JUDGMENT

On 15/1/2007 the High Court in Prague decided in the legal case of the Plaintiff: Toyota Peugeot Citroen Automobile Czech, s.r.o., vs. Defendants: 1/ Jan Vopička and 2/ CZ.NIC, z.s.p.o., on protection of rights from a trademark, company name and against unfair competition, with respect to the appeal filed by the First Defendant against the judgment made by the Municipal Court in Prague on 31st March 2006 under file No. 41 Cm 195/2004-149, as follows:

- The judgment made by the court of first instance is confirmed.
- The First Defendant is obliged to pay the Plaintiff compensation for the costs of the appellate proceedings in the amount of CZK 6,800 within three days after the judgment becomes legally effective; in the relationship between the Plaintiff and the Second Defendant none of them is entitled to receive any compensation for the costs of the appellate proceedings.

Through the action - in the wording of its modification permitted by the court - the Plaintiff sought that a judgment should be made in this case by which the First Defendant would be imposed the duty to refrain, as from the date the judgment becomes legally effective, from using the TPCA.CZ domain name and from handling this domain in any manner except for transferring thereof to the Plaintiff free of charge, the Second Defendant would then be imposed the duty to transfer the TPCA.CZ domain name to the Plaintiff and then the First Defendant would be imposed the duty to reimburse the Plaintiff for the costs of the proceedings within three days after the judgment becomes legally effective. The Plaintiff claimed in order to justify the claims lodged as claims based on the rights of the owner of the TPCA trademark, on protection of the company name and protection against acts of unfair competition that its founders are world-renowned car-making companies - the Toyota Motor Corporation and Peugeot Citroën Automobiles, S.A., which announced their common intention to build a plant to produce small cars in the Czech Republic, the TPCA abbreviation had been used for this new joint venture since the very beginning and the general public is better aware of this designation, later (on 25/10/2002) registered as a word trademark for protection than the Plaintiff's (whole) company name itself. The First Defendant registered the tpca.cz domain name at the registrar (the Second Defendant) within the .cz national domain at the moment the founders announced their intentions on 10/1/2002, and he later used the TPCA marking in the form used by the Plaintiff's founders and by the Plaintiff to publish erotic materials. The Plaintiff is of the opinion that the registration of the domain concerned was a speculative act, which is also evidenced by the First Defendant's requirements connected with the possibility of transferring the domain and was, as such, an act contrary to good manners infringing the Plaintiff's rights to its company name, rights from the trademark, and an act of unfair competition, at the same time infringing the Plaintiff's reputation by the content of the web-pages found under the domain name typical of the Plaintiff. By using the tpca.cz domain illegally, the First Defendant obstructs the Plaintiff in using the marking concerned in its simplest and easiest form to remember for the general public, causes and makes use of, for his own benefit, cases of a mistaken identity when a person interested in information on the Plaintiff looks for such information logically on the domain concerned, and therefore the Plaintiff required an award of the claims lodged in the action as the First Defendant had failed to comply with them voluntarily.

The First Defendant proposed that the action should be dismissed as he had not infringed any of the Plaintiff's rights and in fact no such alleged rights existed here at the decisive moment. The First Defendant registered the tpca.cz domain at the Second Defendant at a moment when the Plaintiff did not exist yet, no entity was using the TCPA marking as its company name and such marking was neither protected as a trademark nor connected with the Plaintiff or with another entity at that moment. The registration of the domain name was not a speculative act but it corresponds to the nature of the First Defendant's business activities which also include registration and maintenance of domain names. The Plaintiff did not explain in any manner why its founders - if they intended to use

the TPCA marking - had failed to register the domain in time themselves and it is clear that they are now transferring the consequences of their inactivity to the First Defendant. He is convinced that he uses the domain by right and that his right to it cannot be cancelled because of a title created later. The Second Defendant described, in its statement, its position as a registrar within the .cz national domain and the principles that are connected with the domain names registration procedure and said that if the action against the First Defendant was found justified, it would comply with the decision of the court and make changes in the registration.

