JUDGEMENT

On Jun 4, 2007, the High Court of Justice in Prague decided the case of the plaintiff: IBICO GmbH against the defendants: 1/ MOBILITY s.r.o. and 2/ CZ.NIC to transfer the domain name and pay CZK 50,000, based on the appeal filed by the defendant 1/ against the judgement of the Municipal Court in Prague dated July 19, 2006, as amended by the corrective resolution dated November 24, 2006, as follows:

1. The judgement of the court of first instance is confirmed in its verdict I, its verdict II is changed in such a way that the petition to pay CZK 50,000 is dismissed.
2. None of the parties is entitled for reimbursement of the costs of proceedings before courts of both instances.

By his petition (as amended by specification made during oral hearing on Jul 19, 2006), the petitioner sued for rendering a judgement, which would lay an obligation on the first defendant to transfer the domain name ibico.cz to the petitioner and on the second defendant to register the petitioner as a holder of the domain name ibico.cz within 3 days as of delivery of the application of the first defendant to transfer the concerned domain and further lay an obligation on the first defendant to pay CZK 50,000 to the petitioner. In order to justify the asserted claims allegedly based on protection against unfair competitions and rights of an owner of trademarks, the petitioner stated that he was a business company engaged in particular in production of office machinery (in particular for document processing), he was the owner of two international combined trademarks protecting the denomination ibico, which had become famous on the Czech market and were associated with the petitioner's products. On Feb 2, 2001, through the other defendant, the first defendant registered the domain name ibico.cz for operation of an e-shop with office machinery for document processing and according to the petition, the first defendant thereby breached the petitioner's rights from the said trademarks. Despite the petitioner's request from October 2003 and other correspondence, the first defendant failed to transfer the domain name to the petition, he has ceased to operate the web site in the domain but he conditioned its transfer by payment of the consideration of EUR 20,000. The petitioner considers the described conduct of the first defendant an unfair competition conduct, in particular as concerns the bodies of conduct contributing towards mistaken identity and parasitic use of reputation.

In his statement dated Jan 27, 2005, the first defendant proposed to dismiss the petition claiming he had not breached any rights of the plaintiff. He referred to the legal regulations on protection of trademarks and unfair competition, from which it was not possible to deduce the claimed plaintiff's right for transfer of the domain name. Hence there is no legal basis of such claim and if a constitutional principle is to apply that obligations may be imposed only on the basis of law and within its limits, then the petition can't be satisfied, moreover if not properly supported with evidence.

In his statement dated Jun 12, 2005, the other defendant described his position of a registrar of domains within the national domain .cz and principles that were connected with the process of domain name registration saying that if the petition would be found justified against the first defendant, he would submit to the decision and make changes in the registration.

By the above-mentioned judgement, the court of first instance satisfied the petition and in the verdict I, it ordered the fist defendant to transfer the domain name ibico.cz to the plaintiff within 5 days as of legal validity of the judgement and the other defendant to register the petitioner as a holder of the domain name ibico.cz with the register of domains under the domain of the highest degree .cz, namely within 3 days as of delivery of the first defendant's application to transfer the domain of the second degree ibico registered under the domain of the highest degree .cz, in the verdict II, it ordered the first defendant to pay reasonable satisfaction to the plaintiff amounting the CZK 50,000 within 3 days as of legal validity of the judgement. The court of the first instance decided on the costs of the proceedings

