PRELIMINARY RULING

High Court of Justice in Prague issued a verdict on 30 March 2007 with respect to the action between the Plaintiff: F. against the Defendant 1) P. K. and 2) CZ.NIC, concerning a motion for a preliminary ruling, as regards the first Defendant's appeal against the resolution adopted by the Regional Court in Plzeň on 1 December 2006 as follow:

The resolution of the first instance court **is amended** in verdict IV, i.e. the first Defendant is obliged to abstain from using the **"X+Y+Z"** identification when marketing its products or services, unless such identification is used a part of a trade name of a legal person or as the wording of a registered trade mark; the proposal is refused to the extent of the exclusion specified, otherwise, the resolution in verdicts I, II, III **is confirmed**.

In the resolution referred to above, the first-instance court ordered in verdict I a preliminary ruling, according to which the Defendant 1) is obliged, as of the date of the delivery hereof, to abstain from legal action leading towards the transfer or any other disposal with the rights to the **"x+y+z.cz"** domain name, including the cancellation of the domain name registration, except for the transfer of the rights to the domain name to the Plaintiff (verdict I), ordered the Defendant 2) to prevent from any transfer of the **"x+y+z.cz"** domain name to any other person, save the Plaintiff alone (verdict II), ordered the first Defendant to arrange for the cancellation of all rerouting from the **"x+y+z.cz"** domain name to the websites, e-mail boxes or other electronic services, and tolerate such cancellation of rerouting (verdict III), ordered the first Defendant to abstain from using **"X+Y+Z"** when marketing its products or services (verdict IV) and ordered the Plaintiff to file action within 1 month of the legal force of the resolution in the matter concerned (verdict V). In the justification of the resolution, the court stated that the Plaintiff claimed in the justification of its motion for the adjustment of the relationships between the parties concerned via preliminary ruling that the first Defendant had been the holder of the domain name since 3 November 2006 and that the website displayed after this name is entered shows an offer of products for photographers presented under the **"T+U+V"** brand which is also an identification under which the first Defendant actually pursues its business. However, by using the **"x+y+z.cz"** identification, the first Defendant infringed into the Plaintiff's rights to the wording of its trade name and the Plaintiff therefore intends to seek the protection of such rights in the petition, according to Art. 12 of the Commercial Code. Furthermore, the identification infringes the rights to a combined trademark in the **"X+Y+Z"** wording which the Plaintiff uses on the basis of a licence agreement of 10 January 1997, registered by the Industrial Property Office; under this trademark, the Plaintiff offers all its goods on the market. The Plaintiff intends to seek the trademark rights according to Art. 4 of Act 441/2003 Coll., on Trademarks, on the basis of the previously granted trademark owner. In addition to what has been said above, the Plaintiff is of the opinion that the use of the **"X+Y+Z"** identification by the first defendant represents unfair competition (with respect to the parties' competitive position) according to Art. 44 of the Commercial Code, also constituting, in addition to the general clause, parasitizing on goodwill according to Art. 48 of the Commercial Code. With respect to the Plaintiff's detriment and the need to arrange for the fulfilment of a compliant resolution in the matter concerned, the Plaintiff suggested, in order to adjust the relationships between the parties concerned, that both Defendants are imposed obligations (while the cooperation by the second Defendant is essential for the fulfilment of the first Defendant's obligations) as specified above according to the resolution verdicts.