In its judgment specified above the court of first instance imposed the duty on the First Defendant to refrain from using the TPCA.CZ domain name and handling it in any manner except for transferring it to the Plaintiff free of charge (statement 1), and imposed the duty on the Second Defendant to transfer the TPCA.CZ domain name to the Plaintiff within three days after the judgment became legally effective (statement II), and decided on the costs of the proceedings by imposing the duty on the First Defendant to pay the Plaintiff compensation thereof in the amount of CZK 11,275 (statement III) and - for the relationship between the Plaintiff and the Second Defendant - that neither of them is entitled to receive any compensation in this relationship. In the justification of the judgment, it firstly described the claims lodged in the action and the Defendants' viewpoints and further stated its findings reached on the basis of evidence submitted which it further assessed from the factual and legal viewpoints. The court took into account that the First Defendant, whose business activities include data processing, web-hosting and web-design, registered the TPCA.CZ domain at the Second Defendant as the registrar of the .cz national domain, that the Plaintiff was entered in the Commercial Register 8/3/2002 and its sphere of business activities includes, among other things, production of motor vehicles. It found that the First Defendant uses web pages of the www.vopicka.cz domain for his presentation, it accepted as proven from articles in the daily press that already on 7/1/2002, a piece of news was published in the press about the future car making company in Kolín - Toyota Peugeot Citroen Automobile (TPCA) and about its future investments; an article published on 10/1/2002 then informs about commencement of construction of the factory Toyota Peugeot Citroen Automobile (TPCA) to make mini-cars in the industrial zone of Kolín-Ovčáry. The court found out from the extract of the www.tpca.cz domain that the TPCA marking is shown here in the graphical and colour form similar to the logo of the Plaintiff or its founders, already used for preparation of the factory construction project, namely for presentation of erotic pictures, while the individual letters - T-P-C-A - are used to represent the initial letters of women in pictures. The court was of the opinion that it was proven by correspondence between the parties and by an examination of a witness that the Plaintiff required in its letter of 3/12/2004 that the First Defendant should refrain from using the domain and should transfer it to the Plaintiff, the First Defendant offered the Plaintiff a lease of the domain and conditioned a possible transfer of the domain by payment of the amount of CZK 500,000, and also that the tpca.cz domain was not active and no services were offered through it. It also found out that the Plaintiff is the owner of the TPCA word trademark with the priority right starting from 25/10/2002, that the combination of letters TPCA had been regularly used in the press, since January 2002 till that time, in connection with the Plaintiff's car-making factory in which the production of vehicles was started at the beginning of 2005. The court deduced that the action filed due to protection against unfair competition acts was justified, and at the same time it considered as decisive the fact that a short time before the Plaintiff registered the domain, the Plaintiff's founders' intention to build a car factory in the Czech Republic had been announced for which the TCPA abbreviation (consisting of the initial letters of the founders) was used; furthermore the circumstance that the First Defendant used another domain for his business activities and did not actively operate the tpca.cz domain and did not even explain the reason for its registration in its own name, was also essential for the court. From the facts above as well as from other findings the court deduced the speculative intention of the First Defendant when registering the TCPA marking as his own domain. In reply to the objection of the First Defendant concerning the lack of the Plaintiff's active legitimacy the court

pointed out the necessity of a broad interpretation of the term "competitive relationship" which cannot be identified with the relationship of competition. The acts of the First Defendant, who registered the domain with a speculative intention with the aim of acquiring an economic benefit, should be assessed as acts within economic competition and contrary to good manners of such competition, further able to cause a loss to the Plaintiff which was caused, in addition to the fact that it was forced to register a domain of another wording, and a loss related to its goodwill in connection with the erotic use of the TPCA marking. Due to this reason (i.e. on the basis of protection against acts of unfair competition) the court admitted the action requiring refraining from using and transferring the domain, but it did not find other legal claims lodged by the Plaintiff to be justified. At the end of its judgment the court of first instance also justified its statement on the costs of the proceedings.

