PRELIMINARY ACTION

The Supreme Court in Prague ruled on 28 May, 2007, in the law case of the plaintiff, A, against the defendant, J. M., regarding the petition on issuing the preliminary action in the appeal of the ruling of the Regional Court in Pilsen of 13 April, 2007, as follows:

1. In the Verdict I, the ruling of the court of the first instance is changed and the court imposes the following preliminary action:
2. Appellee is obliged to refrain from using the Internet domain of the second level, **"inzerce-x+y+z.cz"**.
3. Within 30 days from a delivery of this verdict, the plaintiff is obliged to submit a petition for beginning the legal proceedings in this case to the court of the first instance.

In the aforementioned verdict, the court of the first instance rejected the petition for issuing the preliminary action in the scope of the request to impose the obligation to refrain from use of the Internet domain of the second level, **inzerce-x+y+z.cz**, (Verdict I) on the defendant, and in the scope of the request for imposing the obligation to refrain from a disposition of the Internet domain of the second level, **inzerce-x+y+z.cz**, on the defendant, in particular from its transfer, rent, or pledge. The court of the first instance granted the petition for issuing the preliminary action and imposed the aforementioned obligation on the defendant in Verdict II.

The court of the first instance based its decision regarding the petition for issuing the preliminary action, which was submitted before the legal proceedings regarding the case itself started, and in which the plaintiff stated that he is the publisher of the advertising newspaper named **"X+Y+Z"**, in both printed and electronic forms (on the **www.x+y+z.cz** web pages), and at the same time that he is the owner of total of 34 trademarks, out of which 18 trademarks contain the **"X+Y+Z"** word as the dominant and trademark line unifying element. The plaintiff is using this name ever since his establishment, in 1996. The defendant is also an undertaker - an individual who is not registered in the Register of Companies, and since June, 2004, he is running his business with the subject of undertaking resting in data processing, databank services, and network administration. During November, 2006, the plaintiff found out that the defendant registered the domain of the second level, inzerce-x+y+z, under the cz domain of the first level, for himself. According to the plaintiff, this domain collides with the plaintiff's company, as well as with his trademarks and the name of his periodical. The plaintiff drew the defendant's attention to this situation in writing, by the letter of 19 February, 2007, where he pointed out the interchangeability of his domain with his protected assets and possible consequences of such conduct. Nevertheless, after the first written notification, the defendant had to know exactly the plaintiff's point of view regarding this case, as well as possible consequences of such conduct. Whereas immediately after the registration of the aforementioned domain the defendant had been using it only in a limited scope and had been getting ready to launch presentation on his web sites, he later expanded a supply of his services and started to enable a connection with partner servers offering erotic contents. The plaintiff considers the aforementioned conduct of the defendant unfair competition, in terms of provisions of Article 44 par. 1 of the Commercial Code, which also completes attributes of special facts of the case of misleading advertising, misleading labeling of services, and parasiting on the reputation. At the same time, the defendant interferes with the plaintiff's rights derived from his trademarks. With regard to the fact that the defendant keeps continuing his illegal conduct, the plaintiff may experience significant and irreversible damage. It is also possible that the defendant would try to transfer the aforementioned domain to the third party and by doing so, negate results of the legal proceedings. Therefore, he believes that conditions for issuing the proposed preliminary action were met.

Based on the petition and enclosed documents, the court of the first instance accepted as attested that

