

Czech Law on Unfair Competition & Trade Marks ADR proceedings Regarding Domain-squatting

by Vlastislav Kusák

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I. Czech Law on Unfair Competition

The Czech Unfair Competition regulation is part of the Czech Commercial Code.¹ It contains the general definition of unfair competition and lists examples of specific unfair practices.

The general definition requires four criteria to be met. There must be (i) a competitive conduct (ii) which is contrary to good manners ("*bonos mores*") of competition (iii) which may be detrimental to (iv) other competitors or consumers.

The sample list of specific unfair practices stipulated in the Commercial Code is

- Misleading advertising;
- Misleading product labeling;
- Danger of confusion/ interchanging: with regards to business names or other special labeling of business and special labeling, patterns, designs of products (including their packaging), performances or business materials;
- Parasitizing;
- Bribing;
- Defamation: one competitor provides or spreads information about another competitor's conditions, products or services which is potentially detrimental to this other competitor;
- Comparative advertising;
- Breach of company secrets;
- Danger of causing damage to consumers or environment: by production or introduction of products into the market or provision of services which are detrimental to other competitors or consumers effect with the sole purpose of gaining a benefit for himself or for another person.

¹ Act No. 513/1991 Coll.

- The Commercial Code also stipulates means of protection against the unfair competitive conduct complained of. A person whose rights have been threatened or infringed can demand the infringer: (i) to refrain from such conduct and/or (ii) to remove defective conditions (these claims can be also filed by an association of consumers). Furthermore, (iii) reasonable satisfaction (also in monetary means) can be demanded, as well as (iv) compensation of damages and (v) unjust enrichment.

II. Trade Marks and Unfair Competition

The trade mark owner has the exclusive right to the use of his trade mark with regards to products and services for which it is registered. The Czech Trade Marks Act² gives example of instances of use of the trade mark, such as its placement on products or their packaging; offer or introduction into the market or stocking of such products; offer or provision of such services; import or export of products marked with this mark; use of the trade mark on business materials and in advertising. An unregistered mark will be protected if there has been use in the course of trade which is of more than mere local significance.

According to the Trade Marks Act, the protection given to trade marks is wider than the protection of a sign under the law of unfair competition, since it is not necessary to show that the alleged infringer of the mark is a competitor of the trade mark owner.

Infringement of trade mark rights also usually constitutes unfair competition, as trade marks are used in business. Therefore the person whose rights have been infringed may claim his rights under the Trade Marks Act and also under the unfair competition rules stated in the Commercial Code.

Domain Squatting on Trademarks Based Domains

In the Czech Republic, no special legislation has been adopted to regulate this kind of conduct as it is dealt with under other branches of the law, primarily trade marks law, commercial law and civil law (personal rights). Therefore the person whose rights have been breached make his claims according to the type of the right which has been infringed. Action for infringement of a name as breach of a particular right (such as trade marks, business names, names or signs significant to their owner) may be brought simultaneously with an action for unfair competition,

The following legislation was brought into force when the .eu registration system was set up:

² Act No. 441/2003 Coll.

- Regulation (EC) No. 733/2002 of the European Parliament and of the Council of 22 April 2002 on the implementation of the .eu Top Level Domain;
- 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 principles governing registration;
- ADR Rules and ADR Supplemental Rules for alternative dispute resolution.

The European Union phased in .eu registrations in three stages stage one was mostly for public bodies, stage two was for registration of names based on other prior rights by holders of such rights (business names, trade marks). These phases were called the “Sunrise Periods” and were intended to protect legitimate holders against cyber-squatters. The Sunrise period ended on April 6, 2006 and since then we have had the third stage, of free registration. Anyone can now have any kind of domain registered if it is not identical with another existing .eu domain. If the holder of a prior right to a name did not register it as a .eu domain during the Sunrise period, the name is considered to be free for registration for anyone to apply for.

If two or more legitimate holders of the same identical name all applied for the same .eu registration, the registration will be given to whichever of them applied for it first.

If someone other than the legitimate holder has obtained a .eu registration, the legitimate owner can claim that he is entitled to the .eu registration only if he can show that the holder of the .eu registration does not have any justifiable rights to the name and the registration is speculative or abusive

Speculative or abusive registration means that the domain name is identical or confusingly similar to a name in respect of which a right is recognized or established by national and/ or Community law and the domain name:

- has been registered by its holder without rights or legitimate interest in the name; or
- has been registered or is being used in bad faith.

The regulation No. 874/2004 stipulates examples of legitimate interest and bad faith.