The First Defendant challenged the judgment of the court of first instance by his appeal in its full scope, and considered the conclusion made by the court of first instance concerning the unfair competition character of his acts to be incorrect. He emphasised that the Plaintiff did not exist at the moment of registration of the domain name and therefore the competitive relationship between the parties or the ability of his acts to cause any loss to the entity not existing at that time may not be deduced for the decisive period of time. According to the appellant there is no legal reason why any protection should be given to a legal entity not currently existing. Although the court of first instance did not correctly admit the Plaintiff's rights from the trademark and from the company name with respect to the date of the trademark registration and the date of entering in the Commercial Register, it took into account neither the non-existence of the Plaintiff in the case of unfair competition nor the fact that the Plaintiff started to enforce the domain only three years after its creation. It may be deduced from the date of the trademark registration that the Plaintiff decided to use the combination of TCPA letters only at the moment when the First Defendant had been using it for 10 months. With regard to the non-existing competitive relationship between the parties the conclusions made by the court on the speculative character of the appellant's acts and on the content of the web pages impairing the Plaintiff's goodwill are irrelevant and, moreover, they do not correspond to the reality. In addition to other arguments due to which the appellant considers the judgment to be incorrect, he also pointed out the current practice of the courts, which admits the right to transfer a domain only in the case that the registration of a domain resulted in infringement of the rights already existing to a trademark or a company name. The First Defendant therefore proposed that the appellate court should change the judgment and dismiss the action or cancel the judgment and return the case to the court of first instance for further proceedings.

The Plaintiff submitted its written comprehensive viewpoint concerning the appeal filed, refuting the individual arguments of the appeal by giving a detailed analysis and proposed, with reference to the domestic and foreign practice of courts including a decision made by the European Court of Justice, that the judgment made by the court of first instance should be confirmed although it did not agree with the fact that the claims awarded to it by the court due to unfair competition had not been created to it due to other reasons as well as it claimed during the proceedings.

The High Court in Prague as an appellate court reviewed, on the basis of the appeal filed by the First Defendant according to section 212 et seq. of the Code of Civil Procedure - Act No. 99/1963 Coll., as amended by later regulations, hereinafter referred to as the "CCP", the judgment of the court of first instance challenged by the appeal in its full scope, when it considered the First Defendant to be a person entitled to challenge statement II of the judgment as well, whereby the duty is imposed on the Second Defendant, but which also decided on the right of the First Defendant to continue to keep the domain name (his sphere of rights was affected) and it deduced from his appeal that even this statement is challenged by him. It then reached the conclusion that the conditions to cancel or change the judgment challenged are not given.
First of all it should be stated that the appellate court is of the opinion that the court of first instance had found the facts for its decision in the necessary scope; in fact none of the parties proposed that

these findings that are referred to here briefly should be completed and the appellate court accepted them for its decision and took them fully into account and also accepted their assessment and it may only be stated here that it also identified itself with legal conclusions made by the court of first instance on the basis thereof, on acts of unfair competition committed by the First Defendant.

The subject of the dispute is the Plaintiff's claims to impose the duty on the First Defendant to refrain from committing certain acts (using and handling the tpca.cz domain name) and to remove the defective condition by imposing the duty on the Second Defendant (as the national domain administrator, i.e. the subject entitled to do that) to transfer the registration of the domain concerned to the Plaintiff. The Plaintiff lodged its claims, among other things, as claims from acts of unfair competition, i.e. according to section 53 of the Commercial Code (Act No. 513/1991 Coll., as amended by later regulations, hereinafter referred to as the "CommC"), and was awarded them on the basis thereof by the challenged judgment of the court of first instance.

Unfair competition according to section 44 par. 1 of the CommC is an act in economic competition that is contrary to good manners and is able to cause a loss to other competitors or consumers. The defence of the First Defendant is then based on the fact that at the moment of the domain name registration there was no "other competitor", i.e. the Plaintiff, here, the competitive relationship was not therefore created and aspects of unfair competition from the viewpoint of this term could not exist in the case of this registration. This opinion held by the First Defendant in this case is not correct, however.

