DISMISSAL OF THE MOTION FOR AN ORDER TO ISSUE A PRELIMINARY RULING

On 4 July 2003 the Municipal Court of Prague determined the case of T, the Plaintiff, based in Lebanon, vs. T, the Defendant No. 1, and CZ.NIC, the Defendant No. 2, concerning the violation of rights to trademarks and unfair competition and the motion for an order to issue a preliminary ruling, as follows:

1. The Plaintiff moved for a preliminary ruling imposing on the Defendant No. 1 the duty to refrain, as of the serving of this resolution, from publishing any Internet information under the domain name "x+y+z.cz", dealing with the registration of the domain name "x+y+z.cz", in particular its termination or transfer, except for transfer to the Plaintiff, and from further registering of another domain name that includes the word "x+y", and imposing on the Defendant No. 2 the duty to refrain, as of the serving of this resolution, from transferring the domain name "x+y+z.cz" from the Defendant No. 1 to another person, except for the Plaintiff, and from cancelling the domain name "x+y+z.cz". The above motion was dismissed.
2. Within five days of the legal force of this resolution taking effect, the Plaintiff shall pay to the Czech Republic a court fee amounting to CZK 1000.
3. Concerning the relationship between the Plaintiff and the Defendant No. 2, neither of the parties is entitled to receive compensation for the preliminary ruling costs.

The Plaintiff sought a judgement imposing on the Defendant No. 1 the duty to remove the web page under the domain name "x+y+z.cz", to refrain from publishing any data or information under the domain name "x+y+z.cz", to transfer free of charge and with the help of the Defendant No. 2 the domain name "x+y+z.cz" to the Plaintiff, to refrain from registration and use of any domain name including the word "x+y" or any other domain name interchangeable with the domain name "x+y+z.cz" and to compensate the Plaintiff for the court costs. The Plaintiff also moved for a preliminary ruling imposing on the Defendant No. 1 the duty to refrain, as of the serving of this resolution, from publishing any information under the domain name "x+y+z.cz" and from registering any other domain name consisting of the word "x+y" and also to refrain from dealing with the registration of the domain name "x+y+z.cz", in particular its termination or transfer, except for transfer to the Plaintiff. The Plaintiff called for the Court to impose on the Defendant No. 2 the duty to refrain, as of the serving of this resolution, from transferring the domain name "x+y+z.cz" from the Defendant No. 1 to another person except for the Plaintiff, and from terminating the domain name "x+y+z.cz".

The Plaintiff is a legal entity, incorporated in the Commercial Register in Lebanon, and his business activities consist in production and distribution of dairy products which are exported to many countries. He also owns two combined trademarks, registered in the Czech Republic as "X+Y D" and "X+Y E", and the word trademark "X+Y F". The Defendant is a legal entity and his purpose of business activities includes, among others, dairy production. The Defendant No. 1 registered the domain x+y+z.cz on 7 December 2000 when he owned the trade name M.H. On 4 March 2003 the trade name in the Commercial Register was changed to X+Y+Z. The Defendant No. 2 is an interest group of legal entities and the purpose of his business activities consists in assigning and administering domain names under the highest national domain "cz", having a monopolistic position in the Czech Republic. The business activities follow his own domain rules. According to the Plaintiff, the Defendant No. 2 is passively legitimized in order to prevent the Defendant No. 1 from using the domain name "x+y+z.cz".

According to the Plaintiff, the domain name "x+y+z.cz" is interchangeable with older trademarks of the Plaintiff, as it contains an identical element X+Y. The defendant No. 1 registered and has used,

without the Plaintiff's approval, the interchangeable domain name for products which are identical to the products listed under the above trademarks. This practice infringes the Plaintiff's rights to trademarks. The Defendant No. 1 was aware of the fact that the owner of the trademark consisting of the word X+Y was the Plaintiff. This facts results especially from the licensing agreement on use of the trademarks "X+Y E" for particular dairy products, concluded between the Plaintiff and the Defendant No. 1 on 21 January 1994. The Plaintiff withdrew from the contract by a letter of 6 May 2002. In spite of the fact that the domain "x+y+z.cz" was registered during the term of the contract, the Defendant No. 1 was not entitled to register a domain name interchangeable with the above trademarks. The term "use of a trademark" does not include a registration of a domain. The Plaintiff claims this practice is similar to the case when, in compliance with the law on trademarks, a licensee may not register an identical or interchangeable trademark without the approval of the holder. However, the Defendant No. 1 did not obtain such an approval. The fact that the Defendant No. 1 did not act in good faith is evidenced by his attempt to register with the Office of Industrial Property his own trademarks consisting of the element X+Y. This attempt was not successful. The Defendant No. 1 acted, without any doubt, so as to become holder of the trademark or designation consisting of the element independently of the Plaintiff. The Internet presentation of the Defendant No. 1 shows he attempts to use the denomination X+Y as his own. This corresponds with the change of the Defendant's trade name from M.H. to X+Y+Z, an infringement of the Plaintiff's rights to the trademark. Currently the Regional Court of Hradec Králové is dealing with an action against the Defendant No. 1. The Plaintiff claims, among other claims, a change of the trade name.

