Court:	**Supreme Court**
Date of decision:	**19 April 2012**
File No.:	**23 Cdo 3407/2010**
ECLI:	**ECLI:CZ:NS:2012:23.CDO.3407.2010.1**
Type of decision:	**JUDGMENT**
Password:	**Unfair competition**
Applicable regulations:	**Section 44 (1) of the Commercial Code**
Category of decision:	**C**

23 Cdo 3407/2010

CZECH REPUBLIC

JUDGMENT

IN THE NAME OF THE REPUBLIC

The Supreme Court of the Czech Republic decided through the senate composed of JUDr. Kateřina Hornochová, presiding judge, and JUDr. Zdeněk Des and JUDr. Ing. Jan Hušek, judges, in the lawsuit of the Claimant **GLOBTOUR GROUP, a. s.,** with its registered office at Panská 12, 811 01 Bratislava, Slovak Republic, ID No.: 35894172, represented by Mgr. Petr Balabán, Attorney based at Šafaříkova 1, 120 00 Prague 2, against the Defendants **1) Globtour, spol. s r. o.** (formerly Agentura Globtour, spol. s r. o.), **with its registered office at Hanusova 24, 140 00 Prague 4, ID No.: 26170515, represented by Mgr. Helena Kohoutová, Attorney based at Za Poříčskou branou 12, 186 00 Prague 8, and** 2) CZ.NIC z. s. p. o.**, with its registered office at Americká 525/23, 120 00 Prague 2, ID No.: 67985726, represented by JUDr. Petr Hostaš, Attorney based at Na struze 1740/7, 110 00 Prague 1, for the protection of name of business and trademark rights and against unfair competition, brought in the Municipal Court in Prague, under file No. 19 Cm 69/2008, concerning the First Defendant's application for appellate review of the judgment of the High Court in Prague, dated 1 March 2010, ref. No. 3 Cmo 265/2009-282, as follows**

I. The judgement of the High Court in Prague, dated 1 March 2010, ref. No. 3 Cmo 265/2009-282, to the extent to which the appeal court confirmed the judgment of the first instance court in the statement under Section II and to the extent to which the compensation of the costs of proceedings has been decided, including the costs of the appeal proceedings, and the judgment of the Municipal Court in Prague, dated 30 January 2009, ref. No. 19 Cm 69/2008-216, in the statements under Sections II and IV are **annulled** and the case **is referred** to the mentioned extent back to the Municipal Court in Prague for further proceedings.
II. The First Defendant's application for appellate review so far as directed against the judgment of the High Court in Prague dated 1 March 2010, ref. No. 3 Cmo 265/2009 – 282, in the part in which the appeal court confirmed the judgment of the first instance court in the statement under Section I, **is dismissed.**

Grounds:

By bringing its action, the Claimant sought the protection of the name of business and trademark rights and against unfair competition in which the Claimant required that:

- The First Defendant should be ordered to refrain from using and disposing of the domain name "globtour.cz", except for its transfer to the Claimant,

- The First Defendant should be ordered to transfer the domain name "globtour.cz" to the Claimant, and

- The Second Defendant should be ordered to register the domain name "globtour.cz" in favour of the Claimant.

According to the statement of action, by misusing the domain name "globtour.cz" in its business activities, the First Defendant committed an act of unfair competition and infringed upon the rights of the Claimant's to its trademarks and name of business. The action to refrain and the action to remove mentioned in the action of the Claimant were directed against the First Defendant as claims under Section 53 of the Commercial Code, as the Claimant argued that the First Defendant had committed an act of unfair competition under Section 44 (1) - general clause, under Section 47 - creating a risk of confusion, and starting from 15 May 2008 under Section 50 - disparagement, as well as under Section 12 of the Commercial Code and under Section 8 (2) of the Trademarks Act. The Claimant sought to impose upon the Second Defendant the obligation to perform the required change in the registration of the domain "globtour.cz", as under the statement of action the Second Defendant is also responsible for misusing the domain name "globtour.cz" and is the only person (the sole entity ensuring the administration of national second-level domains in the territory of the Czech Republic) who may remove the unlawful state.

By means of its judgment dated 30 January 2009, ref. No. 19 Cm 69/2008-216, the Municipal Court in Prague imposed upon the First Defendant the obligation to refrain from using and disposing of the domain name Globtour.cz, except for its transfer to the Claimant (statement I), and the obligation to transfer the domain name Globtour.cz to the Claimant (statement II) and dismissed the action through which the Claimant sought to impose upon the Second Defendant the obligation to register the domain name Globtour.cz in favour of the Claimant (statement III); further, it decided on the costs of proceedings (statements IV and V).

The first instance court is satisfied that the Claimant is the owner of trademark No. 188067 consisting of the text "globtour PRAHA s.r.o." with the priority date of 6 October 1994 for, inter alia, travel agency operations. The previous owner was GLOBTOUR PRAHA, s.r.o., from 30 January 1996 to 9 September 2004. Starting from 6 February 2007, the Claimant is also the owner of trademark No. 291141 with the text "globtour". The Claimant offers its services on the website www.ckglobtour.cz. The domain www.globtour.cz was registered starting from 24 November 2005 for the company Zájezdy.cz, spol. s r.o. and was subsequently transferred to the First Defendant. Originally, the domain www.globtour.cz was registered for GLOBTOUR PRAHA, s.r.o.; however, as a result of failure to renew it, its validity has expired. The offer of Agentura Zájezdy.cz, a.s. is given on www.zajezdy.cz upon redirection from www.globtour.cz.The First Defendant is the owner of

trademark No. 303316 with the text “Globtour”, starting from 15 September 2008 for other products than the services of travel agency. The first instance court is also satisfied that there exist several companies with their names of business containing the word “globtour”.