In the already established practice of the courts and in the legal theory (see e.g. Štenglová, Plíva, Tomsa et al.: Commercial Code, comments, 11th issue, C.H.Beck 2006, page 157, J.Munková: Law against unfair competition, comments, 2nd issue, C.H.Beck 2001, page 40, P. Hajn: Competitive acts and law against unfair competition, MU Brno 2000, page 119) concerning the problems of competitive relationship this relationship is not only limited to the relationship of entities permanently competing with one another in economic competition, but also to a relationship of "ad hoc" competition, i.e. to a relationship established only by a certain act with the existence of a competitive intention by the acting party to obtain a certain benefit or a competitive advantage in its economic position at the expense of the position of another entity in its position in economic competition. It is not decisive for the consideration whether or not acts of a particular entity are acts in economic competition (section 44 par. 1 of the CommC) that the entity is an entrepreneur but it is decisive that the acts were performed for the purposes of a competitive intention and not any other intention (the judgment made by the Supreme Court of the Czech Republic on 23/10/2003, file No. 29 Odo 106/2001). The differentiations between acts common and permissible as compared with unfair competition acts then lie in assessment of the condition for inconsistency with good competition manners. Nevertheless the relationship of economic competition cannot only be limited to the relationship of the competitors already existing on the market (this condition is frequently missing e.g. in so-called preventing competition when a prospective competitor is prevented from entering the market). It was already stated in the decision of the former Supreme Court of the Czech Republic, file No. 3 Cmo 36/92, of 11/9/1992 (cited from page 159 of the aforementioned comments to the CommC) that the competitive relationship cannot only be limited to a relationship of two entrepreneurial entities with the same sphere of business activities, the competitive relationship is given already between a person or a group of natural persons preparing establishment of a new business entity and a competing entity (i.e. creation of advantageous conditions for the entity being newly created at the expense of the competitor already existing. The competitive relationship will also be given in the case of acts of one competitor against another one, which is not actually engaged in a certain business activity yet but if all circumstances are considered, it may be expected to perform such activities with maximum probability in the course of time (i.e. removal of possible competitors). If a relationship of economic competition in the aforementioned legal sentence was deduced for persons preparing establishment of a company in relation to an already existing probable competitor, then the same view should be taken

with respect to acts of an existing entity in relation to persons who are already preparing establishment of a certain entity but it may be supposed with the maximum probability that this entity will be established and will occupy a certain position on the market.

It follows from the facts above that it is not decisive for assessment of existence of a competitive relationship that the Plaintiff did not exist at the moment of registration of the tpca.cz domain name, that there was no entity using the TPCA marking regularly here or that this marking was protected by any formal right. It is decisive that the establishment of the Plaintiff was publicly announced at the moment of registration and it was most probable that the newly created and economically important entity would use the TPCA marking which also happened and was proven within the proceedings. If the First Defendant registered just this marking - without needing it for presentation of his services and without having any other legal reason supporting this marking (combination of letters), he appeared in a competitive relationship with the Plaintiff's predecessors, with persons whose acts and consequences should be considered negatively as well as positively as for the Plaintiff. At the moment of registration of the TPCA marking at the registrar of domains (correctly sub-domains within the national domain) the First Defendant therefore appeared in acts of economic competition, firstly with the Plaintiff's founders and persons acting on their behalf, later - with all effects maintained - with the Plaintiff itself. As it is quite unambiguous that the First Defendant chose the marking (letter combination) intentionally for the registration and in response to the announced establishment of the Plaintiff (there is no corresponding explanation as to why such marking was chosen), which was to use and be known under the TPCA marking according to the information available, the appellate court then concluded that these acts were acts in economic competition according to section 44 par. 1 of the CommC.

