

**THE METHODOLOGY AND METHODS RELATED TO THE  
ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS AT THE  
PARTICULAR PUBLIC ADMINISTRATION AUTHORITIES OF THE  
CZECH REPUBLIC WITH COMPETENCIES IN THE ENFORCEMENT  
OF INTELLECTUAL PROPERTY RIGHTS**

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## **1. Introduction: substantive law regulation of the intellectual property rights**

The task and objective common to all the individual authorities of the public administration of the Czech Republic which take part in the enforcement of rights related to intellectual property is to assure a respect for the substantive private rights related to intellectual property which are governed by regulations of the substantive private law. These regulations lay down, or, more precisely, specify in a certain way the content of these private rights and, in particular, regulate the subject matters of these rights, the conditions of their formation, the particular prerogatives resulting from them, their duration, claims from their infringements and their eventual termination or voidance.

The core activities of the individual public administration authorities within the enforcement of intellectual property rights are above all the application of the particular substantive law regulations modifying the intellectual property rights. These regulations also represent the legal framework within which the particular authorities have to and can only operate. The basis and preconditions of legal, proper, but also effective procedure of the particular public administration authorities within the enforcement of intellectual property rights is thus in the first place the sound and proper knowledge of the particular substantive regulation of intellectual property rights; the scope of such knowledge can however differentiate between the individual authorities with respect to their different competencies and positions within the system of the public administration. Nevertheless, certain standard degree of knowledge related to the regulations of the substantive law of intellectual property is a necessary precondition of the effective functioning of any of such authorities; this degree includes knowledge of the particular substantive regulation at least to such extent which enables the possibility to recognize and adequately identify legal issues which can occur in the enforcement of the particular sorts of intellectual property rights in the practical activity of the respective authorities, in order that such authority can either delegate the matter to another competent authority or at least cooperate within its own activity with such another authority at least at the level of exchanging information, experience and knowledge of the particular substantive regulation. Already at this point it is necessary to emphasize that the appropriate substantive regulation is not limited to the laws and other regulations of the written law, but that it includes also other sources of the law including in particular the judicature of the European courts (the Court of Justice of the European Community and the Court of First Instance), which is generally respected as one of the sources of the European Community Law.

The substantive law regulation of the particular rights related to intellectual property differs considerably because of the differences in the legal, or more precisely, institutional essence of these particular sorts of rights, which is also why we consider it necessary to precede the analysis of the methodological and procedural processes of the particular public administration authorities with a brief overview of the substantive rights to intellectual property, to the application of which the activity of such authorities converge within the intellectual property rights enforcement. It is not possible without such introduction into the particular substantive regulation effective on the territory of the Czech Republic to explain and analyze convincingly even the contemporary legal state of the competencies of the particular public administration authorities in respect of the intellectual property rights enforcement, let alone to evaluate this legal and the subsequent factual state and propose means and measures for its improvement.



## **1.1. Concept and system of intellectual property rights**

### **1.1.1. Concept of intellectual property rights**

Private (subjective) rights the subject matter of which is intangible asset are denominated as intellectual property rights. These are subjective rights, which means rights pertaining to individual persons in a legal sense, i.e. to individuals or legal entities, which enable these persons to require that other particular persons or indefinite group of other persons behave in a certain manner, which typically can consist in the refraining from a certain conduct, in the tolerance of a certain conduct of an authorized person or even in the behaviour of the person including the active providing of a certain, usually monetary, performance. The content of intellectual property rights can be in the most general terms described as the classical four prerogatives of private rights - dare, facere, omittere, pati, where the sequence of the individual prerogatives in terms of their importance and frequency of their application could be in keeping with the previous sentence changed to omittere, dare, facere, pati.

As regards private rights, it is conceptually defined that the exercising of these rights, i.e. their practical asserting, is above all a matter of the disposition of the particular entitled persons – intellectual property rights holders. In principle, it is a matter of the free will of the rights holders whether they decide to assert their rights against particular third persons and in what manner. This obviously does not mean that the asserting of the individual intellectual property rights can not be in public interest; equally, it does not mean that the omission of a particular intellectual property right holder to assert or defend his right could not be related to legal sanctions for instance in a form of the losing of the right or the losing of the right enforceability.

When denoting intellectual property rights as substantive rights, we define them negatively in relation to the procedural laws that can occur also in the sphere of intellectual property rights in the course of the asserting of these substantive rights especially in the civil court proceedings and in the proceeding before the relevant administration authorities. These procedural rights result from the broader procedural law regulating of the respective kinds of the proceedings, they however should be formed and interpreted always in a way as to enable i.a. also other effective enforcement either of such a kind of substantive rights as the rights to intellectual property. If this does not apply to specific cases, it is necessary *de lege ferenda* to consider the changing of the relevant procedural law regulation. Indeed, in agreement with the European Community Law, a whole range of such specific alterations of otherwise generally effective procedural law regulations were just because of the specific character of the intellectual property rights recently made also in the Czech legal order.

#### *Absolute vs. relative rights*

Usually, intellectual property rights have the character of absolute laws, as opposed to relative laws. It means that these rights operate against all, *erga omnes*, similarly to proprietary rights to (tangible) chattel. Similarly to the owner of an substantive (tangible or intangible) chattel is entitled to require that an unrestricted and indefinite circle of third persons suffer the exercise of his rights, for instance, in the case of real property the owner can prohibit, save statutory exceptions, any person from entering such real property, also the owner of a typical intellectual property right can prevent an unrestricted and indefinite circle of third persons to

use an appropriate intangible asset, for instance a computer program or a designation protected as a trademark, again barring of statutory exceptions.

This typical feature differentiates absolute rights from the relative rights, which are effective and can be enforced always against particular individual person or persons. Relative rights are typically rights in obligation, for instance rights resulting from the relationship between a debtor and a creditor, where the creditor is entitled to require payment of a certain debt solely and exclusively from the specific debtor, not from persons other than the debtor. Rights protected under the institute of unfair competition fail to have the character of absolute rights within rights to intangible assets. These rights are not typical intellectual property rights and it can even be disputable whether these rights should be included in the intellectual property rights system, yet the enforcement of intellectual property rights in the stricter sense of the word (i.e. rights protected under the institution of unfair competition) is inherently connected precisely with the protection against unfair competition as a directly complementary legal institute related to the system of the intellectual property rights, which presents at the same time its supplement and remedies. It is also because of this fact that we include in this introductory part of the methodology a short analysis of the law of unfair competition. Substantive rights protected by means of unfair competition law are rights of relative nature existing solely in legal relationship between a competitor who violated the regulations against unfair competition, and a person or persons who suffered a loss due to such violation, whether these persons are other competitors or consumers. It is solely within the framework of this competitive relationship, i.e. relative legal relationship, that rights can be formed, be ascertained and enforced.

### *Concept of intangible asset and its features*

If the classifying of the related intellectual property rights as substantive private rights expresses the genus proximum of the above mentioned definition, the specific feature of these rights (*diferentia specifica*) is that their subject matters are intangible assets. An intangible asset can be specified as a property created by a specific intellectual content the objective expression of which can be a subject matter of social (and legal) relationships, without its exteriorization in tangible form being necessary (Prof. Knap definition, slightly adjusted). Unlike (tangible) matters in a legal sense, such as land, houses, cars, commodities, money or electrical energy, the intangible assets are marked by potential ubiquity. This means that an intangible asset can be used in principle by unlimited circle of persons acting independently of each other at the same time in different parts of an area and the realization of the economic value of such property is thus not directly dependent on the absence of physical violence performed or initiated by the property owner. Thus, while for instance a car can be used as a mean of transportation at one moment in time only by one person or by limited circle of concrete persons, which simultaneously excludes any parallel use of the same (tangible) property by other persons at the same moment in time, the intangible asset, for instance a patent on a certain technological solution, can be used at the same moment in time by an unlimited circle of persons, without the owner of the property being able to exercise any direct physical influence; for instance, it is possible to make products according to a patent in potentially indefinite number of factories in different places all over the Czech Republic or the world.

This feature, the so-called ubiquity, is the most characteristic common feature of all intangible assets. It is also a feature which probably contributes the most to the difficulties in the course

of the practical enforcements of these rights observance and from which the necessity results for specific legal remedies and methodologies for their protection. Whilst the ensuring of the observance the proprietary rights related to tangible assets including the controllable elements can be compared to fighting a dragon with one head the cutting off of which means that the observance of a proprietary right to a tangible asset is finally ensured in one specific case (for instance, a stolen car has been detected and secured by police and consequently handed over to its owner, illegally occupied real property has been vacated etc.), the enforcement of intellectual property rights can be compared to fighting a dragon with indefinite number of heads. The securing, seizure or destruction of one particular supply, no matter how huge, of products infringing intellectual property rights does not provide certainty that the breach of the rights related to a particular subject matter of intellectual property has been at the given moment finally prevented, as it is impossible rule out a possibility that another supply of the same goods can be found, is sold or offered to sell, promoted or subject to other business transactions in another part of the market.

Characteristic features of intangible assets other than potential ubiquity, which are often perceived by both lay and professional public characteristic as the very features of intangible assets, or rather, intellectual property rights, need not necessarily describe the common nature of all intangible assets which can be subject matters to intellectual property rights. Nevertheless, it is instructive to note also these other features. Typically, the subject matters of intellectual property (intangible assets) are the products of human thinking, or, more precisely, products of human creative intellectual activity. This obviously applies only to creative intellectual property rights, such as copyrights, inventions, utility models etc., not to rights to designations. Subject matters of these rights are not necessarily the products of human intellectual activity, even though these are always a part of cultural creations of humankind in the most general sense of the word. This is typical of, for instance, the appellations of origins, i.e. geographical indications of certain places or areas, where it is not known whether these were created by the intellectual activity of a specific individual (usually, it is not the case). A whole range of intangible assets can be in its character solely the result of an individual creative activity of a particular (physical) person, even this, nevertheless, does not apply without exceptions. Besides designation rights, where the subject matter of the right can become a designation objectively existing for centuries or even millennia which fail to have a specific author, a typical example of such intangible rights of non-individual character is the right to invention. Invention is the objectively existing solution of a certain technological issue that is unambiguously determined by the empirically recognizable structure of the outer world where we live. Although a creation of an invention requires usually high creative effort of an individual, it is not possible to exclude in respect of the objective existing rights of empiric nature, the presumption of which existence is the condition of a possibility to invent, that two different persons can come to the same solution of an technical issue independently of each other, which also has happened in the past many times, even in connection with very famous inventions. The opposite of this is the copyright, which in our traditional continental conception assumes an essential contribution of an inimitable personality of the author to the creation of a particular work. So far, no cases are known when two different persons would independently of each other create for instance an entirely identical poem, even when in the process of a certain trivialization of author's works, situations like this become for, for instance, cases of some music works gradually more probable.

An intangible asset thus always means a certain intellectual content. However, its specific design as well as the extent of its connection with a specific human person is very different.

The intellectual, intangible character of the intangible asset expresses itself most typically, rather than in the process of its forming, in the course of the use of such asset in the economic and other social life.

### **1.1.2. Classification of intellectual property rights, classificatory criteria**

Among intellectual property rights, the following are typically included: copyright, rights related to copyright, patents on inventions and utility models, trademarks, industrial designs, topographies of semiconductor products, appellations of origin and geographical designations and, with certain reservations, also rights to a trade name. In addition, also rights protected within the protection against unfair competition can be included.

The development of the particular above mentioned legal institutes proceeded usually individually, i.e. without the processes of the forming the individual institutes directly interacting and without the process being compact, let alone intentional. The concept of intellectual property rights, respectively rights to intangible assets, is the result of theoretical abstracting and generalization of the common features of legal institutes which originally evolved entirely independently. As a result, the legal regulation of the particular sorts of intellectual property rights differs considerably, especially on substantive law level.

The systematization of the particular sorts of intellectual property rights, formation of theories and classifications is a task of the jurisprudence and theory. From the practical point of view, this classification is important in cases where the same legal rules are to be applied *de lege lata* and in particular *de lege ferenda* to different sorts of intellectual property rights, or where the object of the more or less unified procedures of the individual relevant public administration authorities is to be, as in this methodology, the protection of intellectual property rights of all kinds. In all these cases, it is necessary to take into account the different character of the particular kinds intellectual property rights, as it is evident from different classificatory criteria and attempts at classification.

Therefore, let's remind the most elementary sorts of intellectual property rights classifications:

First, intellectual property rights can be divided into

rights to the results of a creative activity,  
rights to the performance of non-creative character,  
rights to designations.

The rights related to the results of a creative activity are rights to inventions, which means to a creative activity aimed at the discovering of something objectively existing in the outer world, but is so far unknown, i.e. something which was not described in a manner generally communicable and empirically examinable. The presently effective law does not define rights to discoveries as such, it is for instance impossible to gain a patent protection to a mere idea, process, mathematical formula, scientific method, newly discovered physical law etc. The second subgroup comprises the results of a creative activity based on the solution of a certain objectively existing issue. Also in this case the result of this solution is objectively defined by the principles of the outer empirically graspable and verifiable world; consequently, the result of a creative activity is not individual, it is only the process leading to the achieving of such

result which is individual and creative. A right to invention and to a utility model can be typically ranked under this category. The third subgroup of the results of a creative activity consists of such results where directly the results of the activity are of individual and creative character. This category includes copyright and the rights to performances of performers.