The first instance court concluded that the action is justified as regards the First Defendant; the Claimant and the First Defendant are competitors as they offers the same services on their websites. It appears to the first instance court that the First Defendant used the situation arising from the declaration of bankruptcy of GLOBTOUR PRAHA, s.r.o., ID No.: 45270325, which was the holder of the domain www.globtour.cz. The domain expired as a result of failure to extend its validity during the bankruptcy proceedings and was therefore free. The First Defendant had it registered “for itself” and allowed Agentura Zájezdy.cz, a.s. to offer the services of selling tours on the website and, subsequently, stated there that “if you are looking for GLOBTOUR, look elsewhere, but look for your holiday here”. The First Defendant is responsible for the content of the website on the domain as it is the only person who has access to the content and may change or remove it from the position of the domain holder. In so doing, the First Defendant committed an unacceptable act of causing a risk of confusion between the Claimant and the First Defendant within the meaning of Section 47 of the Commercial Code and, therefore, it is necessary to ban such using the domain by the First Defendant and to impose upon the First Defendant the obligation to remove the unlawful state by transferring the domain to the Claimant. According to the first instance court, the First Defendant committed the above-mentioned act indirectly by allowing a third party (with which it is connected as far as personnel is concerned) to use the domain with a harmful content.

In the issue of the infringement upon trademark rights, the first instance court concluded that the Claimant is actually entitled to the right of priority to trademark No. 188067 with the text “globtour PRAHA s.r.o.” and, therefore, the First Defendant (by offering tours and holiday stays at www.globtour.cz) infringed upon the rights of the Claimant within the meaning of Section 8 of the Trademarks Act.According to the first instance court, it does not make any difference that the First Defendant is the owner of trademark No. 303316 also with the text “Globtour” as this is not protected for travel agency services and offering travel agency services by the First Defendant was interrupted only by an interim order issued. Therefore, the objection of the First Defendant that the First Defendant intends to use the domain www.globtour.cz for its (other) business activities will not stand up in court.

The first instance court also addressed the question whether it is appropriate that the Claimant claims the transfer of the domain with respect to the fact that the Claimant uses other domains, namely www.ckglobtour.cz, www.glob.cz, and www.globtour.sk. According to its conclusion, it is not possible to apply the rule that an Internet user is familiar with specific information on the composition of the domain name and is able to distinguish the importance of minor variations in the domain text. Although the Claimant has other domains reserved for its business activities, its clients are confused by the use of the domain www.globtour.cz and ask for information by telephone. At the same time, the first instance court concluded that after being notified by the Claimant of unlawful act (in April 2008) the First Defendant changed its name of business (September 2008) which then contained the word GLOBTOUR and submitted the application for trademark (September 2008) with the text “globtour” for other products than the Claimant’s trademark. The first instance court points out that the First Defendant was able to use your domain for business without restriction, but not to make the impression that the domain is connected with the Claimant by offering also the sales of tours and holiday stays at www.globtour.cz. If it were not the case, the Claimant’s request would probably not be appropriate according to the first instance court.

In the issue of the confusion of the name of business, the first instance court established that both names of business contain the word "globtour". Given that the right to change the name of business was not exercised, the court stated that it had not dealt with that issue more closely due to that.

As regards imposing upon the Second Defendant the obligation to register the domain name "globtour.cz" in favour of the Claimant, the first instance court concluded that this claim could not be granted. The Second Defendant was able to "transfer" the domain in question (Article 5 of Rules of Registration of Domain Names in ccTLD.cz) but was not able to "register" it in favour of the Claimant as the domain in question had already been registered and it is not possible to accept the situation where there would be two completely identical domains (which would be contrary to Article 2.8.5 of the mentioned Rules).

Further, the first instance court stated that even if the Claimant requires the domain transfer, the obligation concerning the change of the holder of the domain should be imposed upon that holder (i.e. the First Defendant), and should the court's decision become final and effective, the change would be performed in the register of domains by the registrar (i.e. the Second Defendant) without further notice on the motion of the entitled person. It is therefore unnecessary, in the opinion of the first instance court, to impose this obligation upon the registrar.

For the above-mentioned reasons, the first instance court granted the action to refrain and removed the defective state through its statement II of the judgment by means of transferring the domain to the Claimant. As for the time limit for performance, the first instance court did not find any reason for any extension thereof because in order to fulfil the obligation the First Defendant was only required to submit the respective "form" to the registrar (i.e. the Second Defendant).

As to the appeal of the First Defendant, the High Court in Prague (hereinafter the appeal court) confirmed the judgment of the first instance court in statements I and II, changed it in statement IV (statement I), and decided on the costs of the appeal proceedings (statement II) through its judgment dated 1 March 2010, ref. No. 3 Cmo 265/2009-282.

