PRELIMINARY RULING

High Court of Justice in Prague issued a verdict on 21 June 2007 with respect to the action between the Plaintiff: D. against Defendant 1) C. and 2) S.H., concerning the protection against unfair competition and infringement in trademark rights, with a motion for a preliminary ruling, as regards the Plaintiff's appeal against the resolution adopted by the Municipal Court in Prague on 31 May 2007 as follow:

The resolution of the first instance court is hereby amended, i.e. the Court issues the following preliminary ruling:

"Defendant 2) shall abstain from any handling with the **x+y+z.cz** domain name in any manner, except for the transfer hereof to the Plaintiff".

In the verdict specified above, the first instance court refused a motion for a preliminary ruling according to which the Defendant 2) shall abstain from any handling with the **x+y+z.cz** domain name (identified in the verdict as **www.x+y+z.cz**) in any manner, except for the transfer thereof to the Plaintiff

The first instance court stated in the rationale that the motion for the preliminary ruling was filed together with a petition in the matter concerned, claiming protection against unfair competition and infringement in trademark rights. The Plaintiff is the owner of the international trademark in the X+Y+Z wording and has also been using this trademark in its trade name. The Plaintiff has been on the market since 1958, and the X+Y+Z trademark became effective for the Czech Republic as of 19 October 1999 (motion date). Furthermore, the Plaintiff is the owner of the Společenství (Community) word trademark in the wording of X+Y+Z, effective for the Czech Republic since 1 May 2004. Since 1991, the Plaintiff has been supplying its products to the Czech market via its dealers and distributors, under the X+Y+Z identification, regularly taking part in an international fair held within the fairgrounds of Výstaviště Praha. Defendant 1) is involved in a similar business as the Plaintiff and Defendant 2) is the sole partner and executive of Defendant 1) and the holder of the **x+y+z.cz** domain name registered on 21 January 2002 with the .cz domain administrator, CZ.NIC, i.e. under the highest level domain. Defendant 1) launched a website under this domain name at **www.x+y+z.cz**, where Defendant 1) located presentation comprising texts copied from the Plaintiff's presentation, without the Plaintiff's approval and knowledge, including a Czech translation of the texts. The website presents Defendant 1) as the Plaintiff's Czech branch, even though the Defendant 1) has not entered into any such relationships with the Plaintiff. The Plaintiff considers this to constitute unfair competition according to the provisions of Section 44(I) of the ComCo, as well as an infringement in the Plaintiff' trademark rights. As a consequence of the action described above, the Plaintiff is unable to present itself in the Czech Republic under a name corresponding to its trade name and trademarks on the Internet, and potential consumers are mislead as regards the falsely presented relationship between the Plaintiff and Defendant 1). In a letter dated 8 July 2005, the Plaintiff requested Defendant 1) to abstain from such action; however, Defendant 1) did not respond to the letter, as was also the case of Defendant 2) whom the Plaintiff addressed in a letter dated 1 December 2005.

The first instance court considered its evident on the basis of the presented motion and documentary evidence that the Plaintiff was the owner of the trademarks described in the motion and was using the X+Y+Z trade description as its trade name. Furthermore, the court considered it evident that the Plaintiff had been aware of the Defendants' action since at least July 2005 and that the x+y+z second level domain was registered by Defendant 1) under the .cz highest domain level in January 2002. The first instance court was therefore of the opinion that the detrimental situation described by the Plaintiff had lasted for a longer period of time and that the Plaintiff had been tolerating this fact on a long-term basis without filing any earlier action in the matter. Under the given situation, the first

instance court did not consider that an urgent need existed for a temporary adjustment of the relationships between the parties concerned by applying the proposed preliminary ruling, and that there was no risk that the execution of a decision to be subsequently issued could not be duly exercised. With respect to the fact that Defendant 2)had been inactive on a long-term basis following the receipt of the Plaintiff's requests, it was impossible to come to a conclusion from its behaviour that Defendant 2) may threaten the exercise of a decision, if any (i.e. based on a previous cancellation of the domain registration or the transfer thereof to a third party). With respect to this conclusion, the first instance court did not deal with the possible proof of the claimed unfair-competition conduct by the Defendants and the claimed infringement into the Plaintiff's trademark rights, and refused the motion for a preliminary ruling.