Rights related to non-creative character include in particular rights related to copyright, such as the right of an audio and audiovisual records producers, the right of radio and television broadcasters to their broadcasting, the right of a publisher to a work still unpublished etc. In these cases, the subject matter of the protection is not the creative act of a human being as such but a certain, in its essence, business activity, which includes organizational, financial and technical aspects, the result of which cannot be recorded in a certain in terms of quantity limitable material substrate.

The third elementary group of rights to designations is formed by a right to a trademark, a right to the appellation of origin, a right to a geographical designation and the right to a trade name.

Beyond this elementary division, there are rights protected by the means of protection against unfair competition, which due to their relative character (see above) differ essentially from the other sorts of intellectual property rights.

Another, in everyday practice very widespread way to divide the intellectual property rights is the division into intellectual property rights as such and industrial rights, or more precisely industrial property rights as their subcategory. This classification is of practical character and lacks deeper theoretical base, it is nevertheless very important. Included among industrial rights are patent rights, utility model rights, industrial design rights, trademark rights, rights to topographies of semiconductor products, as well as rights to indications of origin and rights to geographical designations. The feature common to all these rights is their being subject to registration at a relevant state authority, in the given case at the Industrial Property Office. It is only after the registration of the particular right and on performing variously legally regulated registration proceedings that the particular right is formed. Typical intellectual property rights which are not included among industrial rights are copyright and rights related to copyright. These rights, besides being regulated by the Copyright Act (Act No. 121/2000 Coll., Copyright Act, as amended), have in common in the system of Czech legal order that they are not subject to registration; their formation and duration thus do not require any registration or other authoritative act of a public administration authority. Apart from this classification system stands the right to a trade name, which in spite of being formed by the registration in the Commercial it is not usually included in industrial rights, as the record of the registration in a relevant public register is not made by the Industrial Property Office but by registration courts.

Finally, it is necessary to specify the concept of intellectual property rights in relation to the concept of rights to intangible assets. These concepts are essentially equivalent, although their theoretical and methodological roots are different. The concept of rights to intangible assets is in terms of theory the more correct and pointed one, which specifies the entire category of rights whose subject matters are intangible assets as defined above. The concept of rights to intellectual property is an equivalent (in essential the literal translation) of somewhat inaccurate English term intellectual property rights. When working with the concept of intellectual property rights, there is no difference between the right as such and subject matter

of such right, i.e. between the intellectual property right and the intangible asset which is its subject matter. As if the right itself became the subject of the property, which in the classical continental legal terminology can appear as a contradiction (the subject matter of a property right cannot be a property right). Theoretically inappropriate and incorrect can be also considered the concept of an intellectual property right owner; this is fact a person entitled from a certain tangible right (a holder of such right), the subject matter of which is a certain intangible asset, for instance a certain denomination, invention or author's work. Nevertheless, as the term "right owner" is widely used in the context of intellectual property rights, we will not avoid the use of this metonymic expression, on condition it does not prejudice the comprehensibility and correctness of the imparted information.

### **1.1.3. Economic value of intellectual property rights**

The intangible assets have played a key role in the economic and cultural development of humankind since time immemorial; in fact, the ability to create and share specific intellectual contents is one of the features, if not the only feature, that from the anthropological point of view distinguishes a human being from other animals.

Nevertheless, the direct significance of intangible assets for the economic life and the development of human society varied throughout different civilizations and different historical periods, depending of the varied legal regulation.

The active and intentional creation of legal institutes protecting intangible assets by legislative or other means with regard to their contribution to the economic life progress is the result of social development in the last several centuries within the social and economic order which is characterized by the effects of free market powers and by free accumulation and use of capital.

While the medieval institutional prototype of rights to intangible assets were private monopolies, granted in the individual areas of economic life by rulers, which could support but simultaneously restrict and in a certain way regulate the development of production, trade and services, the modern attitude to the subjects of intellectual property rights in terms of their usefulness for the economic development is based on the idea that a certain time-limited monopoly to a particular intellectual content can motivate the individual players on the free market to create and share these intellectual contents to the greatest advantage of the whole society, which would not otherwise occur or would occur in a limited scope. Typical example of the implementation of this central idea is patents on inventions. The right to an invention resulting from an invention patent grants a monopoly to the patent owner to use a certain technical solution for a definite limited time period (presently 20 years) in exchange for the obligation to publish the given technical solution, thus making it accessible for an unlimited circle of public which can take up the results of the inventive activity of one person and elaborate on them in further inventions, which appears to be useful for the economic development in general as well as for the welfare of the society. With certain modifications, this idea applies also to author's works.

The basic purpose of the legal regulation of rights to denominations is different. In this case, in contrast to other intellectual property rights, it is possible to gain monopoly for the use of a certain denomination for an unlimited period of time in the future, which applies even to denominations which the right holder neither created himself nor where he is the legal

successor of their creator. The intention of such legal regulation is to grant the competitors in the market exclusive rights to particular denominations thus making it possible to discern among the denominations of products and services of different competitors, so that through these denominations, the consumers and other customers of the individual competitors could easily orientate in the market and choose products and services of those competitors whose characteristics they prefer. Therefore, the principal interest is the interest in the transparency of the free market and in the ensuring of transparent and clear economic competition where the particular competitors compete by the quality and price of their products and services and where the products and services of different competitors are not mistaken for each other.

The economic value and importance of the intellectual property rights has increased rapidly in the past decades and this trend persists. This development can be related to the general progress of the society and economy in the second half of the 20<sup>th</sup> century from industrial society to society post-industrial, where the human ideas and values as such created by human beings became the primary and most valuable subject of exchange, while the value of tangible things decreased owing to the gradual decrease in production costs. If the typical features of the economic development of humankind in the past several decades can be generalized, it seems that one of the objectively definable characteristics of the contemporary development is the fact that the countries most developed from the economic point of view are distinguished by the highest number of intangible assets which became articles of trade and are used within economic activity as well as by the highest degree of legal protection of these intangible assets, including the enforcement of such rights. Therefore, it appears that there is a possible relation between prosperity and the degree of the legal protection of intellectual property rights. This is also why increasing attention is paid to the enforcement of intellectual property rights and why also those authorities of public administration nature are involved in the process of intellectual property rights enforcement whose task is not the protection of subjective rights of individuals but the protections of certain kinds of public interest concretely defined by law.

#### **1.1.4. Sources of intellectual property rights**

The most important sources related to the intellectual property rights in the Czech legal order include the following legal regulations:

- Act No. 120/2001 Coll., on Copyright and Rights Related to Copyright and on the Amendments to Certain Acts (Copyright Act), as amended by Act No. 81/2005, Coll., Act No. 61/2006 Coll., Act No. 216/2006 Coll. and Act No. 186/2006 Coll.;
- Law No. 527/1990 Coll., on Inventions and Rationalisation Proposals, as amended by Act No. 519/1991 Coll., Act No. 16/2000 Coll., Act No. 207/2000 Coll., Act No. 173/2002 Coll., Act No. 59/2005 Coll., Act No. 501/2004 Coll., Act No. 413/2005 Coll. and Act No. 221/2006 Coll.;
- Act No. 478/1992 Coll., on Utility Models, as amended by Act No. 116/2000 Coll., Act No. 501/2004 Coll. and Act No. 221/2006 Coll.;
- Law No. 441/2003 Coll., on Trademarks and on Amendments to Act No. 6/2002 on Judgements, Judges, Assessors and State Judgement Administration and on Amendments to Some Other Acts (Act on Courts and Judges), as amended by Act No. 501/2004 Coll., and Act No. 221/2006 Coll.;
- Act No. 207/2000 on the Protection of Industrial Designs and the amendments to Act No. 527/1990 Coll., on Inventions, Industrial Designs and Rationalization Proposals,

- as amended by Act No. 474/2004 Coll., Act No. 59/2005 Coll., Act No. 501/2004 Coll. and Act No. 221/2006 Coll.;
- Act No. 529/1991 Coll., on the Protection of Topographies of Semiconductor Products, as amended by Act No. 116/2000 Coll., Act No. 501/2004 Coll. and Act No. 221/2006 Coll.;
  - Act No. 452/2001 Coll., on the Protection of Appellations of Origin and Geographical Designations and on the Amendment to the Act on Consumer Protection, as amended by Act No. 131/2003 Coll., Act No. 501/2004 Coll. and Act No. 221/2006 Coll.;
  - Act No. 513/1991 Coll., Commercial Code, as amended by Act No. 600/1992 Coll., Act No. 264/1992 Coll., Act No. 529/1992 Coll., Act No. 286/1993 Coll., Act No. 156/1994 Coll., Act No. 84/1995 Coll., Act No. 142/1996 Act No. 94/1996 Coll., Act No. 77/1997 Coll., Act No. 15/1998 Coll., Act No. 165/1998 Coll., Act No. 356/1999 Coll., Act No. 27/2000 Coll., Act No. 105/2000 Coll., Act No. 29/2000 Coll., Act No. 370/2000 Coll., Act No. 30/2000 Coll., Act No. 367/2000 Coll., Act No. 372/2000 Coll., Act No. 120/2001 Coll., Act No. 239/2001 Coll., Act No. 501/2001 Coll., Act No. 353/2001 Coll., Act No. 15/2002 Coll., Act No. 126/2002 Coll., Act No. 308/2002 Coll., Act No. 125/2002 Coll., Act No. 151/2002 Coll., Act No. 312/2002 Coll., Act No. 476/2002 Coll., Act No. 87/2003 Coll., Act No. 88/2003 Coll., Act No. 437/2003 Coll., Act No. 85/2004 Coll., Act No. 257/2004 Coll., Act No. 360/2004 Coll., Act No. 484/2004 Coll., Act No. 499/2004 Coll., Act No. 554/2004 Coll., Act No. 179/2005 Coll., Act No. 216/2005 Coll., Act No. 377/2005 Coll., Act No. 413/2005 Coll., Act No. 56/2006 Coll., Act No. 79/2006 Coll., Act No. 81/2006 Coll., Act No. 57/2006 Coll. and Act No. 308/2006;
  - Act No. 221/2006 Coll., o the Enforcement of Industrial Property Rights and on the Amendment of Industrial Property Protection (Act on Industrial Property Rights Enforcement);
  - Act No. 206/2000 Coll., On the Protection of Biological Inventions and on the Amendment To Act No. 132/1989 Coll., on the Protection of Rights to New Plant and Animal Varieties, as amended by Act No. 93/1996 Coll.;
  - Act No. 191/1999 Coll., on Measures Relating to Import, Export and Re-Export of Goods Violating some Intellectual Property Rights and on Amendments to Certain Other Acts as amended by Act No. 121/2000 Coll., Act No. 260/2002 Coll. and Act No. 255/2004 Coll.;
  - Act No. č. 14/1993 Coll., on Measures of Industrial Property Protection, as amended by Act No. 417/2004 Coll.;
  - Act No. 173/2002 Coll., on Fees for Maintenance of Patents and Supplementary Protection Certificates for Pharmaceuticals and Plant Protection Products and on the Amendment of Certain Acts, as amended by Act No. 377/2005 Coll.;
  - Act No. 417/2004 Coll., on Patent Attorneys and on the Amendment of the Act on Measures of Industrial Property Protection;
  - Act No. 85/1996 Coll., on Advocacy, as amended by Act No. 210/1999 Coll., Act No. 120/2001 Coll., Act No. 6/2002 Coll., Act No. 228/2002 Coll., the Decision of the Constitutional Court published under no. 349/2002 Coll., Act No. 192/2003 Coll., Act No. 237/2004 Coll., Act No. 284/2004 Coll., Act No. 555/2004 Coll., Act No. 205/2005 Coll. and Act No. 79/2006 Coll.;
  - Decree No. 550/1990 Coll., on the Proceedings in Matters of Inventions and Industrial Designs, as amended by Decree No. 21/2002 Coll.;
  - Decree No. 97/2004 Coll., on the Implementation of the Act on Trademarks;
  - Act No. 634/2004 Coll., on Administration Fees, as amended by Act No. 217/2005 Coll., Act No. 228/2005 Coll., Act No.357/2005 Coll., Act No. 361/2005 Coll., Act



No. 444/2005 Coll., Act No. 553/2005 Coll., Act No. 545/2005 Coll., Act No. 48/2006 Coll., Act No. 56/2006 Coll., Act No.57/2006 Coll., Act No. 130/2006 Coll., Act No. 161/2006 Coll., Act No. 215/2006 Coll., Act No. 235/2006 Coll., Act No. 227/2006 Coll., Act No. 138/2006 Coll., Act No. 136/2006 Coll., Act No. 81/2006 Coll., Act No.109/2006 Coll., Act No. 112/2006 Coll., Act No. 186/2006 Coll., Act No. 226/2006 Coll., Act No. 312/2006 Coll. and Act No. 179/2006 Coll.