participants are competitors and that for a longer period of time, the plaintiff has been the owner of a lot of trademarks - verbal, as well as graphical ones, which contain the **"X+Y+Z"** word. The plaintiff also attested that since September, 2006, the defendant is the bearer of the domain of the second level, **inzerce-x+y+z.cz**, and that he has been using this domain for his undertaking. However, according to the court of the first instance, the plaintiff did not attest other stated facts, especially the existence of irreversible damage and the impact on the customer base and the company's reputation. With regard to the fact that the defendant keeps running his business activities with the utilization of the **inzerce-x+y+z.cz** domain, whose he is a bearer, it is possible to assume that the due legal proceedings for protection from unauthorized intervention to the trademark rights and from the unfair competition will be initialized. According to the court of the first instance, a need for temporary settlement of a situation of participants exists only in connection with the plaintiff's request to ban the defendant from further disposition with the **inzerce-x+y+z.cz** domain. Therefore, the court of the first instance granted the petition in this scope. As far as the request for imposing the obligation to refrain from using the aforementioned domain on the defendant, the court stated that no urgent need for temporary settlement of the participant's situation does not exist because the described conduct of the defendant has been going on since September, 2006, and during that time, the plaintiff company's reputation has supposed to be jeopardized and decrease in customers has supposed to be observed. However, the plaintiff did not attest to it and did not prove it in any way. With regards to the time delay of the defendant's conduct, the court of the first instance does not consider the need for a temporary settlement of the situation of participants where the obligation to refrain from the use of the aforementioned domain imposed on the defendant would be proved. Therefore, the court rejected the petition for issuing the preliminary action in this scope.

In the scope of the negative verdict I, the plaintiff appealed the verdict in due time and as the reason for appeal, the plaintiff stated that the court of the first instance did not take facts stated by him into consideration, incorrectly assessed the issue of fact, and its verdict was based on the incorrect legal assessment of the case. The court of the first instance correctly assessed that the participants have partially consistent subjects of their undertakings and are in the position of the Czech Republic market competitors; however, its conclusion that the **inzerce-x+y+z.cz** domain has been used by the defendant since its registration in September, 2006, is not well founded. It is indeed true that the defendant formally registered the aforementioned domain in September, 2006, but he did not start its real utilization before November, 2006, because at the beginning, the utilization of domain was limited to provisional presentations that notified about its future use. Based on these facts, the plaintiff already addressed the defendant and asked him to refrain from the use of this domain. Presentation containing advertising services was launched by the defendant in March and April, 2007, whereas only at the end of March, the links to pornographic servers appeared on the defendant's Internet pages, and only in that period of time, those services are referred to as "Partners of **"X+Y+Z"**". The court of the first instance did not take these facts into account. According to the plaintiff's opinion, the urgency of temporary settlement of the participant's situation should not be derived from the moment of the domain's registration when a simple breach of trademark occurred, but from the moment when (probably the defendant) started to present advertising services, by which he directly competes with the plaintiff, on his domain, especially from the time when he linked the plaintiff's trademarks with pornography. According to the plaintiff, the existence of the urgent need to temporary settle the situation between participants by petitioned preliminary action in the whole scope clearly exists. The plaintiff also pointed out that in accordance with the constant practices of courts, it is not necessary to prove the existence of damage during the petition for a preliminary action, but it is sufficient to attest in appropriate manner that such damage is impending, and the plaintiff fulfilled that condition completely. According to the plaintiff, it is hard to imagine other comparably serious competitive conduct, which would be able to bring more extensive damage to the respectable undertaker that is his possible link to pedophile pornography. For the completeness´ sake and to describe personality of the

defendant, the plaintiff stated that the defendant was found guilty in the criminal act of copyright breach by the Regional Court of Pilsen-city on 28 February, 2006, and sentenced to total of 11 months of imprisonment.

The Court of Appeals revised the verdict of the court of the first instance in the challenged scope, in accordance with provisions of Article 212 and following of the Civil Procedure Code, and without ordering a hearing (Article 214 par. 2 item c/ of the Civil Procedure Code), it reached the conclusion that the appeal is reasonable.