The appeal court concluded that the first instance court had for its decision the findings of fact to the necessary extent and any supplemental petitions proposed by the parties to the appeal proceedings and partially granted by the appeal court did not affect substantially its major findings. The appeal court stated that if the first instance court had not considered it necessary to hear the First Defendant's director, it is not an error in the proceedings because the claims to which the hearing was proposed were not significant and became apparent from other evidence already produced. The appeal court stated that the fact that the first instance court had not produced any evidence proposed by any of the parties to the proceedings in accordance with Section 120 (1) of the Civil Procedure Code cannot be considered a violation of the equality of rights of the parties to the proceedings. The appeal court accepted the findings of the first instance court, based its decision on them fully, and agreed with the resulting legal opinion according to which the First Defendant's conduct infringed upon the rights of the Claimant. In order to verify the facts of the case and the completeness of findings, the appeal court repeated the production of evidence partially through the evidence already introduced in the proceedings and further complemented evidence on the motions of the parties to the proceedings.

The subject of the appeal proceedings was the decision of the first instance court to the extent of the claims exercised by the Claimant for imposing upon the First Defendant the obligation to refrain

from using and disposing of the domain name “globtour.cz” and to remove the defective state by imposing upon the First Defendant the obligation to transfer the domain name to the Claimant. The Claimant exercised its claims as claims arising from unfair competition under Section 53 of the Commercial Code and from an infringement upon trademark rights under Section 8 (1) and (2) of Trademarks Act and Section 4 of the Act on Enforcement of Industrial Property Rights, and further argued that its rights from the name of business under Section 12 of the Commercial Code had also been infringed upon. According to the Claimant, the infringement upon the mentioned rights and act of unfair competition consisted in the use of the domain name “globtour.cz” for offering tours, i.e. the business the Claimant is engaged in with the name of business GLOBTOUR GROUP, a.s. in the territory of the Czech Republic and for which it uses and is entitled to use also trademarks containing the word “globtour”.

In its assessment, the appeal court focused on the rights of the Claimant arising from trademarks and to the protection against an act of unfair competition as also the first instance court found the claims exercised legitimate based on the infringement upon the rights. The First Defendant has especially challenged the fulfilment of the conditions of the general clause of unfair competition and the limitation of the rights of the trademark owner by its name of business.

The appeal court agreed with the legal opinion of the first instance court according to which the conduct of the First Defendant constituted an act of unfair competition under the general clause of unfair competition, an act of misleading identification of the goods and services under Section 46 of the Commercial Code as the domain name “globtour.cz” could cause the mistaken belief of the Claimant’s website clients that there was information relating the Claimant and its Internet products on the website with such domain name, an act of causing the risk of confusion under Section 47 (a) of the Commercial Code as the conduct resulted in the possibility of direct and indirect confusion of the companies related to the First Defendant with the Claimant, as well as an act of the parasitic use of reputation under Section 48 of the Commercial Code if the First Defendant or its related companies intended to use a certain reputation of the name GLOBTOUR for its or their own business. In agreement with the conclusions of the first instance court, the appeal court concluded that the Claimant rightly filed actions against the First Defendant under Section 53 of the Commercial Code to refrain from the wrongful conduct constituting an act of unfair competition and to remove the resulting defective state.

In agreement with the first instance court, the appeal court proceeded from the finding that the Claimant is the owner of trademarks, trade names with a strong verbal component “globtour” for tours and travel agency services, and that the First Defendant informs the visitors of the website in the manner above described of the offer of tours, but not the tours of the Claimant, i.e. uses the mentioned name contrary to the Trademarks Act. Moreover, the appeal court holds that registration of the trademark of the First Defendant and using a new name of business constitutes a speculative conduct, an act not in good faith, which cannot be provided with legal protection. Consistently with the conclusions of the first instance court, the appeal court concluded that the Claimant rightly filed an action against the First Defendant under Section 4 (1) of Act 221/2006 Coll., on the enforcement of industrial property rights, to refrain from the continuation of wrongful conduct and to remedy the defective state by means of transferring the domain name to the Claimant, which appears to be an appropriate and proportionate instrument to remove the defective state.

The appeal court concluded that the Claimant had proved in the proceedings both of its claims arising from unfair competition under Section 53 of the Commercial Code and from the rights of the owner

of of trademarks under Section 4 (1) of the Act on Enforcement of Industrial Property Rights and, therefore, if the first instance court granted the action, the appeal court confirmed the appealed judgment of the first instance court as objectively correct under Section 219 of the Civil Procedure Code. The appeal court changed statement IV concerning the costs of proceedings under Section 220 (3) of the Civil Procedure Code due to the fact that the legal representative of the Claimant is a VAT payer.

The First Defendant has challenged the judgment of the appeal court within the statutory time limit by means of an application for appellate review of all the statements of the appealed judgment the content of which implies that it considers them appropriate under Section 237 (1) (c) of the Civil Procedure Code as it claims that it is a fundamentally important decision from the legal point of view. The First Defendant justifies its application for appellate review by Section 241a (2) (b) of the Civil Procedure Code, i.e. that the appealed decision is based on the incorrect legal assessment of the case, and Section 241a (2) (a) of the Civil Procedure Code, i.e. that the proceedings are affected by a defect of the proceedings resulting in an incorrect decision in the case.