The basic legal regulation of European Community Law:

- Council Directive of 14 May 1991 on the legal protection of computer programs (91/250/EEC);
- Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property;
- Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission;
- Council Directive 93/98/EEC of 29 October 1993 harmonizing the term of protection of copyright and certain related rights;
- Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases;
- Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of conditional access services and public conditional access services;
- Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society;
- Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right to the benefit of the author of an original work of art;
- Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions;
- Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products;
- First Directive 27/54/EEC of the Council, of 21 December 1988, to approximate the laws of the member states relating to trade marks (89/104/EEC)
- Directive of the Council of 16 December 1986 on the legal protection of the topographies of semiconductor products;
- Regulation (EC) 40/94 of 20 December 1993 on the Community trade mark;
- Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Council Regulation (EC) No 40/94 on the Community trade mark;
- Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products;
- Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of (industrial) designs;
- Council Regulation (EC) No 1383/2003 concerning customs actions against goods suspected from infringing intellectual property rights and the measures to be taken against goods found to have infringed such rights;
- Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights;

- 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;
- Regulation (EC) No 7733/2002 of the European Parliament and of the Council of 22 April 2002 concerning the implementation of the .eu Top Level Domain;
- Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters;
- Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs;
- Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs;
- Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products;
- Council Regulation (EC) No 816/2006 of 17 May 2006 on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems.

The most significant international treaties in the field of intellectual property binding for the Czech Republic:

- Convention Establishing the World Intellectual Property Organization, signed at Stockholm on July 14, 1967, as amended on October 2, 1979 (Decree No. 69/1975 Coll., as amended by Decree No. 80/1985 Coll.);
- Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, completed in Paris on May 4, 1896, revised in Berlin on November 13, 1908, completed in Berne on March 20, 1914, and revised in Rome on June 2, 1928, in Brussels on June 26, 1938, in Stockholm on July 14, 1967 and in Paris on July 24, 1971 (as amended by the Decision of the Union Assembly on September 28, 1979) (Notice No. 133/1980 Coll.) (Decree of the Minister of Foreign Affairs No. 133/1980 Coll.);
- Universal Copyright Convention of 6 September 1952, signed in Geneva, as revised in Paris on 24 July 1971 (Decree of the Minister of Foreign Affairs No. 134/1980 Coll.);
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 26 October 1961 (Decree of the Ministry of Foreign Affairs No. 192/1964 Coll., as amended by correction No. 157/1965 Coll.);
- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms signed in Geneva on 29. October 1971 (declared by Decree No. 32/1985 Coll.);
- World Intellectual Property Organization Copyright Treaty, Geneva 1996 (Notification of the Minister of Foreign Affairs No. 33/2002 Coll.);
- WIPO Performers and Phonograms Treaty Geneva 1996 (Notification of the Minister of Foreign Affairs No. 48/2002 Coll.);
- Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967 (Decree No. 64/1975 Coll., as amended by Decree No. 81/1985 Coll.);
- Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of April 14, 1891, revised at Washington on June 2, 1911, at The Hague on

November 6, 1925, at London on June 2, 1934, and at Lisbon on October 31, 1958 (Decree No. 64/1963 Coll.)

- Madrid Agreement Concerning the International Registration of Factory or Trade Marks of April 14, 1891, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967, and as amended on September 28, 1979 (Decree No. 75/1975 Coll., as amended by 78/1985 Coll.);
- Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks adopted at Madrid on June 27, 1989 (Decree No. 248/1996 Coll.);
- Trademark Law Treaty (TLT) adopted in Geneva on October 27, 1994 (Notification No. 199/1996 Coll.);
- Patent Cooperation Treaty (PCT) adopted in Washington on June 19, 1970, amended on September 28, 1979, on February 3, 1984 and on October 3, 2001 (Notification No. 296/1991 Coll., as amended);
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of October 31, 1958, as revised at Stockholm on July 14, 1967, amended on September 28, 1979 (Decree No. 77/1975 Coll., as amended by Decree No. 79/1985 Coll.);
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of June 15, 1957, revised at Stockholm on July 14, 1967 and in Geneva on May 13, 1977, as amended on October 2, 1979 (Decree No. 118/1979 Coll., as amended by decree No. 77/1985 Coll.);
- Budapest Treaty on the International Recognition of the Deposit of Microorganism for the Purposes of Patent Procedure adopted at the Budapest Diplomatic Conference on April 28, 1979, and amended in 1080 (Decree No. 212/1989 Coll.);
- Strasbourg Agreement Concerning the International Patent Classification of March 24, 1971, as amended on September 28, 1979 (Decree No. 110/1979, as amended by Decree No. 86/1985 Coll.);
- Locarno Agreement Establishing an International Classification for Industrial designs and Models, signed at Locarno on October 8, 1968, as amended on September 28, 1979 (Decree No. 28/1981 Coll., as amended by Decree No. 85/1985 Coll.);
- European Patent Convention adopted in Munich on October 5, 1973 (Notification of the Ministry of Foreign Affairs No. 69/2002 Coll.);
- Agreement on Trade-Related Aspects of Intellectual Property Rights (Collection of Laws No. 191/1995 Coll.);

## **1.2. Copyright**

### *Concept of (author's) work*

Copyright is one of creative intellectual property rights. The characteristics of copyright in its continental interpretation as reflected in Czech legislation is the individual character of the intangible asset as the unique expression of the author's personality (author's work). This intangible asset (author's work) is subject to copyright protection. What is unique is the directly and objectively perceivable result of the author's creative activity, not only the way to its accomplishment. Under the conditions of Czech legal order, typical of the copyright is also the emphasis on the protection of the personal compound of this right, the personal copyright.

Neither author's works nor copyrights related to them are not subject to registration and their legal protection is formed informally at the moment when a work has been expressed in any objectively perceivable form.

Presently, copyright is regulated in the framework of Czech legal order by Act No. 121/2000 Coll., on Copyright and Rights Related to Copyright and the Amendment to Certain Acts, as amended (Copyright Act).

### **1.2.1. Subject of protection**

The subject of the copyright protection is author's works. An author's work, or only a "work", is defined by the law as a literary work or other work of art or a work of science which is unique result of the activity of a creative author and which is expressed in any objectively noticeable form including electronic form, either permanently or temporarily, regardless of its content, purpose or meaning.

It is necessary to stress that this definition covers also the unique result of the author's creative activity as such, which is of intangible character. It is necessary to discern an author's work as an intangible asset from the tangible substrate in which the work is expressed, such as painting canvas, manuscript or electronic information media. The tangible substrate of the work is in legal sense a thing, to which, with slight modification, the private-law regime of the proprietary law and proprietary right transfer applies.

In order that a specific intellectual content could be qualified as the author's work, the following four conditions must be met:

- it is a literary work or the other work of art or a work of science;
- the work is of a unique character (is inseparably connected with the creative potential of its creator, could not be created in any other way than by the individual author-creator);
- the work is the result of an author's creative activity (it is not a result of a simple routine or even mechanical manual activity, but only of such intellectual activity which reflects the creative personality of the author as a specific characteristics pertaining to an individual person, which can not be transferred without further modification to another person or taught to another person);

- the work is expressed in objectively noticeable form (it is therefore not sufficient when the author has a certain idea or even when has already created the whole work, but only in his mind; the work must be expressed by means of expression which are empirically noticeable by other people, thus enabling at least potentially social use of the work).

The conceptual features of the author's work are objectively assessed. Therefore, a certain intellectual content either is or is not the author's work depending on whether it fulfils all the above mentioned features. The protection by copyright is thus not possible to e.g. extend contractually to the intellectual content which fails to comply with the above mentioned conceptual features of an author's work. On the other hand, it is not possible to contractually exclude or limit the copyright protection of an intellectual content which fulfils the above mentioned features of an author's work.

### *Forms and sorts of works*

In relation to a specific creative interpretation and, at the same time, to objectively defined possibility of the social use of a work, the Copyright Act discerns three forms of author's work, which are the literature works, other works of art and works of science. The presently effective legislation interprets a literary work as a subcategory of works of art. Works of science form a separate category. It is important that every author's work can qualify either as a work of literature or as another work of art (for instance visual or musical), or as a work of science, otherwise it is not author's work.

From these forms of author's works, the individual sorts of works should be discerned. These sorts of works are defined by the law only demonstratively, not in a comprehensive manner. Works are especially literary works expressed through language or in script, musical works, dramatic works, dramatico-musical works, choreographic and pantomimic works, photographic works and works expressed through methods similar to photography, audiovisual works such as works of cinematography, works of fine arts such as paintings, graphics and sculptures, works of architecture including urban works, works of applied art and works of cartography.

### *Computer programs*

Also computer programs are protected by means of copyright as works, on condition that they are original in the sense of being the author's own intellectual creation. At this stage, it is necessary to remind that computer programs are not eligible to become a subject of patent protection or of a protection by another industrial right. The patentability of computer programs patent is explicitly excluded by the provisions of section 3 paragraph 2 letter c) of Act No. 527/1990 Coll., on Inventions and Rationalisation Proposals, as amended, as well as by Article 52 paragraph 2 letter c) of European Patent Convention. Computer program can be a subject of copyright protection primarily on condition that it conforms to the above mentioned conceptual features of the author's work. However, as concerns computer programs, the law extends the protection also for such computer programs which fail to comply with the features of an author's work, thus creating a fiction that also such computer programs are author's works. It is therefore not necessary that a computer program meets the

requirement of uniqueness in relation to copyright; however, it must always be the author's own intellectual creation (even if not unique).

### *Databases and photographic works*

Similar, not so strict criteria for qualification of a certain intellectual content as a work in the sense of the Copyright Act apply to databases and works of photography. Even these two sorts of works need not necessarily be unique results of the creative activity of the author - it is sufficient that they are original works, i.e. author's own intellectual works. As concerns databases, the creative asset of an author can consist either in the way of choice or in the arrangement of the database content. In relation to this, the necessity should be stress to discern the copyright to a database from the right of the database producer to the database produced by the producer. The right last mentioned is a sui generis right regulated separately by the provision of section 88 and following of the Copyright Act.

### *Protection of parts of works, work titles and names of persons*

Copyright can protect a finished work as well as the particular stages and parts of such work, including its title and names of its characters, on condition that they comply to the above mentioned conceptual features of the author's work or possibly to the above mentioned modifications in relation to computer programs, databases and works of photography. The precondition of the protection related to the unfinished works is thus above all the fact that these parts of the works are expressed in a form objectively perceivable, for instance in the form of rough drawings on paper, stored in computer memory or similar.

### *Adaptations of works of other authors*

Subject-matter of copyright is also works formed through a creative adaptation of another work. These can be in particular translations of works into other languages, literary works musicalizations, variations on a particular musical work, creative adaptation of a theme of a literary work which is a work in itself is etc. Both the adaptation of a work and the adapted work which was the subject of the adaptation are segregated author's works, each of which enjoys as the author's unlimited legal protection. The author's consent is necessary for the adaptation of a work. Nevertheless, the adaptation of another work is protected as the author's work regardless of whether such consent has been granted, on condition that it complies to the above mentioned conceptual features of the author's work including the requirement of uniqueness. Therefore, the subject of protection as an author's work is not every translation, but only such translations which is the result of unique creative activity of its author. Besides machine translations, also routine, mechanical translations of simple texts fail to comply with this criterion.

### *Collective volumes*

Collective volumes, such as magazines, encyclopaedias, anthologies, expositions or other databases are protected by law as collective works on condition that they are in respect of choice or the arrangement of the content the unique result of their author's creative activity.

Copyright to a collective work is independent of copyrights to the individual works included in the collection.

### *What is not a work*

Besides the positive definition of what constitutes an author's work, the law gives examples of what is not an author's work. An author's work is not in particular a theme of a work in itself (a bare theme in contrast with a creative topic, see above), daily news or other information as such, an idea, process, principle, method, discovery, scientific theory, math or similar formula and static graph or object similar to this as such.

### *Exceptions from protection*

The Act further defines certain exceptions from copyright protection which are in public interest. In this case, the Act makes impossible the formation of copyright protection in relation to intellectual contents which otherwise would or could fulfil the conceptual features of an author's work. The exceptions from copyright protection in this sense apply to so-called official works and creations of traditional folk architecture where the real name of the author is unknown and where the work is not anonymous or pseudoanonymous. Official works include above all legal regulations, decisions, public deeds, public registers, collections of documents, official proposal of official works, preparatory official documentation including official translations of such works, parliamentary and senate publications, local memorial books, local chronicles, national emblem and the emblems of municipal authorities as well as other works the exclusion of which from the protection is in public interest.

### *Authorship*

As the Act defines the author's work as a unique result of the author's creative work, it is then obvious that the author can be only an individual who created such work. This applies to all forms and sorts of works including computer programs, works of photography, databases and collective works. Czech legislation does not allow for the formation of copyright owned by legal entity nor makes it possible to transfer copyright as such to legal entity. Thus in the conditions of Czech legal order it is not possible for a legal entity to be an author and to own copyright such as; however, a legal entity can under special circumstances exercise proprietary rights to certain works.