in verdicts III and IV in such a way that it ordered the first defendant to pay reimbursement of the costs to the plaintiff in the amount of CZK 27,853.80 and as concerns the relationship between the plaintiff and the other defendant, it decided that none of them was entitled to reimbursement of the costs. In the grounds of the decision, it described the allegations of the plaintiff and statements of the defendants at first, then it stated its findings deduced from the evidence provided, which the court evaluated in terms of facts and law. The court took for proved the allegations of the plaintiff on his line of business and trademarks he owns, which are valid also for the territory of the Czech Republic, on the contents of correspondence between the parties including the amount stated by the first defendant and conditioning the transfer of the domain name, it further ascertained that the first defendant ran business in the field of purchase and sale of merchandise as well as in the field of office machinery, further in procuring activity in the field of trade and services and in provision of software. It found out that the first defendant had had the domain ibico.cz registered for himself as of Feb 2, 2001; from the copy of the web site of the first defendant in the domain mobility.cz dated Nov 24, 2004, it further found out that it included a link to the e-shop at the address www.ibico.cz where machinery for document processing is offered. As concerns the allegation of the first defendant concerning the third person, who would have a stronger right to the domain than the plaintiff, the court ascertained that in the Companies Register, the company IBICO, s.r.o., Company Identification No.: 63667355 was registered; as concerns his defence against the claim for payment of reasonable satisfaction and the allegation of non-existence of the plaintiff's loss, the court ascertained that the domain ibico.cz had not been used since Dec 1, 2003. On the basis of the stated findings, the court reached the conclusion that by registering the domain name ibico.cz for himself with the other defendant, the first defendant breached the plaintiffs rights to trademarks according to Section 8 Clause 2 Subclause bl of Act No. 441/2003 Coll., on Trademarks, because - as the court deduced - if the first defendant runs a business in the field of office machinery and offers the machinery in the e-shop run by himself, he evokes an association with the customer that every person prospectively interested in services or in purchase of office machinery IBICO automatically turns to the presented e-shop via the address www.ibico.cz and only then the person finds out that office machinery is offer there but not under the trademark IBICO. According to the court, the very registration of the domain ibico.cz represents an illegal breach of the plaintiff's rights from trademarks. Therefore the plaintiff has the claims according to Clause 4 of the said legal provision, inter alia to prohibit the defendant from continuing in the illegal conduct and to order the obligation to remove the effects of the breach of law including the obligation to transfer the domain. In addition - as the court specified - the petition is justified also by virtue of protection against unfair competition conduct as by his concerned conduct, the defendant acted in conflict with Section 44 Clause 1 of the Commercial Code and the conduct also accomplishes the elements of the body of Sections 47 and 48 of the Commercial Code. At this point, the court started from the fact that a competitor who without authorization made use of any object of law of industrial property of another competitor (therefore including the marking protected by a trademark) acted in conflict with standard practice of competition to the detriment of the other defendant. Therefore the plaintiff justly sued for the claims also in accordance with Section 53 of the Commercial Code; in the same time, the court considered the required satisfaction resting in payment of CZK 50,000 by the first defendant to be adequate to the incurred loss (resting in the impossibility to use the domain including the period of this impossibility) and to the speculative nature of the domain name registration. Therefore it fully satisfied the petition and in conclusion of the judgement, it gave reasons for the verdicts on the costs of proceedings.

By his appeal, the first defendant challenged the judgement of the court of first instance in the extent of its verdict I-III saying that on the basis of the presented evidence, the court of first instance had reached incorrect fact-findings and that its decision was based on erroneous determination of law. The court incorrectly deduced a breach of the plaintiff's rights from trademarks even though it was obvious that these rights were related only to the scope of goods and services, for which the trademarks had

been registered. However, the plaintiff did not prove that on the web site ibico.cz, the first defendant offered products, the marking of which was protected; the link from the contents of the web site dated Nov 24, 2004 is void in consideration of the finding that the domain has not been operated since Dec 1, 2003. He further insisted on his opinion that there was no legal basis for imposing the obligation to transfer the domain as he had mentioned in his statement, he objected that the court had incorrectly deduced a relationship within economic competition and unfair competition conduct of the first defendant in relation to the plaintiff - despite the fact the plaintiff himself did not take part in the business on the Czech market; he further objected against an incorrect conclusion of the court of first instance on immaterial loss incurred by the plaintiff and on the justified nature of the claim for provision of satisfaction. In conclusion he suggested for the appellate court to change the judgement as concerned the challenged extent and to dismiss the petition.

In accordance with Section 212 et seq. of the Code of Civil Procedure - Act No. 99/1963 Coll., as amended, hereinafter referred to as "CCP", the High Court of Justice in Prague, being the appellate court, on the basis of appeal filed by the first defendant, reviewed the whole judgement of the court of first instance challenged by the appeal whereas it considered the first defendant to be a person entitled to fully challenge verdict I of the judgement, a part of which imposes an obligation on the other defendant but which in the same time decides on the right of this first defendant to keep the possession of the domain name (the scope of his rights being breached thereby), and the court deduced from the contents of his appeal that also this part of the appeal was challenged. The court reached the conclusion that the appeal was partially justified.