The first-instance court, after explaining the conditions for ordering a preliminary ruling according to Art. 74 et seq. of the Code of Civil Procedure (Act 99/1963 Coll., as amended by subsequent regulations, hereinafter the "Code of Civil Procedure"), came to a conclusion that the conditions for an issue of a preliminary ruling as proposed had been fulfilled. The court considered it demonstrated

by the presented evidence that the Plaintiff had been using, since 1 April 1998, the **"X+Y+Z"** trade name root which means that an average consumer will expect information about the Plaintiff to be presented on this website, that the Plaintiff is entered in the Commercial Register under the **"X+Y+Z a.s."** trade name and that it had been duly using a combined trademark in the wording of **"X+Y+Z"**. The Plaintiff demonstrated that since early November 2006, the first Defendant had been the holder of the **"x+y+z.cz"** domain name, that the First Defendant started using this website presenting information regarding its commercial services for marketing its products, especially studio equipment. The court concluded that the situation as demonstrated my be considered an infringement in the Plaintiff's rights to trade name, trademark and protection from unfair competition; therefore, the court accepted the Plaintiff's claims and imposed an obligation for the Plaintiff to file action in the matter concerned.

The first Defendant contested resolution verdicts I - IV in its appeal, claiming that the court presented incorrect matters of the fact and that its decisions were based on incorrect legal considerations. The first Defendant objected to the claim that it "appeared" on the market in November 2006, claiming that it had been conducting entrepreneurial activities since 1993 and had been involved in the sale of studio equipment for at least a year and a half, using the **"t+u+v.eu"** domain in connection with its undertaking, with the website design considerably differing from the Plaintiff's website at **"x+y+z.com"**. Furthermore, the first Defendant disagrees that an average consumer would seek goods by randomly entering the roots of trade names and that such an average consumer is likely to use the services of website searchers in particular. Furthermore, the appellant objected that the Plaintiff was appropriating a higher extent of claims than could be awarded from its right to a registered trade name and the trademark which is a verbal trademark comprising a special form of writing, and the first Defendant denied that it would be identifying its services or products with identical or confusing marking. The first Defendant refused that its action would constitute unfair competition under Art. 44 para. 1 of the Commercial Code. After the first Defendant outlined its view of the legal aspects of domain name registration and protection and concluded that no one can claim an absolute right to any domain name and that no entity has a legal claim to a domain name (i.e. that the Plaintiff cannot claim a right to the required domain name), the first Defendant suggested that the court of appeal modifies the appealed verdicts of the resolution and refused the Plaintiff's claims, based on the presented objections to individual orders of the preliminary ruling.

Acting as a court of appeal, the High Court of Justice in Prague reviewed in accordance with Art. 212 et seq. of the Code of Civil Procedure to the extent of verdicts I - IV of the resolution (i.e. including verdict II which imposed an obligation on the second Defendant even though it has to be concluded that this verdict affects the subjective rights of the first Defendant as the domain owners and that the first Defendant is therefore entitled to contest in its appeal this verdict as well, which the first Defendant did) and arrived at a conclusion that the appeal is not justifiable (with the exception of what is said with respect to verdict IV below).

According to the provisions of Art. 74 et seq. of the Code of Civil Procedure, it is justifiable to issue a preliminary ruling to temporarily adjust the relationships between the parties concerned for the period until the proceedings are initiated and a resolution issued in the matter concerned if there is a threat of an infringement of the rights (or such infringement continues) where the Plaintiff requires the protection thereof and intends to seek such protection via legal proceedings; it is, however, necessary to demonstrate the existence of the right, an infringement of such a right, the necessity and adequacy of the proposed adjustment of the relationships. In this case, the Plaintiff asked for an issue of a preliminary ruling to generally order the first Defendant to abstain from disposing of the **"x+y+z.cz"** domain name (except for its transfer to the Plaintiff) and cancel all rerouting arising thereof, as well as to abstain from using the **"X+Y+Z"** when marketing its products or services, while the second Defendant was ordered to prevent from any transfer of the domain name to a third person (again save

the transfer of the domain name to the Plaintiff). The Plaintiff claimed that the first Defendant's action, i.e. the fact that the first Defendant registered the name concerned for itself and started offering competitive goods on the websites concerned, constituted infringement of the Plaintiff's rights to the trade name, trademark and the protection against unfair competition.

