but it is clear that the acts committed by the First Defendant may be classified as special acts of unfair competition according to section 46 and section 47 (point b/) of the CommC, as the designation of the cad.cz domain could develop a false assumption in the case of a person interested in the Plaintiff's web pages that they may find information concerning the Plaintiff's magazine on the pages designated as such or, after opening these pages to reach an incorrect conclusion that the pages offered there by the First Defendant are connected with the Plaintiff's magazine or the Plaintiff itself.

Therefore the Plaintiff enforced its claims with respect to the First Defendant by right according to section 53 of the CommC to refrain from defective acts, which are acts of unfair competition, and to remove the defective condition in the manner specified there, and if the court of first instance agreed to that, it did not make any mistake and the appellate court confirmed its decision according to section 219 of the CCP as materially correct. This conclusion also applies to the duty imposed on the Second Defendant just because according to the valid rules for registration of domain names that are a part of the contract entered into between the First Defendant and the Plaintiff it is - as implied from its position - entitled to technically perform and to ensure the change itself in the person of the domain holder.

The subject of the appellate procedure also includes the claim for provision of a financial compensation according to section 53 of the CommC lodged by the Plaintiff against the First Defendant and dismissed by the court of first instance. In this respect the appellate court also fully refers to the justification of the challenged judgment and it should only be emphasised above its scope that while for the conclusion that the acts concerned are acts of unfair competition (as above) it is sufficient that the acts assessed could causea loss to other competitors and consumers (see section 44 par. 1 of the CommC), the assumption for a successful enforcement and agreement with the claim for compensation is creation of a non-material loss. It is true that the Plaintiff claimed origin of such a loss while the case was being examined by the court of first instance but it only remained on a level of a general statement based on a restriction of its possibilities to present itself on the Internet just in the domain whose holder was the First Defendant. The defective condition itself, as stated above, is not sufficient for a decision on satisfaction, however. Existence of a certain non-material loss suffered by the Plaintiff was not proven in the whole proceedings in any manner nor was its approximate scope and therefore there are no viewpoints to be taken into account by the court while considering appropriate compensation. Such viewpoint cannot be e.g. the alleged decrease in sales of the CAD magazine, the drop in subscription fees, necessity to run the sub-domain cad.ccb.cz or decreased incomes from advertisements - all this represents a material loss. No other conclusion may be made except that the Plaintiff did not produce any evidence of creation of a non-material loss claimed by the Plaintiff and the court of first instance did not make a mistake if it dismissed the action in the full scope under this state of affairs. The appellate court emphasises in connection with the claim lodged and its justification by the Plaintiff that the only lawful reason for the award of the right to receive an appropriate satisfaction is a remedy of a non-proprietary loss. If the entitled party has been caused a material loss, the remedial measure may only be a compensation for the damage or recovery of unjustified enrichment. It cannot be admitted that the entitled party should settle a material loss suffered by it through a requirement for payment of appropriate compensation (e.g. due to complicated evidence of the amount of the damage). In accordance with the burden of claim and proof the Plaintiff should firstly claim origin of a non-proprietary damage but - in particular - should specify the subject of the loss and its scope, and should submit proof of its claims.

Due to the reasons above the appellate court also confirmed statement II. of the judgment challenged by the Plaintiff as materially correct according to section 219 of the CCP as well as the statement on the costs of the proceedings which corresponds to sections 137, 142 par. 1, 2 of the CCP. The decision was also made on the costs of the appellate proceedings according to the result of the proceedings, i.e. according to sections 224 par. 1, 137, 142 par. 1 and 2 of the CCP.

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.