According to the statement of the appellant, the issue of fundamental legal importance are connected in this case with the court's decision replacing the declaration of will of the First Defendant to transfer the domain name "globtour.cz" to the Claimant, under the conditions and in the manner contrary to the legal order in the appellant's opinion. The appellant claims that the concerned questions have no support in case-law, the appeal court based its decision on the questions, and the questions have the necessary case-law overlap and are not limited to this specific case. According to the appellant, the fundamental legal questions are as follows:

1) Whether the ordinary courts may decide on the transfer of the domain name to any third party, under the situation when the claim of the third party is not supported by substantive law and does not arise from any private contractual arrangement.

2) Whether in the event that the ordinary courts are authorised to make decisions according to item 1) they are at the same time responsible to decide on the entitlement of the domain name transferor to consideration in cash as holding a domain name is clearly a property right which can be expressed in money.

3) Whether the decision of ordinary courts replacing the declaration of will of a party to the proceedings – to transfer the domain name to any third party does not breach the principle of proportionality in relation to the regulation of the claims arising from the rights infringed upon.

4) Whether the Internet domain or holding the rights to the domain and its name constitute a right or property value that is as other property rights (e.g. trademark rights) protected by the defendant's right to own the property guaranteed, inter alia, by Article 11 of the Charter of Fundamental Rights and Freedoms.

5) Whether the trademark registration and any change of the name of business according to the wording of the trademark restrict the rights of the persons with the trademarks of the same wording.

6) Whether during the proceedings in which the claimant enforces the rights arising from an act of unfair competition, other conduct of the defendant which is not connected with the claimant, does not

infringe upon the claimant's rights, and as for which it is not established for what reasons and in favour of whom the defendant makes it may serve as evidence.

The appellant considers the legal assessment of the case by the first instance court as well as the appeal court incorrect specifically in the following conclusions:

- Imposing upon the First Defendant the obligation to transfer the domain name "globtour.cz" to the Claimant (statement II of the judgment of the first instance court), which has no support in the rules of substantive law.

According to the appellant, neither Section 53 of the Commercial Code nor Section 4 of the Act on Enforcement of Industrial Property Rights enable the court to subordinate the obligation of the Defendant to transfer to the Claimant the right to use the domain name to the action to remove as imposing such obligation clearly exceeds the restitution nature of the action.

- The statement of the judgment in the part concerning the obligation of the First Defendant to transfer the domain name to the Claimant and the grounds thereof does not imply whether it concerns the decision imposing the fulfilment of obligation or the judgment imposing the declaration of will. If the court is authorised to decide on the obligation of the First Defendant to transfer the domain name to the Claimant (which the appellant does not admit definitely), it would at the same time be obliged to impose upon the Claimant the obligation to pay a fair price for the rights to the domain name of the Defendant as consideration for performance.

- The decision of the court on the obligation to transfer the domain exceeded the right to seek the removal of defective state and, at the same time, infringed upon the right of the First Defendant to own property guaranteed by Article 11 of the Charter of Fundamental Rights and Freedoms in an evident, gross, and unjustified manner.

- According to the conclusions of the appeal court, the conduct of the First Defendant that bought the Internet domain, registered the trademark, and changed the text of its name of business was speculative, not in good faith, and contrary to good morals.

The appellant considers its conduct a responsible and prudent conduct through which it sought to secure its rights and, on the contrary, considers the conduct of the Claimant in this case irresponsible and imprudent as it began its business in the Czech Republic under the name "Globtour group" without having the rights to the respective trademark and the Internet domain.

- Breach of the principle of concentration of proceedings during the hearing in the appeal court (the Claimant submitted evidence - executor's report concerning the use of the domain "firotur.cz" which according to the appellant is not related to the subject of dispute and does not affect the rights of the Claimant and yet it has been produced) and, at the same time, the production of evidence that could not be evidence as defined in Section 125 of the Civil Procedure Code.

- The appellant regards as a defect of proceedings that an argument of the appeal court was based on the data in the Commercial Register from which it inferred a "lack of good faith related to personnel interconnection" and that after the hearing the court found in the file unascertained evidence through which the alleged but not proven personnel interconnection would be documented during the proceedings; therefore, the parties had not the opportunity to comment on that evidence or the

respective motion within the meaning of Section 123 of the Civil Procedure Code.Moreover, according to the appellant, the appeal court confused two different legal persons and regarded them as one person in the appealed judgment.

Given that the alleged defects of proceedings and the incorrect assessment apply to both the judgment of the first instance court and subsequently also the judgment of the appeal court, the appellant is of the opinion that the court dealing with the appellate review should annul both decisions and refer the case back to the first instance court.

The Claimant has not commented on the First Defendant's application for appellate review.

Upon establishing that the application for appellate review of the final judgment of the appeal court was filed by an authorised person within the time limit set forth in Section 240 (1) of the Civil Procedure Code, the Supreme Court of the Czech Republic as the court dealing with the appellate review examined whether this extraordinary remedy is permissible.

Under Section 236 (1) of the Civil Procedure Code, it is possible to challenge the final decisions of appeal courts by filing an application for appellate review if it is permissible by law (under Sections 237 to 239 of the Civil Procedure Code). The application for appellate review of the appeal court's confirming judgement is permissible under the conditions laid down in Section 237 (1) (b) and (c) of the Civil Procedure Code.