Copyright defines the statutory presumption of authorship. Under this presumption, such individual is considered as the author whose real name was stated in the usual manner on the work or at the work in the registry of subjects of protection administrated the appropriate collective administrator. This presumption is refutable, which means it can be disproved, i.e. that it could be proved that the author of the work in question is another person. The statutory presumption of the authorship applies also where the author is identified by his pseudonym, on condition that the pseudonym does not raise doubts as to the author's identity.

### *Co-authorship*

If a certain work has been created through a creative activity of two or more authors, it is a work of co-authors; copyrights to such work belong to all the co-authors jointly and severally. What is decisive for the evaluation whether the work is a single one is whether or not it is possible to use the results of the creative activities of the individual co-authors separately. When such results can not be used separately, the work is a work of co-authors. Works of co-authors can exist only in relation to a single branch of author's activity, for instance to a literary work, work of science, work of fine art etc. It is not possible to combine the kinds of authorship, for instance, a work of co-authors can not be a song as a combination of musical and literary work – in this case the copyright belongs separately to each of these works (i.e. to the text and music). The prerequisite of the formation of co-authors' right is for all the co-authors to participate in the creation of the work by their creative activity until the work is finished. Therefore, a co-author is not for instance a person who participated only by providing assistance, giving advice of technical, administrative or expert nature, by providing documentation or technical material and similar.

Co-authors decide about the use of the co-author's work unanimously; to dispose of such work it is therefore necessary to have consent of each of its co-authors. When one of the authors prevents the disposal of the work without a serious reason, the other co-authors can appeal to a court and claim for the substitution of such lack of will by a court decision. However, the authors can assert the copyright protection of the co-authors' work on the rights breach or endangerment also individually.

### **1.2.2. Conditions of protection**

As mentioned above, the author's work protection is formed informally, without the necessity to record or to apply for the protection of the work or copyright to such work at any public or other institution. Any possible record of a work, entering a work in a list, recording at a (private) institution or other form of "registration" fails to have any direct legal effects. These methods can have some value only as evidence in disputes on whether copyright was formed to a certain work and/or whether the copyrights related to a specific work belong to a certain person or persons. There is no limitation or prescription as to by what kind of evidence a copyright to a specific work can be demonstrated, even in the proceedings before courts or administrative bodies. Any evidence thus has to be accepted as a proof of the existence of copyright which allows to ascertain the facts of the matter including to results of witness examinations, expert opinions, reports and opinions of authorities, individuals and legal entities, notarial and executor records and other certificates, as well as inspections and examinations of the participants in the proceeding.

Copyright related to a work originates at the moment when the work is expressed in whatever objectively perceivable form, for instance when a work of literature is recorded in writing on paper, on electronic information media, when a work of fine art is painted on canvas etc. What is decisive is the objectiveness of the perceptibility; it is not necessary that the form of expression is understandable and perceptible for a certain concrete person or a group of persons, but it is sufficient when such form can be perceived at least by a limited group of persons (for instance Braille, a dead language, an artificial language, a code etc.)

For copyright tomaton it is irrelevant whether work is marked by the name of the subject of copyright and the © symbol. This so-called copyright exception is relevant only for the ensuring of the copyright protection in the countries which are member states of the Universal



Copyright Convention on which under their national legislation demand the fulfilment of various formal requisites as conditions for the formation of copyright protection (such as registration or similar). As mentioned above, the Czech Republic does not require any formal requisites for copyright protection (even when it is a member of the Universal Copyright Convention).

Copyright is independent of the material substrate in which the work is expressed. Therefore, copyright does not expire with the destruction of such material substrate, such as the original manuscript of a literary work etc. The authorization to exercise a right to use a work is not automatically transferred or formed by the acquiring of property or other right to the material substrate of a work. By contrast, the property or other tangible rights to the material substrate in which the work is expressed remains unprejudiced by the granting of authorization to exercise the right to use a work.

Important exception from these principles applies to architectural works. The owner or another user of a building which is an expression of architectural work is entitled to perform without the author's permission suitable changes of such work in the necessary scope when maintaining the value of the work. Nevertheless the person intending to perform such change is obliged to inform the author of the architectural work about this intention and to provide the author with the documentation of the construction including illustrations presenting the condition before the commencing of construction changes.

### **1.2.3. Rights**

The effective Copyright Act is based on a concept of duality of personal (moral) and proprietary copyrights (the dualist theory). The opposite of the dualist theory is a monist theory based on the unified content of copyright. The previously effective Act No. 35/1965 Coll., on Literary, Scientific and Artistic Works (Copyright Act) was based on a somewhat reduced version of the monist theory. The presently effective act is based on a reduced version of dualist theory (quasidualist conception). The quasidualist conception means that also proprietary copyrights result in theory from personal-right fact of a work creation and those personal copyrights, on the other hand, include a certain proprietary element.

#### **1.2.3.1. Personal copyrights**

Personal copyrights are:

- a right to decide about the work 's publishing;
- the right to assume the authorship, including a right to decide whether and in what manner the authorship shall be stated when publishing the work;
- the right of an author to his work inviolability

Only the author, i.e. an individual who created a work through his creative activity is authorized to decide whether the work shall be published. The publishing of a work is defined by the Act as the first authorized public interpretation, presentation, performance, exposition, publication or other making available to the public. Personal copyrights further include a right to author's denomination, i.e. the author of an author to decide on whether the work will be on publication marked by the author's name. The right to assume the authorship further includes

the entitlement to prevent other persons different from the author to assume the authorship of the work.

The right to inviolability of a work is under the Act specified by demonstrative list of the individual authorities. This right includes especially the authorization to give permission to whatever change or other intervention into the work, as well as, when such work is used by another person, the right that this is done in a way that does not reduce the value of the work. Within the right to inviolability of the work, the author has a right to author's supervision, i.e. a right of the author to supervise the fulfilment of the relevant obligations by another person. The right to inviolability of a work includes also a right to for author's proof. This means that before the work is published, the author is entitled within a reasonable term allowed by the licensee (for instance, the work's publisher) to make minor creative changes to the work, on condition that such changes do not cause unreasonable costs on the part of the licensee, and that the character of the work remains unchanged.

Personal copyrights can not be validly disposed of on the basis of a contract. The author cannot waive the rights nor transfer them to another person.

Personal copyrights expire by the author's death. However, even after the author's death nobody is allowed to assume the authorship related to the work, the work can be used only in a way that does not reduce its value and the author of the work has to be stated, unless it is an anonymous work. Any author's next of kin can claim copyright protection, regardless of the duration of proprietary copyrights (i.e. even after their expiry). The Civil Code defines a next of kin as relatives in direct line, brothers and sisters, spouse or partner as defined by 115/2006 Coll., on the Registered Partnership, as well as other persons in family or similar relationship, if an injury suffered by one of such persons another person felt as his own injury. Also a legal entity associating authors or a relevant collective administrator can claim the protection of these rights after the author's death.

### **1.2.3.2. Proprietary copyrights**

Proprietary copyrights include:

- author's right to use his work;
- author's right to authorize another person by means of a contract to exercise the right to use the work;
- author's right to accessibility of the material substrate if it is necessary the exercising of copyrights;
- author's right to remuneration for the resell of the original work of art (*droit de suite*);
- author's right to remuneration in relation to the copying of the work for personal use.

The Act specifies some of the ways of author's work use and gives examples in this respect of what rights are included in the authorization to use a work. These are especially:

- right to make copies of a work;
- right to disseminate the original or a copy of a work;
- right to hire the original or copy of a work;
- right to lend the original or copy of a work;
- right to exhibit the original or copy of a work

- right to communicate a work to the public, which includes in particular:
  - o right to perform a work lively or from a record and a right to transmit the performance of a work;
  - o right to broadcast a work by radio or television;
  - o right to transmit the radio or television broadcasting of a work;
  - o right to conduct the radio or television broadcasting of a work.

Authors of works of art (in contrast to other author's works) have further a droit de suite, "artist's resale right". This is a right to additional remuneration to the author when the original of a work of art (i.e. the material substrate transferred by its the author into the ownership of another person), is further sold for a price of EUR 1.500 and higher, and if a manager of an art gallery, an auctioneer or another person dealing systematically in works of art (a trader) takes part in such selling as the seller, purchaser or agent. This additional remuneration is paid by the seller and the trader jointly and severally.

The original of a work of art is especially an original picture, drawing, painting, collage, tapestry, engraving, lithography or other prints, statue, ceramics, author's jewellery, photography or author's copy considered according to custom as an original. The droit de suite does not apply to works of architecture, works of applied art and to writers' and composers' manuscripts. The right to remuneration at a resale of the original work of art is compulsorily collectively administrated. The remuneration is collected by the relevant collective administrator. The remunerations are specified in the appendix of the Copyright Act.

The authors of published works which can be copied for the personal need of and individual or for internal needs of a legal entity or an individual – entrepreneur by means of a machine designed to make print copies on paper or similar material or for the personal use of only an individual on the basis of audio or audiovisual record or radio or television broadcasting by their transmission by means of a machine to unrecorded media, have a special right to remuneration in relation to such copying for personal use. It concerns for instance making copies of literary works for personal need using copying machines, making copies of works of music for personal need on non-recorded medium of the record etc. A person obliged to pay this remuneration is

- the producer or importer of equipment designed to reproduce audio or audiovisual records;
- the producer or importer of equipment designed to make printed reproductions;
- the producer or importer of non-recorded mediums of audio or audiovisual records;
- the importer or shipper instead of the above mentioned persons, if fails to provide information without undue delay following a written order of the relevant collective administrator necessary for the identification of the importer or the producer;
- the provider of paid copy services in case of print copies reproductions; the provider of paid copy services is also a person who provides an equipment for press copies for a consideration.

The remuneration belongs to the author on import, receiving or on the first sale of equipment designed for making or the reproductions or records, in the case of duplicating services the remuneration depends on the number press reproductions made. The types of equipment designed for the making of press copies and types of unrecorded media from which the remuneration is paid as well as of the amount of the lump remuneration according to

individual types are defined by a notice of Ministry of Culture of the Czech Republic. The right to remuneration concerning duplications of a work for personal use is a compulsorily collectively administrated right; the remuneration is collected by respective collective administrators.

It is necessary to emphasize that an author cannot freely contractually dispose even of the proprietary copyrights. Also proprietary copyrights are non-transferable and the author cannot waive them effectively. It is not possible to affect these rights by means of the enforcement of a decision; nevertheless it does not apply to claims resulting from such proprietary rights.

### **1.2.3.3. License agreement**

An author is entitled to give other persons a permission to use his/her work on the base of the license agreement, and that is usually as a reward. In theory relating to the license agreement it is a so-called constitutive transfer of the copyrights, i.e. a transfer where a licensee acquires within the bounds of the original copyright a specific entitlement without the author as a provider of the license relating to these rights losing the rights; a provider of the license only provides for the license holder relating to its right a specific derived right to use a work in a way that is specified in the license agreement. A restoration of the original author's right in the full extend occurs by the expiring of the license. Opposite to the constitutive transfer relating to the license agreement is a so-called translative transfer when a license holder acquires a transferred right in the full extend and a transferor loses this right simultaneously (it concerns a parallel of the transfer of the proprietary right related to a thing). Such constitutive transfer of the copyrights is not admissible in the conditions of Czech legal order, not even if it concerns personal copyrights, and not even if it concerns the proprietary copyrights (in contrast with a majority of the industrial rights where the legal order admits the constitutive transfers).

An author usually realizes the proprietary rights related to a work by concluding a license agreement with a third person or persons, by which the author gives title to the license holder to perform his right to use a work in a certain extend, while the license holder usually obliges to provide a remuneration for this right to the author. A prerequisite of a license agreement is especially a specification of the work to which the license relates, a specification of the particular ways of use of this work as well a specification of the territorial and time extend of such use. License agreement should specify whether the license is related to for instance the whole area of the Czech Republic or only to its part and which one, aptly whether it is related to the territories out of the Czech Republic and further whether it is granted for a specific period, for instance a period of one year, several years or for the whole period persistence of the proprietary rights related to the work.

A license can be granted either as exclusively or non-exclusively. If a license shall be granted as exclusive it has to be mentioned in the agreement; if it does not arise from the agreement in another way it means that it is a non-exclusive license. Exclusive license has to be provided exclusively in written form.

The license holder of both exclusive and non-exclusive license is obliged to use the license unless the agreement provides otherwise.

In the case of exclusive license, the author is not allowed to provide a license to the third person, and unless stated otherwise, he himself is obliged not to perform the right to use the work in a way to which the author granted the license. Providing of the exclusive license in non-limited territorial extend for the whole period of the copyrights duration and for all ways of use of the author's work is therefore nearest to the translative transfer of the copyright which the Czech legal order does not allow.

The granting of non-exclusive license means that the author is still entitled to use the work in the same way as to which the license has been granted and the author is entitled to grant the license to use the work to third persons.