When ruling in regards of the petition for issuing the preliminary action in accordance with provisions of Article 74 and following of the Civil Procedure Code, the court of the first instance correctly assessed the participants' position as competitors on the domestic market, as well as the fact that the plaintiff is the owner of trademarks specified in the petition, which contain the **"X+Y+Z"** name, which is also the plaintiff's company name; however, it incorrectly and inadequately assessed conditions, which the law requires for issuing the preliminary action, and also did not take into account provisions of Article 76 par. 3 of the Civil Procedure Code. In accordance with provisions of Article 75c par. 1 item a/ of the Civil Procedure Code, a presiding judge orders the preliminary action by his verdict if it is proved that it is necessary to temporary settle conditions of participants or if a fear that execution of a court's verdict would be jeopardized exists, and if at least facts that are crucial for imposing the obligation by a preliminary action are attested. The Court of Appeals believes that in this particular case, both the conditions were met, e.g. the plaintiff proved that it is necessary to temporary settle situation of the participants, and at the same time, he attested his claim in a necessary scope so that its successful application in the case is possible and probable. The plaintiff attested that since his establishment in 1996, he is a publisher of the advertisement periodical named **"X+Y+Z"**, in both printed and electronic forms (on **www.x+y+z.cz** web pages) and he also attested his ownership of a lot of trademarks containing the **"X+Y+Z"** name. He also attested that in September, 2005, the defendant registered the domain of the second level, **inzerce-x+y+z**, under the cz domain of the first level. He even attested that the defendant's aforementioned domain is used for offering advertising services, including links to pornographic servers labeled "Partners of **X+Y+Z**" on the defendant's web sites. It is possible to conclude that for the purposes of the legal proceedings regarding the petition for issuing the preliminary action, it is attested that in the legal proceedings of the case and after the execution of proving, the aforementioned conduct of the defendant can be considered unfair competition, in accordance with provisions of Article 44 par. 1 of the Commercial Code, or based on the special facts of the case of unfair competition, and also as a possible interference with rights related to the plaintiff's trademarks. The Court of Appeals also believes that the aforementioned conduct of the defendant could induce the damage to the plaintiff-competitor and the plaintiff-trademark's owner. Therefore, it is prudent to temporary settle the situation between the participants by petitioned preliminary action whose purpose rests in preventing the damage, which could occur to the plaintiff if the preliminary action is not granted. In these proceedings, it is not necessary for the plaintiff to prove that the damage occurred, but it is enough to attest to the threat of its occurrence in required scope, which was fulfilled in this case. The Court of Appeals considers the verdict of the court of the first instance, which states that temporary settlement of the situation of the participants is not necessary with regards to the time delay in the defendant's conduct, incorrect. Even the time passed from the registration of the aforementioned domain by the defendant to the submission of the petition does not exclude existence of an urgent need for temporary settlement of the situation between the participants, as was concluded by the court of the first instance; notwithstanding the fact that the defendant clearly launched advertising services in the full scope later, after the defendant was repeatedly notified about his wrongful conduct by the plaintiff. The court of the first instance also made a mistake and in the situation when it partially granted the petition for issuing the preliminary action, it did not proceed in accordance with Article 76 par. 3 of the Civil Procedure Code and did not impose the obligation to initialize the legal proceedings in the case itself by the deadline that it would

delineate on the plaintiff.

Based on the aforementioned facts, the Court of Appeals changed the verdict of the court of the first instance in the challenged verdict I, in accordance with provisions of Article 220 par. 1 of the Civil Procedure Code as follows: it imposed the obligation to refrain from the use of the Internet domain of the second level, inzerce-x+y+z.cz, on the defendant, and at the same time, it imposed the obligation to initialize legal proceedings in this case within 30 days from the day of delivery of this verdict on the plaintiff.

Costs of the appellate procedure will be determined by the court of the first instance, in accordance with provisions of Article 145 of the Civil Procedure Code, in the verdict that will end the legal proceedings of this case; if the legal proceedings are not initialized, then by the ruling itself.

With the exception of CZ.NIC, the participants in the legal proceedings are identified only by first letters of their last names or business companies. The domain names in question are replaced by the ***x+y+z.cz*** *sequence. If other domain names are mentioned in the text of the court ruling verdict, they have been replaced by other character sequences. With exception of data that would enable identification of participants in the proceedings or other parties and domain names, the text of verdict was modified in least possible scope. Relation of used abbreviations and substituting symbols to parties or domain names that utilize names with such abbreviations or substituting symbols is purely accidental.*

When studying the verdict, it is necessary to give consideration to the fact that the ruling contains not only the court ruling and its rationalization, but also a summary of statements of individual parties, whereas the court might not consider some statements in its ruling (for example, when issuing the preliminary action) and those statements represent only a legal opinion of the relevant party and not the conclusion of the court.

The court ruling cannot be automatically applied to other cases (even if they are similar in facts) and the CZ.NIC association recommends consulting the particular case with domain names´ experts and lawyers.