Under the Section 237 (1) (b) of the Civil Procedure Code, the application for appellate review is permissible against a judgment of the appeal court confirming the first instance court through which the first instance court decided otherwise than in an earlier judgment because it was bound by the appeal court which annulled the earlier decision. That is not the case and, therefore, an application for appellate review is permissible only under the conditions laid down in Section 237 (1) (c) of the Civil Procedure Code.

The Claimant's application for appellate review of the judgment of the appeal court confirming the first judgment of the first instance court on the merits, which imposed upon the First Defendant the obligation to refrain from using and disposing of the domain name Globtour.cz, except for its transfer to the Claimant, and to transfer the domain name Globtour.cz to the Claimant, is permissible only under Section 237 (1) (c) of the Civil Procedure Code if the court dealing with the appellate review comes to the conclusion that the appealed decision has a fundamental legal importance on the merits.

Under Section 237 (3) of the Civil Procedure Code, a decision of the appeal court has a fundamental legal importance particularly if the legal matter addressed therein is crucial not only for a decision in a specific matter (in a particular case) but also in terms of decision-making activities of courts in general (case-law), where the legal matter has not been dealt with by the court dealing with the appellate review yet or is decided differently or should have been assessed differently. The permissibility of the application for appellate review is then based not only on mere assertion of the appellant that the decision of the appeal court has a fundamental importance form the legal point of view but only on a positive conclusion of the court dealing with the appellate review that this is indeed so. The conclusion that the judgment of the appeal court challenged by the application for appellate review has a fundamental importance form the legal point of view is made by the court dealing with the appellate review as a preliminary decision and no special decision on that is issued by the court. It the court dealing with the appellate review comes to the positive conclusion that the

application for appellate review is permissible, it examines the appealed judgment without further notice and decides on the judgment on the merits.

The fact that the permissibility of an application for appellate review is connected within the meaning of the quoted provisions with the conclusion concerning a fundamental legal importance of the judgment implies that the appellate review is commenced for the assessment of legal matters (in both procedural and substantive law), other matters (especially the assessment of the correctness or completeness of findings of fact) do not establish the permissibility of the application for appellate review. The eligible appellate reasons by means of which the application for appellate review can be justified is principally the reason under Section 24a (2) (b) of the Civil Procedure Code by means of which it is possible to argue that the decision is based on an incorrect legal assessment of the matter.

An incorrect legal assessment of the matter within the meaning of Section 241a (2) (b) of the Civil Procedure Code is an error of court in the application of law to the findings of fact, i.e. the case where the findings of fact were assessed according to other legal regulations than those which should have been applied or where the correct legal regulation was applied but the court misinterpreted it.

An incorrect legal assessment of the matter constitutes an eligible appellate reason only if the appealed decision is based on it; in other words, if it is decisive for the statement of the decision of the appeal court.

As within the meaning of Section 242 (3) the first sentence of the Civil Procedure Code, the court dealing with the appellate review is bound by the exercised appellate reason, the assessment whether the decision of the appeal court has a fundamental legal importance or not should concern only the matters (from those on which the appealed decision is based) the assessment or solution of which by the appeal court has been challenged or disputed by the appellant.

The question whether the decision challenged by the application for appellate review has a fundamental legal importance is dealt with by the court dealing with the appellate review as a preliminary question. The permissibility of the application for appellate review is then based not only on mere assertion of the appellant that the decision of the appeal court has a fundamental importance form the legal point of view but only on a positive conclusion of the court dealing with the appellate review that this is indeed so.

In the present case, the court dealing with the appellate review came to the conclusion that under Section 237 (1) (c) of the Civil Procedure Code an application for appellate review is permissible against a judgment of the appeal court only to the extent to which the judgment of the first instance court was confirmed under statement II imposing upon the First Defendant the obligation to transfer the domain name Globttour.cz to the Claimant as the appeal court and the first instance court decided on the action filed by the Claimant to remove the defective state (the First Defendant's unlawful conduct) contrary to substantive law.

As it is implied by the application for appellate review filed, the appellant challenges the legal assessment of the matter by the first instance court as well as the appeal court. The appellant's objections were based on the belief that its success in the matter depends on the correct assessment, i.e. under the situation where a third party's claim is not supported by substantive law and does not result from any private contractual arrangement, it is not possible to impose upon the First Defendant the obligation to transfer the domain name to any third party (the Claimant). According to the

appellant, neither Section 53 of the Commercial Code nor Section 4 (1) of the Act on Enforcement of Industrial Property Rights enable the court to subordinate the obligation of the Defendant to transfer to the Claimant the right to use the domain name to the action to remove as imposing such obligation clearly exceeds the restitution nature of the action. The appellant argues that the decision of the court on the obligation to transfer the domain has exceeded the right to seek the removal of defective state and, at the same time, infringed upon the right of the First Defendant to own property guaranteed by Article 11 of the Charter of Fundamental Rights and Freedoms in an evident, gross, and unjustified manner.

The objection of the appellant is legitimate and the decision of the appeal court has a fundamental legal importance within the meaning of Section 237 (3) of the Civil Procedure Code to the extent to which the decision of the first instance court was confirmed in statement II, imposing upon the First Defendant the obligation to transfer the domain name Globtour.cz to the Claimant.