If an author grants exclusive licence to a specific way of the use of a work, a contract which the author would grant to a third person to this way of the work use in the duration of the exclusive licence is not valid, unless the assignee of the exclusive license agrees with the concluding of such agreement.

The license holder can grant sub-license, i.e. to provide his licensee title entirely or partly to a third person, only if agreed in the contract. The assignment of the license is possible only with a written consent of the author and the assignee is obliged to inform the author about the assignment of the license as well the assignor without undue delay. The only exception can be a situation when a license forms a part of a company or its organizational part and the company or its organizational part is in the process of sale; in such cases the consent of the author with the assignment of the license is not required, unless agreed otherwise.

The amount of the remuneration for the author for the granting of a license has to be specified in the agreement, or at least a way to specify this, otherwise the agreement is not valid. This does not apply when the parties of the agreement explicitly agree that the license is provided for free or if from the negotiations of the parties on the making of the agreement follow their will to conclude the agreement venally even without the amount of remuneration specification, in these cases license holder is obliged to provide to the author a usual amount of remuneration.

The grant of license concerns only proprietary copyrights. An assignee is under any circumstances not allowed to intervene in personal rights of an author, especially with the author's right to the work inviolability, including a right that the work is not used in a way diminishing its value. An assignee is also not allowed to modify or otherwise change a work, its name or the indication of its author, unless agreed otherwise or when concerns a modification or other change of the work or its name where it is fairly possible to expect that the author would agree with such modification due to the circumstances. This applies also to the attachment of a work to another and for the including of a work in a collection.

An author can withdraw from a license agreement if the assignee fails to use the exclusive license either at all or insufficiently and the author's rightful interests are thus prejudiced. An author can also withdraw from the license agreement when his work hitherto unpublished does not correspond with his persuasion and the author's rightful personal interests would be prejudiced by the work publication. Nevertheless, in such a case the author is obliged to settle the damages incurred by the assignee due to the withdrawal.

Special regulation applies to licence publisher's contract, i.e. license agreement for duplication and disseminating a literary, dramatico-musical or musical work, work of art,

photographic work or a work expressed in a way similar to photography. The publisher's contract is considered to be an exclusive one, unless implied otherwise in the contract and with the exception of the disseminating and duplication of works in periodical publications. Author has a right to author's corrections; if a licensee (publisher) does not enable the author to make the author's corrections, the author has a right to withdraw from the contract when due to fact the work was used in a way reducing its value.

#### **1.2.4. Copyright restrictions**

The effective Copyright Act restricts copyrights especially in relation to free use and free legal licenses. It is necessary to discern copyright restriction from instances where a protection under copyright is not formed at all in relation to certain works, as for example as concerns official works, works of traditional folk culture and political speeches and speeches made during official meetings (see 1.2.1.above).

Free use of work means a use of work for personal use, such use is not considered as a use of work at all, and therefore it does not demand the author's consent. Nevertheless, a purpose relating to use of a work for personal need is not allowed to be accomplishment of direct or indirect economic or commercial success. A possibility for free use of a work for personal use is not applied for formation related to duplication of the computer program or electronic database and a duplication or reproduction of an architectural work by building, as well as a record making of audiovisual work during its projections in cinemas, usually with a hidden camera).

Within the bounds of free use, the copyright is thus not infringed by a person who makes for his personal need a record, duplication or reproduction of a work, and a duplication or reproduction related to work of art has to be as such visibly indicated.

A person who makes printed duplication of a work on the paper or similar material by photographic techniques other method with similar effects does not interfere with copyright, unless it is a published score of a music work. This does not prejudice the obligation to pay a remuneration relating to the duplication of a work for personal use (see 1.2.3. above). This exception applies only to printed duplication made for personal use of an individual or for the internal use of a legal entity or an entrepreneur.

Neither a person using a work in relation to a performance or repair of equipment for a customer does not interfere with copyright.

Other cases of free legal licenses are:

- quoting;
- catalogue license;
- use of a work placed in public area;
- official and intelligence license;
- use of a work on the occasion of public and religious ceremonies, on the occasion of school performances and use of school work;
- use of a collective work by its entitled user for the purpose of access to its content and for usual use of its content;

- partially, library license (however, this library license does not affect a right to remuneration under conditions set by the provision of section 37 paragraph 2 of the Copyright Act, see below);
- license for disabled persons;
- license for provisional duplications;
- license for photographic portrait;
- non-significant, accessory use of a work;
- license related to works of applied art and works of architecture;
- license for social facilities;
- exhibition license.

In the case of quoting it is always necessary to mention the author's name unless it is an anonymous work or a name of a person under whose name the work is made public, the title of the work and its source. Only works already published can be quoted.

Official and intelligence license is related to use of works for official purpose under the law, further news about current affairs of which such work is used, exhibited or used in another way, and during the work takeover to periodicals or another mass medias if it concerns articles with a content of time importance about political, economic or religious affairs that have already been published in another mass media, in addition to the last mentioned takeover is not allowable when it was expressly banned. In these cases it is always necessary to mention the author's name and name of work and source.

Gratuitous legal license for duplication and spreading of a work (so-called a library license) is applied in some cases for a library, archives, museum, police, schools and other non-profit schooling and educational organizations, especially if a duplication is made for archives and preservation purposes.

### **1.2.5. Copyright duration**

Personal copyrights expire with the author's death (see above 1.2.3.). Nevertheless, even after the author's death nobody is allowed to assume the authorship, the work can be used only in way which does not reduce its value and the author of the work has to be mentioned.

Proprietary copyrights last for a period of the author's life and 70 years after his death.

In case of co-author's works, the duration period of proprietary copyrights is counted from the death of the co-author who survived the others, i.e. who died later than the others.

In case of audiovisual works (for instance films), the duration period of proprietary copyrights is counted from the moment when the last of the following persons died: a director, a scriptwriter, a dialogues writer and a composer of music created especially to be used in the audiovisual work.

Proprietary copyrights related to anonymous and pseudonymous work last 70 years from authorized work publication if the author of such work declares himself in public or if a real name of the author of an anonymous work becomes generally known in the course of this seventy year period. In case of non-published anonymous and pseudonymous works the proprietary copyrights expire by lapse of seventy years period from their creation.

Duration period of the proprietary copyrights is counted from the first day of the following year after a year where a crucial event happened for its counting (especially an author's death, a work publication).

Proprietary copyrights are related to succession and basically the same legal regime as for the other rights that are a subject-matter of succession are applied to them.

### **1.2.6. Claims from copyright infringements**

Unlike industrial rights, the claims from copyright infringements are regulated directly by the Copyright Act, not by Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act (Act on the Enforcement of Industrial Property Rights).

An author whose rights has been illegally interfered with or endangered has these rights, or rather, entitlements:

- entitlement for the determining of authorship
- holding entitlement;
- removing entitlement;
- entitlement for the disclosure of information;
- entitlement for the publication of a decision in case of a successful claim of another entitlement at a court;
- entitlement for reasonable satisfaction for other than proprietary loss;
- entitlement for damages;
- entitlement for the surrender of unjustified enrichment.

In the case of impact to copyright a holding claim especially includes a right in order to ban a copyright jeopardize within possible repeating and further an illegal impact to copyright is banned as well for instance a ban of illegal production, distribution, import or export of an original, duplication or reproduction of a work, illegal report of a work to public, its illegal promotion, publicity and advertising.

Removing claim especially includes a right to seek a withdrawal of illegal duplication or reproduction of a work and a damage of such illegally made duplication or reproduction. The same is applied for tools intended for removal, elimination from working or restriction of practicability of technical devices or other means related to rights protection, for instance different decoding devices, means for removing of mechanism related to control duplication etc.

Claim for disclosure of information includes a right to report of pieces of information about a cause of an illegal made duplication or reproduction of a work, about a way and extend of its use and persons' identification who take part in the illegal making or illegal spreading.

The Act further expressly embodies an author's right to demand from the customs pieces of information about a content and extend related to import or acceptance of goods which is a duplication of its work or audio, audiovisual or other record aptly which works as a medium for making of such duplication, is a machine for making of audio or audiovisual aptly other



records or printed duplication aptly a tool for removal or elimination from work or restriction of work related to technical devices or other means for rights protection. To find out crucial information for exercise of rights and to find out whether an import of goods to use in the area of the Czech Republic is entitled in accordance with the copyright, an author is even entitled to see the customs' documents. Similarly it is applied to goods export or to goods dispatch. The same information from the customs authorities can be demanded by an appropriate collective administrator and a person authorized from law to perform proprietary rights related to a work as well as a holder of an exclusive license.

In the case that illegal impact or illegal possible impact to copyrights caused to an author other than proprietary loss the author has a claim for a relevant satisfaction that can be provided especially in a form of an excuse and/or in a monetary form unless admission of another satisfaction does not occur sufficiently, the amount of a monetary satisfaction is specified by a court with respect to the importance of made loss and to the circumstances of an impact to law. A court can as well admit to an author a right to publish a judgment of which proposal was satisfied, at the costs of participant who did not succeed in the litigation.

For a claim for compensation damage and issuance of unjust enrichment of which occurred relating to illegal impact to copyrights, general civil law regulations apply, i.e. the provisions of section 415 and following and section 541 and following of Act No. 40/1964 Coll., the Civil Code, as amended. Nevertheless a specific feature of the copyright is that above mentioned unjust enrichment on the side of anybody who illegally used a work without a necessary license, is determined as double remuneration which would be usual for otherwise acquired appropriate license in the period of illegal use of a work. It concerns a specific sanction for persons breaching the copyrights and concurrently it is about a specific form of satisfaction for persons whose copyrights were breached. It is necessary to call an expert to determine the amount of the usual license in the proceeding.

An author is usually a person entitled to apply claims from breach or jeopardizing of copyright. Nevertheless if the author granted an exclusive license related to right performance to use a work, a dilatory claim and a claim for disclosure of information as well a claim for judgment publishing, a claim for damage compensation and for issuance of unjust enrichment only a holder of this license is, the same is applied in the cases when the Act gives a performance of proprietary rights relating to a work to a person different from the author. Nevertheless in these cases the author's claim to seek the other claims stays unprejudiced.

### **1.2.7. Work created by an employee, similar works, audiovisual works and rights to computer programs**

#### *Work created by employee*

If a work was created to fulfil duties resulting from employment or service relationship, a special legal regime of so-called work of an employee is applied. This special legal regime consists especially in the fact that the author's proprietary rights relating to an employment work are performed on behalf of an employer's name and on an employer's account, unless it is not provided otherwise. Performance of these proprietary copyrights an employer can assign to the third person only with the author's consent except cases when a sale of company or its part occurs.

Nevertheless in the regime of an employment works the Copyright Act in the Czech Republic consistently keeps a principle that relating to copyrights a translative transfer is not allowable. An employer is solely entitled to perform proprietary copyrights in relation to a work and in all other respects the copyrights remain preserved and only the author is allowed to perform them. Especially personal copyrights relating to an employment work remain unprejudiced. Author's latent original copyrights relating to a work further occur in the cases when an employer does not perform proprietary rights relating to employment work at all or are performed insufficiently. In these cases the author is entitled to demand the employer to grant a license on usual conditions. In case of employer's death or employment termination without a legal successor the author again acquires entitlement to performance of proprietary copyrights relating to the employment work.

Nevertheless, in specific directions the regime of employment works is related to personal copyrights. If an employer performs proprietary rights relating to the employment work, it is supposed that the author agreed to publish modifications of translation arrangement of his work and its connection with another work or collective work inclusion. An employer is as well entitled to present an employment work to public on behalf of his name, unless it was not agreed otherwise. If not agreed otherwise, a disputable presumption is applied as well that the author gave to the employer a permission to finish his unfinished employment work, if his legal relation to the employer terminates sooner than the work is finished, or if there is reasonable doubts that the employer does not finish the work duly and in time.

An author has towards an employer a right to an adequate additional remuneration whether an earnings or other remuneration paid by the employer to the author gets in the evident imbalance relating to a profit from the use of rights relating to an employment work and an importance of such work for gaining such profit. Otherwise it is supposed that the author's remuneration for the employment work use is already included in the earnings or other remuneration which the employer pays to the author at the end of an employment or other similar relationship.

It is important to consider all computer programs and databases as employment works, and even whether they were made by the author to order. In such case a buyer is considered as an employer and therefore a performance of proprietary copyrights belong to him/her in the same extend as to the employer.

### *Collective work*

The same applies to so-called collective works. A collective work means a work of which creation more authors take part in, which is made by means of the initiation and under supervision of a individual or a legal entity and published on behalf of its name, and contributions included in such work are not possible to use independently. It can concern for instance cartographic works, nevertheless audiovisual and audiovisually works are not used by collective works.

### *School works*

Special legal regime is as well for so-called school works. It concerns works made by pupils or students to carry out their school or educational duties resulting from their legal

relationship to a school or an educational institution. In relation with these works a school or an educational institution has a right to concluding a license agreement on usual conditions. If an author of a certain school work denies to conclude such agreement it is possible to apply for compensation of missing expression of will at the court. It is necessary to emphasize that in contrast with the employment work a school respectively an educational institution is not entitled without further to perform the proprietary copyrights relating to a school work. School or trainers or educational establishment does not interfere with the copyright related to educational work if the educational work is used for direct or indirect economic or business benefit for education or for its own need.