Regulation No. 874/2004 provided that speculative or abusive .eu registrations would be revoked by way of an alternative dispute resolution (“ADR”) as an extra-judicial procedure provided by the Czech Arbitration Court. The judicial procedure shall be performed according to the national law of the respective member state.

III. ADR Proceedings

The Czech Arbitration Court administers ADR proceedings according to ADR Rules and ADR Supplemental Rules, which stipulate all the major procedural issues with regards to ADR. The ADR proceedings are strictly formal in order to reach a decision in the shortest possible time, as the ADR Court is obliged to decide on the complaint within one month after acceptance of the complaint. The proceeding is initiated upon a complaint filed by complainant, who chooses whether the case shall be decided by single arbiter or by panel of three arbiters. The complainant is also obliged to pay the fee for the proceeding. Participants in the dispute shall present all evidence and statements for the case in one written statement (complaint and response to the complaint).

The ADR proceedings are subject to a fee. The amount of the fee for a complaint involving 1-2 domain names to be decided by a single arbiter is 1,850 Euros and 3,710 Euros if the case is to be heard by the panel of three (10% discount is granted to parties who file the complaint electronically). The ADR Court does not decide on cost recovery for the winning party, which has to make his claim for costs to the national court. As soon as the complaint is filed, the domain name will be frozen.

When the ADR Court decides in favour of revoking the domain or having it transferred to the complainant, the decision will become enforceable 30 days after its issuance. It does not become enforceable if the losing party initiates a court trial within this time period.

Although the fees for ADR procedure are quite high, the dispute is decided within 1-2 months which gives ADR a great advantage over a regular court trial. Although the ADR rules are clear and everything depends mostly on documental evidence provided by the parties to the dispute, the decision is final, without any possibility of appeal within the arbitration procedure. However, the ADR decision is subject to judicial review; the losing party can make a claim for this at the regular court.

Within the Czech legal system, it is not clear what kind of judicial review there should be. There are at least three possibilities: (i) the ADR could be an arbitration proceeding, in which case it is a special claim on an arbitration decision with only limited review possibilities; (ii) the ADR Court could be considered an administrative body, in which case the claim will be heard by the administrative courts and could be subject to full review; (iii) the ADR will be treated as a standard civil claim to be filed at a court

If, on the other hand, a national court has first issued an enforceable and final decision, the ADR court cannot hear the case. But an

ongoing judicial procedure which is not final and enforceable decision does not create an obstacle "*res iudicata*" to the ADR procedure.

IV. Case Study

We have had a recent experience in the .eu domain name squatting procedures. We decided to take both ways – i.e. the ADR proceedings and the "classical" civil court proceedings based on unfair competition. We would like to share the experience.

Here are the main facts of the case:

- an internet provider registered in the 3rd (free) period the domain of its former client, ;
- the domain was based on the name and trademark of the claimant;
- the position of the provider was: in the free period anybody can register the „EU“ domain; the claimant had not registered during the Sunrise (period, and thus the name was free for anyone to take.

We filed an unfair competition claim at the civil court as well as an ADR claim. Upon the ADR filing, the domain was automatically blocked. And within approx. 2 weeks we received an interlocutory injunction ordering the defendant not to transfer the domain. ADR then decided within 2 months that the defendant had registered the domain unlawfully and one month after the decision the domain was automatically transferred to us. The court has yet to decide.³

V. Conclusion

We believe the following conclusion can be drawn from our experience: ADR is a fast, effective and modern, but rather costly way deal with a .eu domain dispute. The ADR decision does not adjudicate on the cost recovery and the winning party has to claim these costs by way of regular court proceedings as damage recovery. On the other hand, the court is a standard way to decide disputes, but might be too slow. Since the dispute is based on the EU-law, the national courts might have some difficulties applying it.

³ That is still true in March 2007.

Round Table Prague October 2006

Here is a simplified overview comparing the advantages and disadvantages of ADR and Czech unfair competition court proceedings:

Overview of advantages/disadvantages of ADR and court proceedings (Czech Republic based situation)		
	<i>ADR</i>	<i>Court–unfair competition</i>
<i>Cost / recovery</i>	€1.990/€2.990; no cost recovery	€50; cost recovery
<i>Speed</i>	approx. 2 months	1 year (2-3 weeks for inter. junction)
<i>Blockage</i>	automatic	special request for inter. junction
<i>Result</i>	transfer	transfer – not clear; rather cancellation
<i>Final / appeal</i>	not clear (at least in Czech Rep.)	clear appeal system

Vlastislav Kusák,
Štros & Kusák, Prague
Národní 32
CZ-110 00 Praha 1
Tel: +420 222 515 073
Fax: +420 222 513 645
E-mail: vkusak@stroskusak.cz
Website: www.stroskusak.cz