Further, the appellant argued in this case that the appeal court assessed the legal matter incorrectly claiming that the First Defendant's conduct can be considered an infringement upon the trademark rights of the Claimant as well as an act of unfair competition (under the general clause and under specific facts of the case provided for in Sections 46, 47, and 48 of the Commercial Code) and, therefore, the action to refrain and the action to remove filed by the Claimant can be granted.

It does not agree with the conclusions of the appeal court that the conduct of the First Defendant that bought the Internet domain, registered the trademark, and changed the text of its name of business was speculative, not in good faith, and contrary to good morals. Further, the appellant points out a breach of the principle of concentration of proceedings during the hearing in the appeal court (the Claimant submitted evidence - executor's report concerning the use of the domain "f.cz" which according to the appellant is not related to the subject of dispute and does not affect the rights of the Claimant) and, at the same time, the production of evidence that could not be evidence as defined in Section 125 of the Civil Procedure Code.The appellant regards as a defect of proceedings that an argument of the appeal court was based on the data in the Commercial Register from which it inferred a "lack of good faith of the First Defendant related to personnel interconnection", without the parties having the opportunity to comment on that evidence or the respective motion within the meaning of Section 123 of the Civil Procedure Code.

To the mentioned extent, if the application for appellate review challenges the statement of the appeal court confirming the judgment of the first instance court in statement I, imposing upon the First Defendant the obligation to refrain from using and disposing of the domain name Globtour.cz, except for its transfer to the Claimant, the application for appellate review is not permissible. In the given case, the matter was not been resolved by the decision of the court dealing with the appellate review or is decided differently or should have been solved completely differently (Section 237 (3) of the Civil Procedure Code) was not dealt with.

As regards the unlawfulness of the conduct of the First Defendant, the court dealing with the appellate review, being bound by the reasons for appellate review, came to the correct conclusion that in the given case the First Defendant committed an act of unfair competition and infringed upon the trademark rights of the Claimant. On this issue, the court dealing with the appellate review agrees with the legal assessment of both courts that the action to refrain filed by the Claimant can be granted, i.e. it is possible to impose upon the First Defendant the obligation to refrain from using and disposing of the domain name "globtour.cz".(As to the action to remove, concerning imposing upon

the First Defendant the obligation to transfer the domain name "globtour.cz" to the Claimant, see below.)

The conclusions of the appeal court on the issue of proving an act of unfair competition of the First Defendant, infringing upon the rights from the name of business and trademarks of the Claimant, are correct. It was proved in the proceedings that the Claimant was registered in the Commercial Register of the Slovak Republic as of 23 July 2004 under the name of business GLOBTOUR GROUP, a.s. and run its business in the territory of the Czech Republic through its organisational unit registered in the Commercial Register as of 31 January 2005 with the travel agency operation as its line of business and owned several trademarks with the word element "globtour" (trademark No. 188067 with the right of priority from 6 October 1994, trademark No. 291141 with the right of priority from 6 February 2007 – both trademarks registered, inter alia, for operating travel agency services, class 39). On the national domain on the Internet, the Claimant offers its services on the domains "ckglobtour.cz", "glob.cz" or "globtour-bratislava.cz". Further, it was proved that the First Defendant had been registered in the Commercial Register as of 12 April 2000 under the name of business Agentura 2001, spol. s r. o. and only during the proceedings (the action in the matter was filed on 2 June 2008), on 5 September 2008, changed its name of business to Agentura Globtour, spol. s r. o., on 11 March 2009 to Globtour, spol. s r. o., formerly (until March 2009) with the line of business including advertising and promotional activities and purchase and sale, currently with the line of business including manufacturing, trade, and services not listed in Annexes 1 to 3 to the Trade Licensing Act. It was proved that the First Defendant was also the owner of the trademark "globtour" (trademark No. 303316 with the right of priority from 15 September 2008 which however does not concern the organisation of tours and travel agency services). From the unquestioned findings and data of CZ.NIC (http://www.nic.cz/whois), it has been found that the First Defendant has been the holder of the domain name "globtour.cz" since 5 May 2008 (previously, i.e. from 24 November 2005, the domain name "globtour.cz" was owned by Zájezdy.cz, spol. s r. o.; starting from 5 April 2007, it was owned by Agentura Zájezdy.cz, spol. s r.o.). The content of the file further shows that the Claimant delivered on 14 April 2008 to the previous holder of the domain "globtour.cz" its request for refraining from unlawful conduct and for removing the defective state; an interim order issued by the court (ref. No. 2Nc 1055/2008-42 dated 20 May 2008) banning the disposal of the domain name was properly delivered to the First Defendant as late as 28 July 2008 (the resolution become final on 29 October 2008) but it was previously delivered to the Second Defendant (CZ.NIC z.s.p.o.) on 26 May 2008, who prevented any further use of the domain at that time. The above-mentioned resolution of the court as to the appeal of the First Defendant was confirmed by the High Court in Prague (ref. No. 3 Cmo 313/2008-75 dated 30 September 2008).