The Plaintiff filed an appeal, in a timely manner, against this resolution, stating as a reason for such an appeal an incorrect legal consideration of the matter by the first instance court. It is true that the court considered the situation described in the motion as evidenced; however, the court did not found the Plaintiff's concern regarding complications in the future exercise of a decision justifiable, referring to the long-term passivity of Defendant 2). The Plaintiff objected that during court proceedings dealing with the transfer of a domain name, complications occur very often as regards the future exercise of the decisions concerned. The sued parties may easily avoid the petition by transferring the domain name in question during the proceedings to a third party, which is a matter of several seconds. As regards further transfers of domain names, the Plaintiff would be forced to repeatedly file motions for the accession of a new party to the proceedings which would beyond any doubt cause further delays and would slow down the decision-making process. According to a common court practice as regards decisions regarding domain names, preliminary rulings preventing defendants from handling such domain names are rather usually, which is also evident from the court decisions published on www.nic.cz. As regards the matter concerned, the motion for a preliminary ruling was filed together with the petition and therefore the first instance court was not right to conclude that if Defendant 2) had remained passive despite several reminders from the Plaintiff, it may be expected that Defendant 2) would not cause any complications to the exercise of a decision, if any. The legal situation changed significantly with the filing of the petition because the Plaintiff's success in this matter is also conditioned by the fact that at the time when a decision is adopted, Defendant 2) must be a holder of the domain name in question. As regards the delay between the moment when the Plaintiff learned about the registration of the **x+y+z.cz** domain and the moment when the Plaintiff filed a petition, the Plaintiff stated that the procedural rules did not stipulate any lapse period in this respect. The court judicature does associate the toleration of defective circumstances over a longer period of time with adverse consequences for the aggrieved party; however, these cases deal with different circumstances under which competitors dispute over trade descriptions used on a long-term basis in a confusing manner (in good faith and during the course of due business enterprise). The Plaintiff therefore suggested that the appeal court modifies the appealed decision of the first instance court and orders the preliminary ruling as proposed.

The appeal court reviewed the first instance court's decision according to the provisions of Section 212 et seq. of the Code of Civil Procedure, referring to the provisions of Section 75c(4) of the Code of Civil Procedure, and - without ordering any hearing (Section 214(2)(c) of the Code of Civil Procedure), the court came to a conclusion that the appeal is duly substantiated, even though from a different reason than declared.

Unlike the first instance court, the appeal court is of an opinion - based on the evidenced circumstances describe din the appealed resolution - that the conditions for ordering a preliminary ruling have been fulfilled. However, the appeal court is of the opinion that such a preliminary ruling needs to be ordered in order to temporarily adjust the relationships between the parties concerned to such an extent that it appears reasonable to ensure that until the matter concerned is considered and decided, it is necessary to preserve the existing status regarding the **x+y+z.cz** domain, i.e. avoid any

change regarding the domain's holder meanwhile. Only thus will it be possible to objectively consider the claim applied by the Plaintiff against the Defendants, based on the evidence gathered. If a change occurs in the holder of the **x+y+z.cz** domain during the proceedings (which may be the case under the given circumstances), it would be impossible to accept the petition irrespective of the legal consideration by the first instance court, at least with respect to Defendant 2), and the Plaintiff would be forced to request the accession of another party (other parties) to the proceedings. If under this situation it is impossible to issue a positive decision with respect to Defendant 2) or against Defendant 1), the appeal court is of the opinion that it would be impossible to arrange for its forced execution, and that a transfer of the domain name would complicate the execution of such a decision. The appeal court is further of the opinion that - in compliance with the provisions of Section 75c(1)(a) of the Code of Civil Procedure - it is possible to accept, for the purposes of a preliminary ruling, a justifiable claim concerning the protection against unfair competition and infringement in trademark rights. As the Plaintiff claimed in the motion, the Plaintiff has not entered in any business relationships with Defendant 1), is the owner of the X+Y+Z trademarks protected in the Czech Republic and has not granted consent to either of the Defendant to use the X+Y+Z identification. Nevertheless, Defendant 2) registered in 2002 the **x+y+z.cz** domain for itself, and subsequently the website at **www.x+y+z.cz** posted a presentation of Defendant 1) as a Czech branch of the Plaintiff's corporation. As regards the time delay claimed by the first instance court between the domain registration and the filing of a petition, from which the first instance court concluded that there is no urgent need for a temporary adjustment of the relationships between the parties concerned, it has to be pointed out that the circumstance concerned is important but because the need prevails to prevent from any change in the domain name holder in order to ensure a timely and non-delayed decision, such a time delay is not a reason for refusing the motion; in addition to the fact that it is necessary to look not only at when the **x+y+z.cz** domain name was registered but especially when the website at **www.x+y+z.cz** was created and launched on the Internet because the presentation on such a website constitutes the unauthorized use of a protected description and action in economic competition.

Therefore, the appeal court modified the appealed decision of the first instance court, on the basis of what has been said above and according to the provisions of Section 220(3) of the Code of Civil Procedure, and ordere the preliminary ruling as proposed. For the sake of completeness, it has to be stated that if the Plaintiff considers the **www.x+y+z.cz** description to be a domain name, the Plaintiff's consideration is inaccurate because **x+y+z.cz** is the second level domain registered under the highest level domain, while "www" stands for "world wide web" and the entire expression is not a domain but an internet address.

The first instance court shall decide about the manner in which the cost of the preliminary ruling shall be settled, in the resolution to be adopted with respect to the matter according to the provisions of Section 145 of the Code of Civil Procedure.

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*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.