At first, it is necessary to state that in accordance with the opinion of the appellate court, the court of first instance did make fact findings, to which a reference is made at this point for the sake of briefness, in the extent necessary for its decision, for that matter, none of the parties, suggested their amendment, and the appellate court adopted them and relied on them fully for the purposes of its decision-making. In order to verify the state of affairs and completeness of findings, including their evaluation, the appellate court introduced the evidence by reading out the information from the extract from registration of the domain name ibico.cz and from the full extract from the Companies Register concerning the first defendant, further the extracts from the register of the plaintiff's trademarks and the contents of the copy of web site of the first defendant's domain mobility.cz with links to other domains prezentace.cz (offering machinery and expendable supplies for document processing) and asus.as (with an offer of computer technology) and the court ascertained the accord of the findings and information with the state of affairs, from which also the court of first instance had started, i.e. that the first defendant had possessed the domain name ibico.cz since Feb 2, 2001, that the first defendant ran a business iter alia in the purchase and sale of merchandise, that the object of protection of the combined registered trademarks for the benefit of the plaintiff in the Czech Republic was the graphic presentation of the marking ibico whereas the trademarks were registered for products and services of categories 7, 9, 14, 16, and further it was undisputable that the plaintiff's products under the trademark IBICO were supplied to the Czech market. It follows from the contents of the web site mobility.cz that it does not include any link to the domain ibico.cz, the first defendant offers the sale of office machines at the web site of another domain.

The subject matter of the dispute is in particular the plaintiff's request to impose an obligation on the first defendant to transfer the disputed domain name to the plaintiff (and the related obligation of the other defendant to register the plaintiff as its holder). Although it would be possible to reach the desired objective through a simply formulated demand for relief, the plaintiff-formulated request does not go beyond the framework of law that may be applied in this case. The first defendant is wrong when he denies the legality of imposing the obligation to transfer the domain name. Generally, it is decisive whether the legal regulations allow the entitled person to assert the claim for removal of a defective state of affairs (whether this entitlement is granted both by Act on Trademarks, or the Act on Enforcement of Industrial Property Rights today respectively, and by the Commercial Code), it is

decisive whether the right to remove the defective state of affairs, which is claimed to be a result of a breach of rights from trademarks and unfair competition conduct, was created and lasts also at the time of the judicial decision-making, and it is also decisive whether the defective state of affairs will be removed by transfer of the domain name. Therefore if a defective state of affairs has been proved in the previous proceedings, the state being based on the registration and eventual use of the domain name, it is necessary to evaluate whether the claimed request (transfer of the domain name to the plaintiff) is the very method, through which the defective state of affairs will be removed. If the court reaches the conclusion that the concerned defective state of affairs may be removed by the very transfer of the domain name claimed by the plaintiff and that this request does not go beyond the limits of the right to have the defective state of affairs removed (hence it is also connected with the breached right, with the nature of its breach and it is not absolutely inadequate to them), then the judicial decision may order to the one who breached the rights to transfer the domain name to the entitled person, and as described above, this happens on the basis of and within the scope of law. As concerns the other objection of the appellant on the so-called "stronger" right of a third person for a transfer of the domain (in this case the home company IBICO), it is necessary to state that this alleged right is not decisive for a decision on this matter and it may not be considered at all as in these proceedings, the court considers exclusively the claims of the plaintiff based on legal titles alleged in the petition, not eventual claims of another person. This of course does not exclude the possibility that within the eventual dispute, the plaintiff successful in one proceedings, now in the position of a defendant, is ordered to transfer the domain name to a third person, now in the position of a plaintiff, who proves a "stronger" right within other proceedings.

The plaintiff alleged the above-mentioned claim in particular as a claim of an owner of the trademarks ibico. According to Section 8, Clauses 1 and 2 of Act No. 441/2001 Coll., on Trademarks, as amended (hereinafter referred to as the "TA"), the owner of a trademark has an exclusive right to use the trademark in connection with products, for which it is registered, and without the owner's consent (except for cases specified therein), no one else may use, within business relationships (as in the demonstrative enumeration in Clause 3 of the said provision) identical marking of products, for which the trademark is registered, or as the case may be use such marking, when due to its identity or similarity with the trademark and identity or similarity of products or services marked with the trademark and the marking, there is a probability of mistaken identity on the side of the public including the probability of an association between the marking and the trademark. At this point, it is important that the plaintiff did not allege that his trademarks were trademarks with goods reputation according to Clause 2 Subclause c of the said provision; but then it is decisive whether the first defendant used the marking ibico as specified above or not. The fact is that it is not possible to accept the conclusion of the court of first instance that the very registration of marking identical with one protected by a trademark represents a breach of rights from trademarks without any other conditions.