On the issue of the "ownership of domains" claimed by the First Defendant, the court dealing with the appellate review agrees with the conclusion of the appeal court mentioned in its judgment (see Page 7 of the judgment of the appeal court including references to specialised publications): "Given the private nature of the contractually acquired right to a domain name (not regulated in legal order in any manner), the legal theory consistently rejects the view that the right to a domain is a property right because it is not property in the legal sense; it is basically a verbal or otherwise acceptable expression of the technical identification of a computer or a group of computers within the network. Consistently with the contractual terms and conditions accepted by the domain name applicant in the contractual relationship to the registrar, the holder of the domain and its identification – domain name can be considered. Therefore, the defence arguing for the inviolability of property right does not stand up in court." The court dealing with the appellate review further adds that the term "domain name holder" is used also in Commission Regulation (EC) No 874/2004 of 28 April 2004 laying

down public policy rules concerning the implementation and functions of the .eu Top Level Domain and the principles governing registration, as well as in the Rules of Registration of Domain Names in ccTLD .cz (Section 1.2.8 Holder)

(for more details, see
http://www.nic.cz/files/nic/doc/Pravidla_registrace_CZ_DSDng_20111101.pdf).

When arguing against other defects and the incorrect assessment of its activity as speculative in connection with the assessment of an act of unfair competition, the appellant ignores that the facts of the case cannot be changed in the proceedings concerning the application for appellate review and that the review activity of the court dealing with the appellate review is aimed to assess the legal qualification of the matter including procedural aspects without the court being authorised to interfere with the facts of the case established in the original proceedings by the courts of lower instance. Any incompleteness or inaccuracy of the facts of the case and the conclusions which were established and reached by the appeal court and formed the basis of its decision do not constitute any of the appellate reasons mentioned in Section 241a (2) of the Civil Procedure Code but may constitute (provided that other conditions are fulfilled) an appellate reason under Section 241a (3) of the Civil Procedure Code.However, the appellate reason is not a relevant appellate reason in the event that the permissibility of an application for appellate review should be based on Section 237 (1) (c) of the Civil Procedure Code as it is within the present matter.

In generally, the court may cause other defects of proceedings as a result of incorrect procedure in the production of evidence which could result in an incorrect decision on the issue. Exceptionally, also an appellate reason under 241a (2) (a) of the Civil Procedure Code may be relevant in the given context, however, only in the event that the question whether such defect occurs is based on the conflict of differing legal opinions of the interpretation of the legal (procedural) regulation; however, it is not the case as for the defects claimed by the appellant.

It might be concluded that the First Defendant's application for appellate review is directed to the above-mentioned extent against the decision of the appeal court against which this extraordinary remedy is not permissible. Therefore, the Supreme Court of the Czech Republic dismissed it for impermissibility through its resolution (Section 243b (5) the first sentence and Section 218 (c) of the Civil Procedure Code without ordering hearing (Section 243a (1) the first sentence of the Civil Procedure Code).

In assessing the legal matter, the courts focused mainly on ensuring the remedy of the given unlawful state (the First Defendant's act of unfair competition infringing upon the trademark rights of the Claimant) but in doing so incorrectly interpreted the filed action to remove or its possibilities and limits based on the Commercial Code (unfair competition) and the Act on Enforcement of Industrial Property Rights (trademarks), in relation to the domain name unlawfully registered (not acquired) by the First Defendant. The decision of the first instance court was correctly based on Section 44 (1) of the Commercial Code (general clause of unfair competition) and Section 8 (2) of the Trademarks Act (see Pages 2 – 3 of the judgment of the first instance court), but the court did not apply to the given case the provisions justifying the Claimant's action to remove, i.e. Section 4 (1) of the Act on Enforcement of Industrial Property Rights and Section 53 of the Commercial Code.

Pursuant to Section 4 (1) of the Act on Enforcement of Industrial Property Rights, should the rights be infringed upon, the entitled person may request the court to order the infringer to refrain from the

acts infringing upon or endangering the rights and to remove the consequences of such infringement or endangering, namely by

a) Withdrawing from the market the products whose production, placing on the market or storage has caused such infringement upon or endangering of the rights,

b) Removing permanently or destroying the products whose production, placing on the market or storage has caused such infringement upon or endangering of the rights,

c) Withdrawing, removing permanent or destroying the materials, tools and equipment designed for or used exclusively or predominantly in activities infringing upon or endangering the rights.

Pursuant to Section 53 of the Commercial Code, the persons whose rights have been infringed upon or endangered by unfair competition may require that the infringer should refrain from such conduct or remove the defective state. Further, they are entitled to claim adequate satisfaction also in cash, compensation for damage, and return of unjust enrichment.

The conclusions of the appeal court that "the entitled person is allowed under law to file an action to remove the defective state (such action is granted by the Trademarks Act, the Act on Enforcement of Industrial Property Rights, and the Commercial Code)" and that "the right to the removal the defective state claimed as a result of the infringement upon the trademark rights and an act of unfair competition originated and is in existence when the court makes its decision" are correct. However, it cannot be inferred that the claim asserted (transfer of a domain name to the Claimant) is precisely the instrument by which the defective state will be removed. In the opinion of the court dealing with the appellate review, Section 4 (1) of the Act on Enforcement of Industrial Property Rights cannot be interpreted in the manner that it is possible to add to the examples of the possibilities of the removal of the consequences of endangering of or infringement upon the rights (see the letters a) to c)) anything else at the discretion of the entitled person (the Claimant), without taking into account the restitution nature of the action to remove the defective state.