Assessment of an agreement or disagreement of the acts with good manners of competition is also connected with the aforementioned conclusion and competitive intention of the First Defendant, by which he was led while registering the TPCA marking as a domain name. It is decisive in this respect that the First Defendant's competitive intention means exclusion of the Plaintiff from presentation of its services and offer on the Internet on the national domain under the marking supposed in its case and connected with the Plaintiff by the general public, because - as evidenced within the proceedings - the TPCA designation is more typical of the Plaintiff among the general public due to being used more widely than the wording itself of its company name. It is also decisive that the First Defendant did not register the marking in good faith, he lacks any legitimate reason justifying the choice of the aforementioned combination of letters and also the time aspect (announcement of the investment plan to build the TPCA factory) supports the intention to make it impossible for an entity established later - the Plaintiff - to use the marking by itself for operation of its business activities on the Internet. Finally it is also decisive that the First Defendant - although required by the Plaintiff to do so - did not transfer the domain to it voluntarily (e.g. for compensation of costs connected with its registration and maintenance) although the right to this marking based on its long-term use as well as the trademark law favours the Plaintiff already now, all this in a situation when on the other hand the First Defendant has no legal title or any other legal interest recognised by law to keep the domain for himself "in reserve" any longer. The passive character of the web pages under the marking concerned, not relating to and not supporting the First Defendant's business activities in any manner is - at the same time - proof of their uselessness (from the date of the domain registration till the preliminary measure was issued in this measure) for the First Defendant - except for reservation of the domain marking. As often stated in a number of arbitration awards of the WIPO (e.g. in a well-known and frequently referred to decision in the case Telstra Corporation Ltd. vs. Nuclear Marshmallows, WIPO D2000-0003), which also applies here, long-term passivity of a domain name registration holder may be one of the signs of a speculative domain name registration. The appellate court summarises that the findings concerning the time connection between the domain registration and the announcement of the investment intention, the content of the tpca.cz domain web pages, lack of other justified reasons

for which the First Defendant would register except for speculation, and failure to transfer the domain voluntarily against payment, all indicates bad faith and an intention to make it impossible for the Plaintiff to use the marking (now identical with the trademark and typical of the Plaintiff) and should be considered acts inconsistent with good manners of competition.

If the First Defendant refused to transfer the domain to the Plaintiff, then - as aforesaid - he acted contrary to good manners of competition as he made it impossible for the Plaintiff to present its business activities under the domain in which the general public logically expects such presentation concerning the Plaintiff to appear. Therefore there is no doubt that the acts of the First Defendant could cause a loss to the Plaintiff in the decreased number of visitors to the pages operated by it, who would have otherwise visited them. On the basis of the facts above, in agreement with the court of first instance the appellate court came to the conclusion that the acts committed by the First Defendant complied with the conditions for assessment of certain acts as those of unfair competition according to section 44 par. 1 of the CommC. It is not essential now, but it is clear that the First Defendant's acts may be classified as special facts of unfair competition according to section 46 of the CommC, as the designation of the tpca.cz domain can create a false idea in the case of a person interested in visiting the Plaintiff's web pages that he can find information concerning the Plaintiff on the pages marked in this manner.

The Plaintiff therefore lodged its claims against the First Defendant by right according to section 53 of the CommC requiring him to refrain from improper acts that are acts of unfair competition and to remove the defective condition in the manner specified there, and if the court of first instance admitted them, it did not make a mistake and the appellate court confirmed its decision as factually correct according to section 219 of the CCP. This conclusion also falls on the duty imposed on the Second Defendant just because that according to the valid rules for registration of domain names that are part of the contract entered into between the First Defendant and the Second Defendant it is - as follows also from its position - entitled to perform and ensure the change itself in the person of the domain holder technically. In view of the fact that the action was admitted on the basis of the First Defendant's acts of unfair competition, the appellate court did not deal with other legal titles claimed by the Plaintiff, from which it also deduced its claims, and with correctness of the conclusions reached by the court of first instance related thereto.

As follows from the aforesaid, the appellate court confirmed the judgment as materially correct according to section 219 of the CCP in both of its statements in the case itself as well as in statements on the costs of the proceedings which correspond to sections 137, 142 par. 1 of the CCP. A decision on the costs of the appellate proceedings was also made according to the result of these proceedings, i.e. according to sections 224 par. 1, 137, 142 par. 1 of the CCP, and the First Defendant who was unsuccessful in these proceedings was imposed the duty to reimburse the Plaintiff for these costs in the amount of CZK 6,800 which corresponds to Decree No. 484/2000 Coll. and to lawyers' fees (Decree No. 177/1996 Coll.), in the relationship of the Plaintiff and the Second Defendant the decision was made with the fact taken into account that no compensation for these costs had been required.

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.