

Czech Republic

Know your IP rights: protecting your business in the Czech Republic

Introduction

Since 2000, when the Czech Republic began the last stage of the process to join the European Union, every year has seen changes in the field of IP rights. However, after close to a decade of often radical legislative change, there is little IP news to report for 2009 and no major legislative changes are planned for 2010. This is good news not only for lawyers, who can finally put away their textbooks, but also – and most importantly – for those most interested in the IP regime: the companies and individuals seeking to protect their intellectual property. The Czech Republic, which has always had comprehensive IP protection, has now been brought into line with the rest of Europe. Therefore, if a company has experience with an IP regime in one EU member state, the situation in the Czech Republic is likely to be very similar.

This chapter provides an overview of the key IP rights and procedures that an enterprise may use in the Czech Republic. Since the law is never static, the chapter also mentions some changes to the law of enforcement of IP rights resulting from the recent drive to speed up litigation proceedings, so far with good results.

Domain names

Domain names are often overlooked when companies consider their IP portfolio, especially when old hands are involved in this ‘new’ field. Since there is no specific legislation dealing with domain names, lawyers are also reluctant to get involved. However, the consequences of omitting to address domain name issues early enough can be severe. It costs about \$20 to register a domain name, but the costs of recovering a domain name from a cybersquatter or competitor run into thousands of dollars and sometimes more. Smaller markets like the Czech Republic can be overlooked by international business, but when the time for expansion comes it is often too late. Today, suffering losses due to having an unsuitable or unmemorable domain is something that no company can afford.

The Czech Republic has its own country-specific domain, ‘.cz’, under which 615,000 domain names are now registered – and this figure is increasing on a daily basis. This is a significant number for a country of 10 million people. Any person may register a ‘.cz’ domain as long as registration and maintenance are carried out through a certified authorised registrar, of which there are around 30; most readily communicate in English. The cost of registration is low. Most consumers expect a respectable company not only to have a website in Czech, but also to use a ‘.cz’ domain in addition to its international ‘.com’ home website.

The not yet widely used alternative is to use the ‘.eu’ domain, which can be registered by an EU-based person or business. These domain names are the first, from a European perspective, to permit the use of diacritics in a domain name. This is important in the Czech context as the Czech language uses accents. Thus, from December 2009 it will be possible to use, for example, the letters š (for ‘sh’) or č (for ‘ch’) on the Internet. Registration of such domain names is on a ‘first come, first served’ basis, so interested parties should file new registrations as soon as possible.

The ‘.com’ domain is also commonly used in the Czech Republic. Although it is widely used, the ‘.com’ domain is likely to be replaced by more personalised domains such as ‘.intel’, and ‘.IBM’. However, the details of such domain names have not yet been finalised.

In 2009 the Czech Arbitration Court became one of the few venues where disputes over ‘.com’ and other generic domains (eg, ‘.biz’, ‘.org’) can be resolved. The Arbitration Court offers a cheaper dispute resolution mechanism than the World Intellectual Property Organisation (WIPO) Uniform Domain Name Dispute Resolution Procedure. The Arbitration Court is also the sole arbitration venue for ‘.cz’ domain names and the only dispute resolution venue for ‘.eu’ domains. Thus, the Czech Republic is slowly becoming a leading domain name dispute resolution jurisdiction.

Trademarks

Trademarks are an essential tool for companies in today's highly competitive market and often form a major part of their goodwill.

The Trademarks Act transposed the EU Trademark Regulation, which was recently redrafted to implement years of case law. There are only minor differences between the act and the regulation, and none are fundamental.

Czech trademark law recognises national trademarks, Community trademarks and international trademarks designated for the Czech Republic. National trademarks can be registered with the Czech Industrial Property Office for around \$300. International trademarks can be designated for the Czech Republic once an application is filed through WIPO or another office. Community trademarks, which are effective in all EU member states, can be registered with the Office of Harmonisation for the Internal Market (OHIM). The protection afforded to all such trademarks is identical. Unregistered trademarks may be afforded protection in some cases; however, the rule is register if you can, as enforcement is easier.

Trademarks operate on a first come, first served basis. They must not be confusingly similar to existing trademarks registered for the same or similar goods, and must be capable of distinguishing the goods of one business from the goods of a competitor. While none of the offices mentioned above requires proof of use of a trademark for the registered goods, non-use is a reason for cancellation, and in some cases a reason for not enforcing the trademark.

Enforcement of trademarks is possible through the civil courts and can be expected to take between one and three years, including appeals. Damages and injunctions are available if infringement is proved.

Patents and utility models

The area of patents and so-called 'small' patents (ie, utility models) has not yet been unified. Despite decades of efforts to bring about an EU-wide patent, with a single dispute resolution venue dealing with infringement and validity, every EU member state still has its own Patents Act. However, most EU member states are signatories to the European Patent Convention 2000, including the Czech Republic, and this determines the content of their legislation.

Thus, the Czech Republic is fully in charge when interpreting and enforcing its patent law, and can expect to remain so for some time. However, patent applicants can generally expect the local patent office to look to the European Patent Office for guidance whenever possible (the Czech Patent Office tends to be more conservative

when it comes to business and process patents), with outright disagreement being rare. Generally, the potential infringer can expect the Czech Patent Office to allow only genuine inventions to be patented. The enforcement of patents before the courts is less predictable. Despite around 4,700 patents being registered in 2008, of which about 1,300 were national patents (the rest were European patent validations), limited patent litigation takes place. The costs are high and the market is relatively small, meaning that most disputes are settled based on results reached in litigation in more important jurisdictions. Unfortunately, this means that the courts are only slowly gaining experience in this technically challenging field.