Having withdrawn from the licensing agreement, the Plaintiff concluded new contracts with the company M., authorising this company to use the trademarks "X+Y E" and "X+Y F" for any dairy products except for condensed milk. With respect to the fact that the domain name "x+y+z.cz" has been registered with the Defendant No. 1, the new licensee cannot use the domain name for his products, lawfully qualified for the trademarks "X+Y E" and "X+Y F".

Having registered and used the domain "x+y+z.cz", the Defendant committed an unlawful interference with the Plaintiff's rights to the trademark and an act of unfair competition as the domain name of the Defendant No. 1 is interchangeable with the Plaintiff's trademarks and the products thereunder, marketed by the Plaintiff's licensee. This practice also caused false connection between the Defendant No. 1 and the licensee, although such a connection between the Plaintiff and the Defendant No. 1 ceased to exist and between the Defendant No. 1 and the licensee it has never existed. The present status infringes the rights of the Plaintiff and the licensee, as the consumer might assume that the trademark denominated X+Y is owned by the Defendant No. 1 With respect to the rules of registration of domain names which make it possible for the Defendant No. 2 to terminate an existing domain under certain circumstances, the Plaintiff considers it appropriate to regulate temporarily the circumstances between the Plaintiff and the Defendant No. 2 by a preliminary ruling. A preliminary ruling against the Defendant No. 1 is required also due to the concern that the Defendant No. 1 might transfer the domain to a third person, infringing further the Plaintiff's rights.

The Plaintiff enclosed the following documents: a certificate of legal personality and the translation thereof; a copy of the entry of the Defendant No. 1 in the Commercial Register; the registration of the Defendant No. 2 and the rules; copies of entries in the trademark and domain registers; licensing agreements and schedules thereto (in English); a withdrawal from the contract with the Defendant No. 1 and a response of the Defendant; websites of the Defendant No. 1; copies of applications for registration of trademarks made by the Defendant No. 1; and a catalogue of the licensee's (M) products.

With respect to the fact that the proposed preliminary ruling was filed together with the action on the merits, the Court first dealt with the procedural status of the Defendant No. 2. The Plaintiff seeks imposition of a particular duty on the Defendant No. 2 under the preliminary ruling, however, he does

not impose on him any duty whatsoever under the merits, directing all the claims solely against the Defendant No. 1. The Defendant No. 2 is a party only to the proceedings to issue a preliminary ruling, not to the proceedings on the merits. This practice itself, however unusual, would not impede the preliminary ruling against the Defendant No. 2 - it would be possible to order the Plaintiff to bring an action as regards the preliminary ruling, to bring an action on the merits against the Defendant No. 2 as well, or to limit the preliminary ruling in time. However, in view of the facts below indicated, the Court concluded that this procedure may not be applied.

The Plaintiff based the motion for a preliminary ruling on the fact that his rights to the above trademarks which he owns have been infringed (and the infringement continues) as the domain name "x+y+z.cz" is, in his opinion, interchangeable with the above trademarks. The Plaintiff also claims that having registered the domain name, the Defendant No. 1 committed an act of unfair competition against the Plaintiff, and against the Plaintiff's licensee, which prevents the licensee from using the domain name to present his products. The Plaintiff submitted certificates in order to prove he owns two combined and one word trademark and to indicate the products and services listed under the trademarks. The Plaintiff also proves that he had concluded an licensing agreement for the period from 1994 to 2002. The agreement as well as the termination thereof was indicated in the certificate of registration. The Plaintiff proves that the Defendant No. 1 owns the domain "x+y+z.cz". The above licensing agreements were submitted only in English without Czech translations. The Plaintiff proves that the Defendant No. 1 operates web pages under the domain name "x+y+z.cz", containing presentation of dairy products of the Defendant No. 1, and that the Defendant No. 1 registered the trademark "X+Y G". The catalogue of the company M shows the product range of the licensee.

In compliance with the proposed preliminary ruling, the Defendant No. 1 should refrain from further publishing of information on the Internet under the domain name "x+y+z.cz" - i.e. on the web pages which have been used for presentation of products of the Defendant No. 1. With respect to future operation of the preliminary ruling, it is obvious that such a prohibition may refer to new information published on the web pages in the future, as it is not possible to prove that such a prohibition might include also the information which has been published and removed. The Defendant No. 1 should also refrain from dealing with the domain as far as termination or transfer to another person except to the Plaintiff is concerned, and should refrain from registration of another domain name consisting of the denomination X+Y. The Defendant No. 2 should prevent the Defendant No. 1 from transferring the domain name to another person except for the Plaintiff.