In the concerned case, it is decisive that the marking ibico (in the form of combined trademarks) is protected for the plaintiff (exclusively reserved for him) in the form of a trademark for a specific range of products and services and then it applies in principle that as concerns other, dissimilar (see the above-quoted Section 8 Clause 2 Subclause b/ of TA) types of products, the marking ibico may be used without breaching the plaintiff's rights from trademarks by such user. As it has been pointed out, the plaintiff did not allege and hence did not prove either that his trademarks would have gained good reputation in the Czech Republic and that a wider than stated protection should have been provided to them against their use on any product or any services under the conditions of Section 8 Clause 2 Subclause c/ of TA. Therefore when the first defendant registered the marking ibico for himself in the form of a domain name, he did not breach the plaintiff's rights from trademarks just by this very registration. The plaintiff wished to prove the use of the marking ibico as a name of the domain, on which the first defendant ran an e-shop with machinery for document processing only through a copy from the domain mobility.cz dated Nov 24, 2004, which included this information. The first defendant

denied that he was selling such products at the web site ibico.cz, for which the plaintiff's trademarks had been registered and on the basis of the produced evidence, the appellate court reached the conclusion that in this respect, the plaintiff had failed to bear the burden of proving as concerns the allegation on the content of the web site of the concerned domain. Because it is undoubted that the domain ibico.cz has not been operated as of the end of 2003, the information from the web site printed out on Nov 24, 2004 is absolutely fallacious and for that matter, it is not specific enough anyway to allow a conclusion on responsibility of the first defendant according to the formerly effective wording of Section 8 Clauses 4 and 5 of TA, today according to Section 4 Clause 1 of Act No. 221/2006 Coll., on Enforcement of Industrial Property Rights. As there is no evidence on the content of the web site of the domain ibico.cz, it is necessary to conclude that it was not proved within the proceedings that the first defendant had breached the plaintiff's rights from trademarks and the court of first instance was at fault when it concluded that the plaintiff was entitled to the asserted claims, being the owner of the trademarks.

The plaintiff further derived his claims by virtue of protection against the breach of the ban on unfair competition conduct according to Section 44 Clause 1 of the Commercial code (Act No. 513/1991 Coll., as amended, hereinafter referred to as the "CC"), i.e. as claims according to Section 53 of the Commercial Code, and it is necessary to state that the first defendant - although he did not breach the plaintiff's rights from the trademark - committed unfair competition in relation to the plaintiff.

According to Section 44 Clause 1 of CC, the unfair competition is such a conduct in economic competition, which is in conflict with standard practices of competition and is capable to cause loss to other competitors or consumers. The defence of the first defendant is based in particular on the allegation that the condition of a competitive relationship is missing for his conduct as the plaintiff is a foreign producer of certain goods, which is however imported to the Czech market by third persons and only those would be entitled to sue in this case, not the plaintiff.

According to the appellate court, however, the court of first instance did not make a mistake when it concluded that the fist defendant had acted in relation to the plaintiff within unfair competition. If the first defendant denied an existence of a competitive relationship referring to the fact that the plaintiff was a foreign company placing its products to the market in the Czech Republic through third persons (importers and sellers) then as long as it is indisputable that the products of the plaintiff's are office machines for document processing under the trademark IBICO and that also the first defendant trades with products of office machinery for documents processing, this defence may not stand the test. The competitive relationship between the plaintiff and the first defendant rests in the fact that the offer of the plaintiff's products (whereas it is immaterial at what level of the sales chain they are at the moment) and products of the same type offered by the first defendant meet on the common home market and hence their common competitive plan is to sell products of the same type to a certain range of prospective customers with the highest profit possible. The use of marking that may be mistaken for a trademark of another competitor to the registration of a domain, in this case connected with use of the decisive part of the business name of the other competitor, is a conduct in conflict with standard practices of competition and it is objectively capable of causing loss to the plaintiff as this other competitor and also to other competitors as without being entitled to do so, the first defendant has appropriated a certain advantage and an more advantageous position in competition for himself which otherwise he would not have. In consideration of the fact that marking of the domain name ibico.cz may lead to a false supposition that the domain belongs to the plaintiff or its representative in the Czech Republic, further a false idea that the web site offers exclusively products under the trademark IBICO, the conduct of the fist defendant results also in misleading of the public and hence it is capable of causing loss to consumers. In this case, the use of marking and the act within unfair competition conduct in this case mean the very registration of the marking by the first defendant (event though it is indisputable that for a certain period of time, it was a marking of a domain with presentation of an offer of the first defendant at his web site). It follows from what has been