#### *Work created to order*

In the case of works created to order on the base of a contract for work if it does not concern computer programs, databases or cartographic works that are not collective works, it is applied that the author provided a license for a purpose resulting from the contract. In addition to such purpose a buyer is entitled to use a work only on the base of the license agreement.

#### *Audiovisual work*

Specific legal regime is applied to a certain way for audiovisual works. Law defines them as works made by the arrangement of works audiovisually used, whether they have already been made or not made, which consist of series of together relating noticeable pictures making an impression of movement, either accompanying by sound or not, eye noticeable, and if accompanying by a sound then ear noticeable. It concerns typically films, other cinematographic works, television works etc. The author of the audiovisual work is a director. Rights of such works audiovisually used for instance a screenplay, possibly a subject, music etc., are not thus affected, these rights belong to the authors of these particular works independently on the right relating to audiovisual work such as. Law embodies a disputable legal presumption that a proclamation on the audiovisual work and rights relating to such work within rights concerning its use, recorded in the audiovisual works registry, is true.

#### *Computer programs*

Relating to computer programs that the author's works are, a law embodies specific cases of the copyrights extend restriction.

### **1.2.8. Copyright protection under international law**

In the case of copyrights exercising relating to use works out of the area of the Czech Republic, copyrights of aliens or foreign legal entities in the area of the Czech republic, as well in other cases of so-called international element in the copyright relationships, it is necessary to respect particular regulations of the international private law of a such state and international contracts, especially multilateral binding for a such state in the area of the copyright.

### *Territoriality principle*

From a point of view relating to the international private law the copyright is formed by so-called a principle of territoriality. It means that copyright relationships are formed in the area of a specific state and basically are under the control of this state. Czech law is applied for copyright relationships formed in the area of the Czech Republic, even if it concerns relationships to works formed or published abroad or works of aliens. In the Czech international private law that is especially specified by the Act n.97/1963 Coll., on international private and procedural law, as amended, unlike any other areas of private law for the area of copyright does not exist conflict rules which would define that in certain cases rights of foreign state are used. Thus incorrect is an idea that legal protection of works relating to foreign individual or legal entities is followed or can be followed by the appropriate foreign law.

### *Czech copyright scope*

Protection by Czech copyright relates to all cases of works of authors (as well performances of performing artists) who are native born citizens of the Czech Republic without respect to the fact where the works were created and published. For works and artistic performances relating to aliens and persons without a state nationality are as well related to the provision of the Czech copyright law, if these persons demand protection before the appropriate Czech courts aptly other authorities in the area of the Czech Republic, and in accordance with the international contracts of which the Czech Republic is bounded and of which were proclaimed in the Collection of Laws of the Czech Republic. If such international contracts do not exist, a protection is provided to these works and artistic performances, if mutuality is guaranteed. Whether not even such condition is fulfilled, the Czech Copyright Act protects works of authors and performances of performing artists who are not native born citizens of the Czech Republic, if the works and performances are published for the first time in the Czech Republic or if an author or a performing artist has residence here.

The only case, when the appropriate foreign law impacts to the protection regime of aliens' works, is the length assessment of the law duration. Law duration relating to works of aliens cannot be longer than in the state of the work origin. Next modifications can result from the appropriate especially multilateral international agreements.

### *International treaties*

The most important from these agreements is the Berne Convention for the Protection of Literary and Artistic Works (see 1.1.4. above Sources of intellectual property rights), called also the Revised Berne Convention, and the Universal Copyright Convention. These are It multilateral international agreements to which the majority of states in the world accessed. The relationships of the Czech Republic with the member states of both agreements are governed basically by the Revised Berne Convention.

Revised Berne Convention is based on two elementary principles. First of them is the assimilation. According to this principle, expressed in article 5 (1) of the Convention, the authors have rights in relation to works which are protected according to this agreement in other member states except a state of the work origin, rights which the appropriate laws agree

or to their citizens will be agreed in future. Revised Berne Convention thus confirms a principle of territoriality copyright protection and imposes to its member states to provide the same rights relating to protected works on the base of the Convention that they agree on the base of its national legislation to their own citizens. The second elementary building stone of the Revised Berne Convention is an embodiment of specific rights directly in this agreement. It is so-called *iura ex conventione*. There is for instance a right to authorship, right to minimal protection time, right to work translation and for its duplication, quotations and news license. It is possible to apply *iura ex conventione* only at other member states of the Convention than the state of the work origin.

On the principles of territoriality and assimilation is as well formed the Universal Copyright Convention. The only important specific feature of the Universal Copyright Convention on contrast with the Revised Berne Convention is a provision of so-called copyright exception. According to this exception each member state of which legislation bounds a formation of copyright protection for fulfilment of specific formal conditions (for instance a registration) has to consider these conditions as fulfilled for each work that was firstly published out of the state and of whose author is not a nation born citizen of this state, if from the first publishing of this work were all copies of the work published with a person's consent related to copyright in way and situated a brand © on the clearly noticeable place with addition of the name relating to the copyright holder and a year of the first publication.

### **1.3. Other rights regulated by Copyright Act**

Besides the copyright as such, the Copyright Act governs some other rights. Most of these rights are included in the category of rights relating to copyright. Besides these rights there is a special right of a database creator to his database, which is also regulated by the Copyright Act.

Jednotlivá práva související s právem autorským, jakož i zvláštní právo pořizovatele databáze existují nezávisle na autorském právu. K jednomu a témuž nehmotnému statku nebo nehmotným statkům, které spolu souvisí nebo na sebe navazují, tak může existovat paralelní ochrana autorským právem, jednotlivými právy souvisejícími s autorským právem a/nebo zvláštním právem pořizovatele databáze.

The separate rights relating to copyright as well as the special right of a database creator exist independently on the copyright. To one intangible asset or intangible assets which are related to each other or concurring, thus a parallel protection can exist by copyright, individual rights relating to copyright and/or by a special right of a database creator.

#### **1.3.1. Rights relating to copyright**

Rights relating to copyright are:

- rights of a performer to his artistic performance;
- rights of a sound recordings producer to his recordings;
- right of sound and video recordings producer to his recordings;
- right of a radio or television broadcaster to his original broadcasting;
- right of a publisher to still unpublished work whose period of proprietary rights duration elapsed;
- right of a publisher for remuneration in relation to a duplication of a published work for personal use;

Relation extend of these particular rights with copyright is different. Rights of performing artists relating to their artistic performances are the most related to copyright; these rights have similarly as copyright non-omitted personal element which is given by means of an exceptional creative character of the intangible asset that is protected by these rights, that is to say the artistic performance. Further close interconnection of the rights relating to performing artists with copyright follows from the fact that during a performance of a performing artist is an author's work carried out. Only rights of performing artists, not the other rights relating to copyright, were formerly included in the category of rights in relation with copyright.

Other rights relating to copyright have already shown a lower degree of similarity with copyright. These rights do not have a personal character but they have more technical or business character. They serve to specific performances protection, basically of a business or competitive character, which are formed in the process of a social use of author's works and artistic performances. Common feature of these rights with copyright besides the fact that they indirectly concern the author's works, respectively artistic performances, is that even these rights have the intangible base, are not bounded to a specific substrate. For instance, a subject-matter of the right related to an audiovisual recording is a recording such as, ie a certain intangible asset which exists independently on the tangible properties by means of

them the recording is carried out, for instance CD-ROM, DVD, a record etc., without respect to this tangible substrate it is possible to use and treat this recording such as. Thus it is the intangible asset that is distinguished by so-called potential ubiquity as a typical feature of all intangible assets (see above 1.1.1.).

### **1.3.1.1. Rights of a performer to his artistic performance**

A law defines an artistic performance as a performance of an actor and actress, singer, musician, dancer, conductor, choir master, director or another person who plays, sings, recites, performs or carries out an artistic work within a creation of the traditional folk culture. A law considers as an artistic performance as well an artist performance even if it is not used to carry out an artistic work.

Firstly, it is necessary in order to have a possibility to qualify a certain performance as an artistic performance that a certain performance is used to carry out an artistic work no another work, for instance a scientific work (a lecture of scientific work is not an artistic performance). Further necessary condition for artistic performance formation is a former existence of an artistic work that exists independently on the artistic performance, on the contrary an artistic performance cannot exist without a work; whether by means of a performance a performing artist did not perform (did not interpret) already the existing work of art, but for instance improvised, the result of this activity would be a new work of art which would be protected on condition of fulfilment of the legal conditions by copyright means (no rights relating to an artistic performance). The only exception in this respect is the above mentioned performance of an artist. Whatever other independent performance or other public performing activity during which a performance of an artistic work does not occur, for instance a performance of moderator, model, sportsman, is not protected as a performance of art, unless a subject-matter of this activity in a specific case really is a performance of the author' s work (for instance a moderator recites a poem, a sportsman- a figure skater performs a work of choreography etc.).

Theoretically, it is deduced that a performance of art has its basic individual character thus it is connected to a person of a specific performing artist. Thus only a individual can be a subject-matter of rights relating to performing artists.

Similarly as concerning the author' s work there is a necessary condition for formation of the right related to a performance of art which is a representation of this performance in objectively sensory perceptible formation, ie. that a performance of art is perceptible by senses of the other individuals, especially by eye and ear. A condition of the protection is not the fact if a performance of art is at the moment of its performance recorded on any medium.

It is possible to divide performances of art especially for performances of art related to literary (especially recitation etc.), theatre, music and dance.

Performances of art are often formed collectively by a group of persons, for instance members of the orchestra, dance group, music band etc. When managing with the rights relating to performances of art in this way together formed during a performance of the same work by more artists, these performing artists are represented on behalf of their name and on their account by a leader of this group as their common representative. Members of the artistic group have possibility to designate such common representative another person than an

artistic leader is; it demands a written form and signatures of most members of the artistic group. A rule about the common representative is not applied for a soloist, conductor and director of the theatre performance.

Similarly as the copyright a right of performing artist includes exclusive personal rights and exclusive rights in property.

#### **1.3.1.1.1. Personal rights of performers**

In relation to personal rights of a performing artist, a right to decide about publication of his/her performance of art belong to and further a right to the situation when a performance of art, if it is used by another person, was not used in a way reducing its value of the performance. In some cases personal rights of a performing artist include as well rights to decide if and what way the performing artist's name shall be mentioned during the publication of the artist's performance. This last mentioned right is applied only for a soloist making a performance himself and further it is applied for a conductor, choir master, theatre director and a soloist if they make a performance together with the members of the artistic group. The other performing artists who are members of the artistic group is applied only a right in relation to a presentation of the common name of the artistic group.

A performing artist has further a right to protection before deformation, by means of formation or another change of his performance, that would damage his reputation.

#### **1.3.1.1.2. Proprietary rights of performers**

Proprietary rights of a performer include a right to use a performance of art and grant an entitlement relating to a performance of this right to another one by means of an agreement; it concerns again similarity with the proprietary copyright. The right to use a performance of art includes:

- right to the broadcasting and other communication of a live performance to the public;
- right to the recording of a live performance;
- right to the reproducing of the recorded performance;
- right to the dissemination of the recorded performance reproductions;
- right to rent the recorded performance reproductions;
- right to lend the recorded performance reproductions;
- right to communicate the recorded performance to the public;

A performing artist has further a right to remuneration in relation to the reproduction of his recorded performance for a personal use on the basis of an audio or audiovisual record or radio or television broadcasting, similarly as this right belongs to the authors.

A law restricts rights of performing artists by a special case of paid legal license. It is applied for use of the artistic performance recorded on the sound medium published in relation to commercial purposes of radio or television broadcasting, by transfer of radio or television broadcasting. Whether a recorded performance of art has already been published by means of the form of reproductions given to the commercial purposes, a performing artist's consent related to their radio or television broadcasting and a radio or television transfer is not



demanded. Nevertheless, according to the law a right to remuneration of such use belongs to the performing artist. It concerns a law that is compulsory collectively managed. It is necessary to conclude an agreement with the appropriate collective administrator before the use of the performance of art in above mentioned way.

Proprietary rights of a performing artist last 50 years from the creation of the performance. Nevertheless, if a record of this performance is published in this period of fifty years, the rights of the performing artist expire till after 50 years from such publication.

Otherwise, most provisions of the Copyright Act concerning the copyrights are applied for rights of the performing artists within apart from the other things a regime of free artistic performances use, gratuitous legal licenses, claims from the rights infringement and provisions about license agreements relating to a performance of art.

### **1.3.1.2. Rights of audio recordings producers to their recordings**

A law defines an audio recording as exclusively by ear perceptible recording of the performing artist sounds or other sounds or their expressions. An audio recording is thus the intangible asset that is independent on the tangible substrate that by means of which the recording is realized, respectively by means of which the recording can be used. A subject-matter of the audio recording does not have to be necessarily a performance of the performing artist during a performance of the author's work; it can even concern the other sounds.