The Prague City Court deals with all patent and utility model disputes, meaning that only slow, incremental improvements in decision making can be expected in future. Thus, the registration of patents in the Czech Republic is still advisable.

Copyright

The advantage of copyright is that it is not necessary to register it anywhere and thus it is cheap. The downside of this is that the Czech Republic, under its civil law authors' rights regime, rather than the common law copyright regime, can be slow to accept protection for works that are not obviously artistic.

There are two main issues to consider. The first is that under the authors' rights approach to copyright, it is the natural person who creates the work who has the right to the work created. Therefore, a company can never be the author of a work. Only in specific circumstances – such as employment and, in some cases, commissions – can a person other than the author gain the rights to a work immediately on its creation. Therefore, it is advisable to check carefully that a proper relationship exists between the company that aims to exercise the rights and the people creating the work for it.

The second important consideration is the issue of proving rights. As there is no registration, it may be difficult to prove the time of creation of a work. Furthermore, it may be difficult to convince the court that the creation is indeed worth protecting, as a work is protected only if it is a unique creation of the creative efforts of an individual.

Thus, if parties want to be able to enforce their rights in a straightforward manner, where at all possible they should also use one of the more formal IP rights, such as trademarks (for logos and product shapes) or industrial designs (for product shapes). The enforcement of these rights is much simpler and therefore more effective in terms of time and costs. They will also be able to

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establish whether their rights are formally acceptable and need not wait until a court finds the company logo incapable of copyright protection. If no formal rights are available, companies should consider depositing their work with an independent person so that the creation of the work cannot be disputed.

Industrial designs

Industrial designs protect the look or design of a product. They do not protect useful features, unlike patents, and their protection is much narrower than that provided by trademarks – the imitation must be quite close to the original design in order for infringement to take place. To a large extent, their role has been taken over by three-dimensional trademarks; however, they remain a valid, useful and widely used option, particularly given the ease of registering such marks.

Industrial designs can take the form of either Czech national designs registered in the Czech Republic or EU-wide Community designs registered with OHIM. Unregistered Community designs that are protected without the need for registration also exist, but the enforcement of such designs is more difficult.

Unfair competition

The overarching provision of Czech law in the IP field is the prohibition of unfair competition. Any business conduct which conflicts with the good morals of competition and which can harm a competitor or a consumer is an act of unfair competition and is illegal.

Since almost anything can fall within this definition, unfair competition is a popular ‘fall-back’ argument in most IP enforcement actions. The successful party can obtain injunctions and damages, including for non-economic harm and account of profits.

In the field of intellectual property, it is therefore necessary to ensure that when copying products that are not formally protected the copy made is not an identical copy, as in such cases the courts may find the conduct to be illegal.

Trade names

Trade names are protected without the need to fulfil any formality in the country where protection is sought. While the Czech Republic generally requires that a company register in the Companies Register if it wishes to carry on business in the country, protection for trade names cannot be dependent on this.

In general, trade names can be useful tools for recovering domain names, cancelling trademarks registered in bad faith and otherwise preventing competitors from using the name of an existing foreign business.

Procedure/enforcement

There remain a number of avenues of enforcing IP rights. Rights holders can either go to the civil courts to request seizure and apply for monitoring by Customs, or file a criminal complaint. In certain cases arbitration is also available, such as in the case of domain names.

Courts

A major amendment of the Civil Procedure Code, the law that governs all court procedures in the field of IP disputes, was recently implemented. From July 2009 the aim is for all cases to be decided at the first ordered hearing. This is a breakthrough, particularly for less complex cases, where stalling techniques have largely been eliminated. Judges are reluctant to allow new matters or evidence to delay decisions unless it appears vital to the result.

The judge may order a preliminary hearing if he or she cannot decide the matter without a hearing, or may pause the proceedings due to errors in the process. Failure to attend a preliminary hearing can result in a default judgment being issued.

The courts can order preliminary injunctions (the courts tend to be plaintiff friendly), permanent injunctions and/or damages, including for lost profits, unjust enrichment and reasonable compensation for non-economic harm suffered. The damages can be ordered as a lump sum at twice the value of the royalties that would have authorised the infringing conduct.

Customs involvement

Customs, which since 2004 has had no external borders to protect, has been handed responsibility for enforcing IP rights. So far, it has been quite active in the area. Rights holders can file protective monitoring

applications for their IP rights aiming to stop counterfeit imports or goods in transit, or to request seizure of goods already on the market.

Since court judgments can be difficult to enforce (eg, non-monetary orders are enforced through the issue of fines, not seizure of the product), Customs can be a useful ally in enforcing a judgment indirectly as it has the power to seize products.

Conclusion

After years of change, the Czech Republic has carried out all the necessary legislative revisions to provide a truly comprehensive protection regime for IP rights, which is compatible with those of its neighbours and of the European Union. It is now up to the players – rights holders, lawyers and the courts and other authorities – to get to know the system and make it work more efficiently.



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