mentioned that as the first defendant later registered the said marking - without having any legal right to this marking - he entered into a competitive relationship with the plaintiff breaching the plaintiff's competitive position (depending inter alia also on the possibility of easy search of his offer by a prospective customer on the internet whereas when this customer enters the concerned domain name, he will usually expect the web site including the plaintiff's and/or his products presentation to open) and gaining his competitive position with an opportunity of his own presentation on the internet under the marking ibico at the plaintiff's expense, including even only the possibility to possess the name registration for himself. Even though the first defendant is not the so-called domain speculator, it is absolutely unambiguous that the fist defendant (being a businessman in the field, in which the plaintiff has run his business for years) intentionally chose this marking for registration and in addition to the conduct according to Section 44 Clause 1 of CC and accomplishing the element of the body of conduct contributing to mistaken identity according to Section 47 Subclause aj, bl of CZ, as described above, he also engaged in parasitic competition according to Section 48 of CC.

The state of affairs following from the unfair competition of the fist defendant is a defective one and as a result of the continued possession of the domain name by the fist defendant, it still persists. In the concerned case, it may be remedied only by transfer of the disputed domain name to the plaintiff and as long as the plaintiff asserted this claim in the demand for relief according to Section 53 of CC and this claim corresponds to the statutory claim of the plaintiff for removal of the defective state of affairs then it was necessary to satisfy this claim. When the court of first instance satisfied the petition in this extent, its decision was materially correct and as such it was confirmed in accordance with Section 219 of CPP. This conclusion applies also to the obligation laid on the other defendant only because according to the effective rules of domain name registration that form a part of the contract concluded by and between the fist defendant and the other defendant, the other defendant is capable - as it follows from his function - to technically perform and ensure this change the domain holder.

The subject matter of the appellate proceedings is further the claim of asserted by the plaintiff against the fist defendant and granted by the court of first instance to provide satisfaction in cash. In this respect, it is necessary to point out to the above-mentioned conclusion on the fact that a petition by virtue of protection of rights of the trademark owner was not filed justly and therefore the plaintiff's claim has to be considered exclusively according to Section 53 of CC; it is further important that within the proceedings, the plaintiff failed to prove the content of the web site in the domain ibico.cz before taken out of operation. Therefore the appellate court may but to emphasize that whereas the capability of the judged entity to cause loss to other competitors and consumers (see Section 44 Clause 1 of CC) is sufficient for the conclusion that this case includes an unfair competition conduct (as mentioned above), t the precondition of a successful claim and award of satisfaction by the court is the incurrence of immaterial loss. The plaintiff did allege the incurrence of such damage during the hearing before the court of first instance, however, this was limited only to general allegation and arguments on the period of the breach and limitation of his possibility to present himself on the internet through the domain held by the first defendant. However, the emerged defective state of affairs, as stated above, is not sufficient to render a decision on satisfaction. The existence of immaterial loss incurred by the plaintiff was not proved at all during the proceedings, or at least its approximate scope, and hence there are no aspects, from which the court may start its consideration on reasonable satisfaction. Such an aspect may not be only the very period, for which the first defendant held the domain, or the amount, the payment of which the first defendant required for transfer of the domain (which was supposed to reimburse him the costs incurred thereby, according to his allegations). It is only possible to conclude that the plaintiff failed to prove incurrence of immaterial loss that was to be compensated by the required satisfaction and the court of first instance was at fault when under these circumstances, it satisfied the petition in the concerned extent. Therefore the appellate court changed the judgement in this extent in accordance with Section 220 Clause 1 of CCP and dismissed the petition.

In consideration of the change in the judgement, the appellate court rendered a new decision also on the costs of proceedings (Section 224 Clause 2 of CPP) and in consideration of the result of proceedings (Section 142, Clause 1,2 of CPP), the fact that within the relationship between the plaintiff and the other defendant, the plaintiff waived his right for reimbursement of costs, it was decided on the costs of proceedings in the same way as on the costs of the appellate proceedings applying Section 224 Clause 1, Section 142 Clauses 1 and 2 of CPP, namely that none of the parties is entitled to their reimbursement.

When studying the judgement, it is necessary to bear in mind that it includes not only the verdict and its grounds but also a summary of allegations of individual parties whereas the court might have decided not to consider some of them at all (for example when an interlocutory judgement is rendered) and hence these allegations represent only a legal opinion of the relevant party and not a conclusion by the court.

The decision of the court may not be automatically applied to other cases (though similar in their facts) and the association CZ.NIC recommends to consult a specific case with experts on domain names and with lawyers.