Right of an audio recording producer relating to its recording has thus exclusively property character. A subject-matter of the protection is not a creative performance resulting from a personality of a certain human being but essentially performance of business (organizational-technical and financial character), that concerns the first recording of certain sounds.

A subject in relation to the right of an audio recording producer relating to its recording is a producer of this recording. A law defines a producer of such recording as a individual or a legal entity that firstly on his own responsibility records sounds of the performance of a performing artist or the other sounds, or their expressions, or from his initiation another person makes; in the last mentioned case rights of a producer belong to an order. Thus a business, respectively financial and organizational feature comes to the fore in the matter of making a sound recording that takes precedence over a technical feature.

A producer of an audio recording has an exclusive proprietary right to use the audio record and by means of an agreement to grant an entitlement to another one to perform this right. The right to use the sound recording includes:

- right to copies of an audio recording;
- right to disseminate originals or reproductions of an audio recording;
- right to hire original or reproduction of an audio recording;
- right to lend original or reproduction of an audio recording;
- right to the broadcasting and other communications to the public of an audio recording.

Even to the producers of an audio recording applies the legal license to radio or television broadcasting and the transmission of a radio or television broadcasting of a sound recording published for business purposes.

A producer of an audio recording has a right to remuneration in relation with copying of the recording for personal use.

The right of a producer of an audio recording is - unlike copyright and some other rights relating to copyright – transferable. This right such as can be a subject of translative transfer when a transferor as a consequence of a transfer loses a transferring right to the benefit of a holder (such translative transfer is not allowable relating to the copyright not even in relation with performing artists rights).

Right of an audio recording producer lasts 50 years from making the audio recording. Nevertheless if the audio recording is legally published in this period of fifty years, the producer right expires till 50 years of such publication.

Even for rights of a producer audio recording relating to the recording are similarly applied a number of the copyright provisions relating to the copyright.

### **1.3.1.3. Rights of audiovisual recordings producers to their first recordings**

A law defines an audio visual recording as a recording of the audiovisual work or a recording of another part recorded, together interconnected pictures evoking a movement impression, either accompanied by a sound or not, perceptible by eye, and if accompanied by sound thus perceptible by ear. Thus a subject-matter of the audiovisual recording does not have to be necessarily other subject-matters of the copyright protection, for instance performances of the performing artists, audiovisual works. Whether a subject-matter of the audiovisual recording is an audiovisual work, a right of an audiovisual recording producer relating to its recording exists independently on the copyrights relating to the audiovisual work and besides these rights. In the case of rights in relation with the audiovisual record the appropriate intangible asset is a record such as without respect to its material substrate and without respect to the fact that a subject-matter of this record can be another intangible asset (for instance an audiovisual work). The essential conceptual feature of the audiovisual recording is that it concerns dynamic sequence of images evoking an impression of movement, acoustic part of this recording is only conceptual and its existence is not a necessary condition to be an audiovisual recording by course of law.

As an audiovisual recording producer a law defines a individual or a legal entity that firstly on his own responsibility records an audiovisual recording or from his initiation another person makes. Thus a subject-matter of the protection is essentially a business, respectively competitive performance essentially of organizational and financial character. Business, respectively organizational and financial feature of the matter takes precedence over a technical feature, at the same time similarly as in the case of rights relating to the producer of an audio recording to its recording, because a subject-matter of the producer's rights relating to audiovisual recording to its first recording is, if it is not agreed otherwise, an order of this recording even though the own buyer of the recording is another person. Right of an audiovisual recording producer relating to its first recording has exclusively a property character.

An audiovisual recording producer has exclusively proprietary right to use the audiovisual property and by means of an agreement to grant an entitlement to another one to perform this right. The right to use the audiovisual recording includes:

- right to reproductions of an audiovisual recording;
- right to disseminate originals or reproductions of an audiovisual recording;
- right to hire original or reproduction of an audiovisual recording;
- right to lend original or reproduction of an audiovisual recording;
- right to broadcasting and other communications to the public of an audiovisual recording;

Essential in this connection is that unlike the rights of an audiovisual recording producer relating to its recording and unlike the rights of performing artists relating to their performances the law does not embody in relation to the right of an audiovisual recording producer relating to its recording a license for value for radio or television broadcasting or radio or television transfer of the broadcasting. It is necessary to conclude an agreement directly with an audiovisual recording producer, possibly with an assignee of this right, in relation to the broadcasting of an audiovisual recording, respectively a radio or television transfer.

A right of an audiovisual recording producer is, similarly as a right of an audio recording producer, transferable, ie. law admits a possibility of so-called a translative transfer.

A right of an audiovisual recording producer lasts 50 years from making the audiovisual recording. Nevertheless, if the audiovisual recording is published in this period of fifty years, the producer right expires till 50 years of such publication.

Even for rights of an audiovisual recording producer is similarly applied a number of provisions of the Copyright Act in relation to the copyright.

#### **1.3.1.4. Rights of radio and television broadcasters**

A subject-matter relating to a right of radio and television broadcaster, ie the appropriate intangible asset, is broadcasting. A law defines broadcasting as a result of spreading sounds and images and sounds or their radio and television expression for a public reception. It concerns about the intangible asset independent on any material substrate.

According to such defined broadcasting, exclusive proprietary rights belong to the broadcaster. A law defines a broadcaster as a individual or a legal entity that on his responsibility performs broadcasting of sounds or images and sounds or their radio and television expression, or from his initiation another person makes. Crucial for formation of the broadcaster rights is thus, similarly as in the case of the rights relating to audio and audiovisual recordings producers, a business aspect, respectively an organizationally financial aspect not a technical one.

A broadcaster has an exclusive proprietary right to use its broadcasting and by means of an agreement to grant an entitlement relating to a performance of this right. The right to use broadcasting includes:

- right to a record of a broadcasting;
- right to making reproductions of the recorded broadcasting;
- right to spreading reproductions of the recorded broadcasting;
- right to communication of the broadcasting to the public.

Right of a broadcaster is similarly as a right of an audio and audiovisual recording producer transferable by means of the translative transfer.

This law lasts 50 years after the first broadcasting.

### **1.3.1.5. Publishers' rights**

A right of a publisher for remuneration in connection with making copy of the published work for personal use belongs among rights relating to the copyright. It concerns the only publisher's entitlement of the substantive right character to the published work. This right lasts 50 years from a work publication. It is a right that is compulsory collectively administered.

### **1.3.2. Special rights of database creators**

A law defines a database as a file of independent works, data or other elements systematically or methodically arranged and individually admissible by electronic or other means without respect to a form of their expression. The database thus can but does not have to be always a collective author's work. The database is a collective work whether, by means of the way of choice or a content arrangement, it is an extraordinary result of the author's creative activity (section 2 paragraph 5 of the Copyright Act), or whether, by means of the way of choice or a content arrangement, it is an author's own intellectual creation (section 2 paragraph 2 of the Copyright Act). In the last mentioned cases when the database is concurrently a work, two sorts of right are formed in relation to the database: on the one hand the copyright relating to the database as a work on the other hand a special right of a database assignee. Besides these rights relating to the database such as, there can exist obviously copyrights relating to the particular parts which form part of the database content.

In relation to the database, without respect to the fact whether it is a collective work, a special right of a database assignee is formed if a making, verification or a transfer of the database content present qualitatively or quantitatively essential contribution without respect to whether a database or its content are a subject-matter of the copyright or the other protection.

A database assignee is a individual or a legal entity that on his responsibility records a database, or from his initiation another person makes. A database assignee can be but does not have to be a database author of a collective work, and in the majority of the cases thus it will not be.

A special right of a database buyer has exclusively a property character. A database buyer has a right to obtaining usage or utilization of the entire database content or its qualitatively or quantitatively essential part and a right to grant an entitlement to another one to perform this right. Obtaining means a permanent or provisional copy of the whole database content or its

essential part on another basis by any means or any way. Utilization means any way of making available the entire database content or its essential part, spreading copies, hiring, connection on-line or another ways of transfer to the public. The law forbids as well a repeated and systematic obtaining or utilization of non-essential parts of the database content and another action that is not usual, adequate and is to the detriment of the entitled interests of a database assignee.

Specific rights of a database assignee is restricted in the cases when qualitatively and quantitatively non-essential parts of a database content or its part is extracted by an entitled user in relation to any purpose, on condition that this user usually and adequately uses a database not systematically and repeatedly, and without the detriment of the entitled interests of a assignee database, and that a detriment is not caused to the author and to the rights holder relating to the copyright in relation to works or another subject-matters of the protection contained in the database. Condition of this restriction of the specific database assignee right is that the database is obtained or utilized by the entitled user, thus a consumer, respectively by a final database user (for instance by a consumer of judicial decisions collection, a license holder relating to an electronic encyclopaedia etc.).

The Act further embodies specific cases of gratuitous legal licenses that restrict specific database assignee rights in relation to the obtained database. These gratuitous legal licenses apply for the benefit of the entitled user that obtains or utilizes the essential part of the database content.

- for personal use;
- for scientific or educational purposes, if the source is stated in a scope justified by the non-profit purpose;
- for the purposes of public safety or administrative or court proceedings;

Nevertheless, an entitled user that obtains or utilizes the essential part of the database content for personal use is not entitled to make a copy of the computer program or electronic database.

Specific assignee database rights last 15 years from a database making. Nevertheless, if till in this period (i.e. not in concurrently with its making) the database is made available, a specific database assignee right expires after till 15 years from the first of such availability.

For specific database assignee rights apply even a number of provisions of the Copyright Act relating to the copyright.

### **1.3.3. Protection of rights relating to copyright in international law**

Similarly as in the area of the copyright even in the area of rights relating to the copyright the Czech Republic is bound by a number of multilateral international agreements that form the essential scope for assessment of the legal relationships in relation to the rights relating to the copyright that include an international element.

From the point of view of the international private law in this area is similarly as in the copyright a legal protection based on so-called principle of territoriality. It means that each national legal order basically determines conditions itself of which it provides a protection

relating to the particular sorts of these intangible rights in the area of its country. International agreements concluded in this area, especially multilateral, then ensure that the member states provide the same regime of the protection to the persons coming from another member states according to the appropriate agreements than the state of which area the right applied is.

The most important international agreement in this area is the Rome Convention for the Protection of Performers, Producers and Phonograms and Broadcasting Organizations. This Similarly to the Revised Berne Convention, this convention is based on the assimilation principle, binding the member states to exercise the national legal regime in relation to citizens of the other member states of the Convention, respectively organizations with office in the area of the other member states of the Convention. This regime of assimilation is then completed by a specific elementary codex of rights resulting directly from the agreement (*iura ex conventione*) that each member state bound to respect.

Further important multilateral agreement is the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms (Antipiracy Convention) This Agreement binds the Czech Republic to protect the audio recordings producers that are members of the other agreed states against the producing of duplicates of such phonograms without the producer's consent and against the import of such duplicates, if such production or import is realized with the purpose of to the public distribution. The Agreement founds a parallel of so-called copyright exception when establishes a symbol (P) with the attachment of the first publication year that is indicated on the entitled made tape-recordings of the audio recording or their covers. By means of the indication of this symbol all formalities are carried out that any state of the agreement can demand according to its internal legislative as a condition of protection of the audio recordings producers.

## **1.4. Patents and utility models**

### **1.4.1. Concept of patent and utility model**

Creative solutions in the area of technology are a subject-matter of the protection by means of the patents for inventions and by means of the utility models. Thus it concerns the intangible assets of a creative character that are primarily a result of a creative activity of a specific individual or individuals; nevertheless this result is not extraordinary in the sense of the copyright individuality (unlike the copyright), because it objectively exists by empirically discoverable natural laws. Creative character of this solution thus lies in the method leading to find a solution of a specific technical issue. Theoretically more persons can independently come to the same result.

The intangible asset protected as by patent as by utility model is a specific solution in the area of technology. Act No. 527/1990 Coll., on Inventions and Rationalisation Proposals, as amended (the Patent Act hereinafter) considers this technical solution as an invention, whilst Act No. 478/1992 Coll., on Utility models, as amended, (the Utility model Act hereinafter) does not use the term “invention”. Nevertheless, among technical solutions protected by the Patent Act and by Utility model Act is not principal difference, the difference lies only in the criterion strictness of the inventive level that is applied to these technical solutions. In relation to technical solutions protected by utility models it is thus possible to talk about inventions.

Basically, it depends on a decision of each invention author or his/her legal representative that makes an effort to acquire legal protection for this technical solution whether he/she uses the protection by means of the patent or by means of the utility model.

It is possible to acquire a protection by means of the utility model in respect to the fact that legal requirements to gain a legal protection are less strict; on the other hand it is in accordance with a lower degree of legal certainty of the utility model owner and narrower extend of the rights resulting from the utility model for the owner, especially whether it is about its duration. In the case of patents granted for inventions conditions for acquiring legal protection are stricter and thus it is more difficult to fulfil them, nevertheless it is compensated by a wider extend of rights resulting from the patent for the owner, especially their longer duration and higher degree of legal certainty resulting from the granted patent.