The Court considers the Plaintiff to be the owner of the abovementioned trademarks for milk and other dairy products. Nevertheless the Plaintiff did not declare or prove to be the only entity undertaking business in the Czech Republic by a subdivision or an establishment relocated to the Czech Republic. The Plaintiff did not claim to supply the dairy products directly to the Czech Republic. For the purpose of the preliminary ruling the Court therefore cannot consider proved the fact that the Plaintiff and the Defendant No. 1 are competitors on the Czech market. The Court has not found any connection between the trademarks and the domains. Unlike trademarks, domains as such do not belong as industrial property and their registration is done automatically without the intervention of the state which is applied by the public authority (the Office of Industrial Property). Unlike the law of trademarks, there is no legislation concerning domains. A trademark registration always has a priority, but only in relation to other denominations which might be registered as trademarks later. This process does not apply in domain registrations. If a domain is free, and unregistered, it may be registered immediately in compliance with rules set out by the Defendant No. 2. without being controlled by the state. With respect to the fact that trademarks and domains are completely different, the Court did not approve the arguments of the Plaintiff who claimed to be acting also on behalf (or in favour) of the new licensee. As indicated above, the Court does not assume that the Plaintiff and the Defendant No. 1 are competitors on the Czech market. If there is any conflict as regards the competition between the Defendant No. 1 and the licensee, the defence, including a

potential action for the domain name "x+y+z.cz", belongs to the subject concerned, i.e. the licensee, not the Plaintiff. The Court did not approve the grounds of the preliminary ruling based on the concern that the Defendant No. 1 might cancel the registration of his domain name or transfer it to another person. It is true that a substantial number of registrations and transfers are only speculative, however, the Court did not find any evidence of such practice with the Defendant No. 1. Speculative holders often block off certain domains, registering them without paying any charges. On 7 December 2000 the Defendant No. 1 registered the domain and, as results from the internet statement, paid all the charges in time. According to the domain register he was and continues to be the first holder thereof. Currently the business name of the Defendant No. 1 is identical to the domain name "X+Y+Z". The Court therefore concluded that the conditions of the proposed preliminary ruling have not been satisfied, in particular as far as the urgency for a temporary regulation of the circumstances between the parties is concerned, i.e. between the Plaintiff and the Defendant No. 1. The Court does not consider attested the fact that the Plaintiff and the Defendant No. 1 are competitors on the Czech market. The Licensee is not a party to the proceedings and as regards protection against unfair competition the Plaintiff cannot effectively and successfully represent the licensee before the Court. The Licensee would have to prove his claims against unfair competition himself. To make the facts complete it must be said that the trademark register includes 32 registered trademarks (both word and combined) consisting of the denomination X+Y; 23 of them include only the denomination X+Y, 9 includes the word X+Y plus another word or a figure. An absolute majority of the trademarks consisting of the denomination X+Y are owned by X+Y, a.s. These trademarks are registered for cars, components and accessories. Other trademarks consisting with the word X+Y are registered for cigarettes, razor blades and wooden furniture. Besides, on 18 November 2002 the Plaintiff registered the word trademark X+Y which has not been published. The domain name x+y.cz itself belongs to the owner of the majority of the trademarks consisting of X+Y, i.e. X+Y, a.s., a joint-stock company. The Court therefore concluded that the contentious issues must be settled in standard evidence on the merits. There is no reason to temporarily regulate the circumstances between the Plaintiff and the Defendant No. 1 and it is groundless to impose any duties on the Defendant No. 2 who is only an intermediate party to the preliminary proceedings. Having considered the above facts, the Court dismissed the motion.

With respect to the charges the motion for a preliminary ruling is subject to - according to Item 3 of the Scale of Fees the charge is CZK 500 - and the fact that this motion is directed against two defendants, the court fee is CZK 1000. As the above fee has not been paid, the Court ordered the Plaintiff to pay this court fee within five days of the legal force of this decision taking effect by bank transfer to the account of the Municipal Court of Prague. If the fee is not settled in time, the Court shall compel the payment.

The court costs of the preliminary ruling shall be fixed in compliance with Section 145 of the Civil Code Procedure in the final decision of the case. In view of the fact that the action against the Defendant No. 2, who is not a party to the proceedings on the merits, terminates with this decision, the Court determined that neither the Plaintiff, nor the Defendant No. 2, are entitled to receive compensation for the preliminary ruling costs, as the Plaintiff did not succeed and no expenses were incurred by the Defendant No. 2.

Apart from the organization "CZ.NIC", the legal proceedings participants are denominated only by the first letters of their surnames or trademarks. The subject domains are replaced by a chain of x+y+z.cz. Whenever the decision refers to other domain names, these were replaced by different chains. Apart from the identification of participants or other persons and domain names, the text of the decision was modified to the least extent possible. Any connection between the abbreviations or symbols, and persons or domain names that actually use such abbreviations or symbols is purely

coincidental.

The decision contains not only the judicial statement and its reasons, but also summarized statements from each party that represent only the legal opinion of the relevant party, rather than a conclusion, as the Court may not have dealt with these statements at all (e.g. when issuing a preliminary ruling).

The judicial statement may not be automatically applied to other cases (albeit with identical facts) and the CZ.NIC organization recommends consulting over any case with domain and legal experts.