The court dealing with the appellate review disagrees with some conclusions of the appeal court in which the appeal court states that if any defective state is proved in the proceedings resulting from the registration or further use of the domain name the remedy of the defective state may consist in the transfer of the domain name claimed by the Claimant and the claim does not exceed the right to remove the defective state (thus related to the right infringed upon and the nature of such infringement and not entirely inconsistent with them) and that it is possible to impose upon the infringer (the First Defendant) the obligation to transfer the domain name to the entitled person (the Claimant) through a decision of the court on the basis of and to the extent of law. According to the court dealing with the appellate review, the mentioned argument of the appeal court is incorrect especially because it considers the domain name within the protection against unfair competition and of trademark rights intangible assets to which the absolute rights are attached (e.g. as to a trademark or name of business).

The action to remove the defective state should especially aim to restore the original (previous) state (restitutio in integrum). In this case, this should be achieved by a court decision to impose upon the First Defendant the obligation to deregister the domain "globtour.cz" registered for itself with the registrar (by a certain specified date after the effective date of judgment) and not beyond the extent of the action to remove by a court decision to impose upon the First Defendant the obligation to transfer

the domain to the Claimant. If it has been established that the Claimant is not and never was the holder of the domain "globtour.cz", the decision of the first instance court to impose upon the First Defendant the obligation to transfer the domain to the Claimant completely exceeds according to the court dealing with the appellate review the limit given by the action to remove filed.

The decision of the appeal court (see Page 7 of the appeal court's judgment) is correctly based on the opinion that the right to the domain is not a property right as it is not a thing in the legal sense but a contractually acquired private right. It must therefore be concluded that the relationship between the person who would like to have the domain registered for itself (if it is the owner of the trademark and holder of the name of business with the wording of the domain - the Claimant) and the domain holder who has registered the domain through an act of unfair competition and uses it (the First Defendant) infringing thus upon the rights of another (the Claimant) is a relative relationship and should be dealt with by the court accordingly. The action to remove filed cannot result in imposing the obligation to transfer the domain as the domain does not establish any absolute (exclusive) right of its holder.

The courts incorrectly use declaratory decisions and constitutive decisions interchangeably (the decision to change the domain holder). The constitutive decisions of court are the exception and may be issued only in the cases where the court is expressly entitled under law to establish a legal relationship (the rights and obligations) between the parties. If the court determines in this case who has the right to the domain (whether the Claimant or the First Defendant), the Claimant would have to file a declaratory action with the court under Section 80 (c) of the Civil Procedure Code under which the action may be applied in order to determine especially whether such legal relationship or right exists or not, if it is urgently required by law.

According to the court dealing with the appellate review, if the First Defendant knew or should or could have known at the time of the registration of the mentioned domain name "globtour.cz" (i.e. on 5 May 2008 when it run its business under the name of business "Agentura 2001, spol. s r.o.") that a certain company (the Claimant) had already run its business under the name of business with the word "GLOBTOUR" in Slovakia since 2004 and in the Czech Republic since 2005 and, further, if only at the time of proceedings it changed its name of business (on 5 September 2008 to "Agentura Globtour, spol. s r.o." and on 11 March 2009 to "Globtour, spol. s r.o.") and became the owner of the trademark "globtour" (trademark No. 303316 with the right of priority from 15 September 2008), it registered and used the domain name "globtour.cz" contrary to the good manners of competition and committed an act of unfair competition. From the above-mentioned reasons, it is possible to achieve the remedy of the defective state by withdrawing the registered domain name from the First Defendant on the basis of and to the extent of the legal regulations enabling the removal of the defective state (the Commercial Code and the Act on Enforcement of Industrial Property Rights).

From the above-mentioned reasons, the court dealing with the appellate review disagree with the legal opinion of the appeal court (as well as with the legal opinion of the first instance court). Neither the first instance court nor the appeal court assessed the matter correctly under the legal regulations of the Czech Republic (see Act 513/1991 Coll., the Commercial Code, as subsequently amended, Act 441/2003 Coll., on trademarks, as subsequently amended, and Act 221/2006 Coll., on the enforcement of industrial property rights and on amendments to the acts on the protection of industrial property).

With respect to that, the Supreme Court has found some objections of the appellant partially legitimate and annulled the appealed judgement of the appeal court to the mentioned extent (Section

243b (2) the text after the semicolon of the Civil Procedure Code). Given that the reasons for which the judgment of the appeal court has been annulled apply also to the judgment of the first instance court, the court dealing with the appellate review has annulled also the judgment of the first instance court and referred the matter back to the first instance court for further proceedings (Section 243b (3) of the Civil Procedure Code).

In the further proceedings, the first instance court shall be bound by the legal opinion of the court dealing with the appellate review (Section 243d (1) the sentence after the semicolon of the Civil Procedure Code) and shall also decide on the costs of proceedings including the proceedings before the court dealing with the appellate review (Section 243d (1) the second sentence of the Civil Procedure Code) incurred up to now.

No appeal may be lodged against this decision.

In Brno on 19 April 2012

JUDr. Kateřina Hornochová
Presiding Judge