In agreement with the first-instance court, the appeal court is of the opinion that conditions for ordering the proposed preliminary ruling have been fulfilled according to Art. 74 et seq. of the Code of Civil Procedure; it is impossible to conclude that the orders included in the preliminary ruling would inadequately restrict the first Defendant's rights. The Plaintiff's right to the registered trade name was demonstrated, it was demonstrated that Plaintiff offers its products under this trade name and trademark (which the Plaintiff is authorized to use), it is demonstrated that under the identification of **"x+y+z.cz"** the first Defendant (even though claiming that it has registered another domain for its offer of products and services) offered products of the same sorts as the Plaintiff does, during the period concerned. It is therefore possible to agree with the first-instance court's conclusion, i.e. that the temporary adjustment of the relationships between the parties concerned is justifiable in order to prevent from confusion among the public, if this concerns the abstaining from further use of the **"X+Y+Z"** marking in connection with the identification of the respective domain of the first defendant with the avoidance of any rerouting thereof to another website or service and the prevention of any disposal of the domain name concerned. It was demonstrated that the first Defendant's action can be classified as infringement of the Plaintiff's rights and the Plaintiff's concern of the possible transfer of the domain name to a third party (because there would be nothing to prevent from such a step) and the impossibility to claim the fulfilment or execution of the resolution achieved through proceedings in the matter concerned. The preliminary ruling order aiming at disabling the disposal of the name has especially a preventive nature, expressing the requirement to enable a decision to be issued in the matter concerned without delay caused by possible changes regarding the parties involved, and to enable the execution (including a forced one) of the respective decision without delays.

However, as stated above, the order according to verdict IV of the resolution appears as unreasonable, leading to a situation when the first Defendant would violate the preliminary ruling even if it was lawfully offering products under the **"X+Y+Z"** trademark supplied by the Plaintiff or another legal entity with the expression concerned included its trade name - for this reason, the resolution was amended according to Art. 220 para 3 of the Code of Civil Procedure in such a manner that the first Defendant is enabled to do so even during the course of the preliminary ruling. All other objections presented by the first Defendant regarding the lack of conditions for ordering a preliminary ruling were found unsubstantiated. It is also necessary to point out that this concerns a preliminary ruling where it is possible to restore the original situation without complications and if any detriment arises thereof, the petitioner is obliged under the conditions of Art. 77a of the Code of Civil Procedure to compensate for such detriment. For this purpose, the Plaintiff deposited a security as required by the law. This does not prejudge the decision in the matter because this depends on the results arising from the gathered evidence that is not applied during the stage of the preliminary ruling. If the court of the first instance accepted the motion for the issue of a preliminary ruling, it acted correctly (safe as explained above) and the court of appeal therefore confirmed its decision according to Art. 219 of the Code of Civil Procedure as materially correct.

The court of the first instance will decide about the settlement of the cost of these appeal proceedings according to Art. 145 of the Code of Civil Procedure within the decision to be issued in the matter concerned.

Except for CZ.NIC, all participants of the proceedings are identified with the first letters of their

surnames or trade names. The domain names in question are replaced with an x+y+z.cz sequence. All other domain names mentioned in the text have been also replaced with randomly chosen sequences of letters and signs. Except for the identification of the participants or other entities and the pertinent domain names, there were only minimal interventions in the text of the decision. Any relation between the abbreviations and dummy symbols used and the people or domain names actually using such abbreviations or dummy symbols for purposes of identification is merely coincidental.

When studying this decision, it is necessary to be aware of the fact that the decision comprises not only the verdict alone and the pertinent justification, but also a summary of the claims presented by the individual parties involved, that the court may not have been concerned with some of these claims at all (e.g. with respect to the issue of preliminary ruling) and that such claims merely represent the legal opinion of the party concerned, not a finding of the court.

This decision may not be automatically applied to other instances even though they may be similar, and the CZ.NIC association recommends consulting each particular case with experts in domain names and lawyers.