Among industrial rights belong as patents as utility models that are formed on the principle of registration. Thus in accordance to their formation is not sufficient a creation of the technical solution that fulfils conditions anticipated by law but it is necessary that the appropriate right is granted by the suitable office by means of its authoritative act after the performed registration proceedings. This authority in the Czech Republic is the Office of the Industrial Property; nevertheless in the area of the Czech Republic further so-called European patents are applied that the European Patent Office grants. Utility models unlike patents are nowadays registered only on the national level and the appropriate Office of the Industrial Property in the Czech Republic exclusively can grant them.

Very essential difference between a patent and a utility model is that the patents are granted after the performance of the complete research of the invention registration when it is examined whether the registration fulfils general conditions determined by law after the patent grant. On the other hand utility models are granted on so-called principle of registration. The registration of the utility model is not submitted to the complete research

before a utility model record to the registry but there is only formal research. Utility model is thus by the Office registered in the certain extend “automatically” and a reality that it was registered does not have enough degree of a legal certainty that a solution protected by utility model really fulfils protection conditions by course of law. It depends on the other competitors of the utility model owner in the case of collision by means of this utility model they verify whether a certain utility model really corresponds to the requirements on utility models according to the law, and whether they doubt about it they commence a proceedings for expungement of the utility model. Any public law authorities that have an applicability in the area of the protection of the industrial property, thus it is necessary to warn before a reckless and decisive method leading up to the securing of the rights relating to the utility model owner only on the base of conclusion that the utility model was duly registered; unlike the patents and the other registered industrial rights this conclusion does not include a certainty not even a high probability that the appropriate industrial right was formed according to law.

## **1.4.2. Subject-matter of the protection**

### **1.4.2.1. Patentable inventions**

A subject-matter of the protection by means of the patents are inventions; according to the Patent Act patents are granted on inventions that are new, that result from an inventive activity and are industrially utilizable.

Aby se jednalo o vynález, musí být tedy kumulativně splněny tyto podmínky:

- musí se jednat o řešení z oblasti techniky,
- které je nové,
- je výsledkem vynálezecké činnosti a
- je průmyslově využitelné.

An invention has to cumulatively meet the following conditions:

- the solution shall to be related to technology
- it shall be new,
- shall be the result of an inventive activity and
- shall be industrially utilizable.

All the above mentioned conditions are necessary and as well enough to concern a patented solution. Whether they are fulfilled, the applicant has a legal entitlement for a patent grant.

### *Exceptions from patentability*

A law explicitly states that certain intellectual contents or results of intellectual activity are not considered as inventions. Here belong

- discoveries, scientific theories and mathematical methods,
- esthetical creations,



- plans, rules and ways for performance of the intellectual activity, playing games or performance of the business activity, as well as computer programs,
- providing of information.

Nevertheless these subject-matters or activities are not patented only on condition that a registration of the invention or a patent concerns only these subject-matters or activities. Excluded from patentability are thus for instance ways of performance relating to the intellectual activity such as, ways of performance relating to a business activity such as, computer programs such as; unlike some foreign out of European legal orders, especially American right, in the Czech legal order (but even in the other countries of the European Union) by means of the patent it is not possible to protect a software such as not even business methods. Nevertheless if software or business methods, possibly the other subject-matters or activities excluded from patentability In compliance with the above mentioned definition are only a part of the wider technical solution, they can be protected by patent as a part of such technical solution.

The ways of surgery or therapy treatment of a human or animal body and diagnostic methods used for a human or animal body are not considered as the industrially utilizable inventions.

It is possible to protect by means of the patent products determined to use during these ways of treatment and during these diagnostic methods, especially substances or mixtures, thus especially specific healing substances.

By means of the patents (unlike the utility models) it is possible to protect by ways, especially so-called ways of production. Then it is possible to gain a patent for surgery, therapeutic and diagnostic instruments and equipment for use during ways of surgery or therapeutic treatment.

In relation to specific solutions that could otherwise fulfil the conditions of patentability, the patents are not granted. Patents are not granted for inventions of which use runs counter to the public order or good manners, and for plant species or animal breeding, but which is not applied for microbiological methods and by these methods gained products.

A notion of the patented invention, conditions of patentability and exclusion from patentability are specified in the Czech Patent Act analogically with the appropriate formation in the Agreement on European Patents Grant. As well the interpretational practice of the Industrial Property Office of the Czech Republic and the European Patent Office concerning the application of these appropriate provisions is very similar. The judicatory of the European Patent Office in relation to these questions is very detailed and constant and is respected even in the practice of the Industrial Property Office of the Czech Republic, even if it is not a binding source of law.

#### **1.4.2.2. Utility models**

Utility models are granted on technical solutions that are new, exceed the scope of a mere expert skill and are industrially utilizable. Definition of the technical solution protected by the utility model is thus almost identical with the invention definition, a difference is only in the fact that whilst patented inventions have to be a result of inventive activity, for technical solutions protected by the utility model it is sufficient that these solutions lie outside the scope

of the only expert skill. A difference is thus in the criteria of the inventive level where the law defines in relation to utility models lower requirements for the author's creative contribution of the technical solution relating to its creation.

#### *Exceptions from protection of utility models*

Technical solutions protected by the utility model are not considered especially

- discoveries, scientific theories and mathematical methods,
- mere external design of products,
- plans, rules and ways of the intellectual activity performance,
- computer programs,
- mere stating of information

By the utility models, it is impossible to protect the following:

- technical solutions that are against general interests, especially the principles of humanity and public morality,
- plant species and animal breeds as well as biological reproductive materials,
- ways of production or work activity.

The majority of these exclusions are identically applied as for patents as for utility models. A difference is that it is possible to protect ways of production or work activity by a patent, but it is not possible to protect them by the utility model.

### **1.4.3. Conditions of protection**

As already mentioned above, both patents and utility models can protect only solutions in the area of technology that are new, industrially utilizable and that fulfil to a various extend a criterion of inventive level (in case of patents it has to concern results of the inventive activity, in case of utility models it is sufficient when it concerns a solution that lies outside the scope of a mere expert skill).

#### **1.4.3.1. The area of technology**

Solution in the area of technology means that it has to concern a solution that uses technical means to solve a specific issue. The issue obviously does not have to be an issue in the area of technology but in any area of human life, for instance an issue of business, culture, environment, communication etc.

#### **1.4.3.2. Novelty**

Another necessary feature of the solution is its novelty. This condition is considered as fulfilled when the given technical solution is not a part of technical situation. The technical situation means everything that was prior to the date when the applicant gained a right of priority made accessible to the public in written, orally, by means of use or in another way.

The technical situation thus includes for instance scientific articles, lectures at the conferences of science, products introduced to circulation etc., of which a technical solution is copied or embodied. Whether, in relation to such objects occurred an access to the public a day before the registration of the patent or the utility model is applied, the condition of novelty is not fulfilled. It means that the applicant aiming to have a protection by means of a patent or a utility model has to keep the invention in secret before the public till the moment when the application is applied to.

A criterion of novelty is judged worldwide, i.e. to the detriment of novelty is the pre-publication of the registered solution in any state of the world. Under normal circumstances an unwished-for consequence would result from it in the form that either the applicant has to submit an application of the invention in all states or territories of the world on the same day or when the requirement of novelty was not fulfilled in all states and territories of the world where the applicant submitted an application on the day following the first application. The institute of priorities of union according to the Paris Convention on the industrial property protection prevents this unwished-for consequence. By means of the invention application in any of the member states of this Agreement precedence right occurs to the applicant that makes a possibility to submit a national possibly an international application in the other member states of the Agreement in the term of one year from the submitted application in the first state without the detriment of novelty.

Nevertheless, as a situation of technology is not considered such invention publication of which occurred in the period of six months before the submitting of invention application and which directly or indirectly results

- from an evident abuse with respect to the applicant or his legal predecessor,
- from the fact that the applicant or his legal predecessor exhibited the invention at an official or officially recognized exhibition pursuant to the Convention on International Exhibitions signed in Paris on 22 November 1928 (No. 46/1932 Coll.).

#### **1.4.3.3. Industrial applicability**

An invention is industrially utilizable if its object can be made or in another way used in industry, agriculture or other areas of economy. For utility model there is demanded that a technical solution could be repeatedly used for economic activity. An industrial utility requirement, in essential, means that an invention has to be practicable, realizable basically by any expert or a group of experts in a specific branch.

#### **1.4.3.4. Inventive activity**

Invention is a result of an inventive activity, if it does not result from the evident situation of technology for an expert. In the case of utility models there is naturally enough that a solution exceeds a framework of the mere expert skill. A criterion of the inventive activity is judged to a day from which the applicant has a precedence right thus it is assessed according to contend of the patent applications which were published at the latest till this day and of which the applicant at least theoretically had a possibility to meet.

Patented invention has to be a specific inventor's contribution into the situation of technology as a whole, thus it has to contain a specific "added value" in relation to the situation of

technology that was known at the moment of the patent application submitting. Precisely in this “added value” the innovative activity can only be included and thus without respect to the fact if the applicant knew or did not know a specific part relating to situation of technology.

#### **1.4.3.5. Other conditions**

Besides the above mentioned four elementary conditions of patentability (solution in the area of technology, novelty, inventive level, industrial utility) a subject-matter of the application patent has to fulfil other specific conditions whose absence can induce a cancellation of a patent. It concerns particularly the fact that an invention has to be in a patent and already in a patent registration application described so clearly and entirely that could be realized by an expert, and the fact that a subject-matter of a patent is not allowed to exceed a content of the original submitting of the invention application, or more precisely subject-matters of the patents granted. In compliance with an application division are not allowed to exceed a content of its original submitting.

#### **1.4.4. Right to invention**

It is necessary for a valid formation of a patent protection that a patent owner has a right to the patent; this right is applied to an invention author or to his legal successor. An absence of any further conditions can follow to a cancellation of a patent if it has already been granted, and thus with retrospective effects from the date of its validity commencement.

An invention initiator is a person who created an invention by means of the own creative work. Whether more persons participated in an invention formation by means of their creative work they have together as participant initiators a right to a patent in the extend of which they participated in the invention formation.

It is possible to transfer this right to a patent to any other natural person or a legal entity. It concerns so-called translative transfer when a right to a patent such as is transferred to a legal successor of the invention author, so an invention author loses its right to patent by means of the transfer for the benefit of its legal successor. Nevertheless an invention author has always a right to be mentioned as its author in the invention application, in a decision on a patent grant and in a patent deed. A transfer from a right to a patent occurs in practice very often in relation to the fact that the costs related to gain a patent protection especially in more states or in the worldwide level can be effectively used as well by strong economic players, not by inventors.

A transfer from a right to a patent obviously occurs usually by payment.

#### *Company (employee ) invention*

Specific legal regime exists in relation to company inventions. Such inventions are considered inventions created by an initiator to fulfil a task resulting from the employment, possibly from the membership or the other similar employment relation to an employer. A right to a patent relating to a company invention belongs to an employer. An initiator that created an invention in the employment is immediately obliged to inform in written an employer and to give the employer necessary documents for an invention assessment. Then an employer has a term of 3

months of which duration the employer can assert a right to a patent. Whether in this term the employer does not assert a right to a patent, this right is transferred to the initiator. In this term an employer and an initiator are obliged to refrain from any disclosure of the invention to third persons. The initiator, that created an invention in the employment of whom an employer asserted a right to a patent, has a right to an adequate remuneration from the employer.

#### **1.4.5. Rights**

Rights relating to a patent are formed through the granting of a patent by the Industrial Property Office or similar relevant authority (in the Czech Republic nowadays besides national patents exist also patents granted by the European Patent Office, which are valid on condition that legal requirements were met. In particular it is necessary to emphasize that exclusive rights relating to a patent do not belong to the applicant of the patent registration; unless a patent has not been already granted, the applicant is entitled only to reasonable compensation from a person who used the subject-matter of the invention after the registration publication and only provided that the patent was consequently granted. This right is possible to apply from the day of which a patent becomes effective.

##### **1.4.5.1. Patent's owner authorizations**

A patent owner has an exclusive right:

- to use the invention;
- to authorize other persons to use the invention;
- to transfer the patent.

A group of three particular prerogatives result from the patent property and correspond to three classical prerogatives of the proprietary rights which has been traditionally used since the period of the Roman Law: *ius utendi*, *ius fruendi*, *ius disponendi*.

The patent owner thus has in relation to the subject-matter of the invention exclusively a right with the effect against a limited group of third persons, *erga omnes*, that excludes these persons from a possibility to use a patent. Only a patent owner is entitled to use by patent protected invention, to grant a permission that an invention is allowed to be used by the third persons, of which usually occurs for payment. In compliance with the license agreement, and finally is entitled to decide whether to transfer (in translative way) a patent such as to the third person, that usually occurs for payment.

Similar prerogatives of the owner belong to the owner of a utility model.

Particular claims of a patent owner and a utility model owner in case of its infringement nowadays is specified in the Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act. These claims include:

- dilatory claim, ie. a claim to exact that a violator absents from a proceeding of which occurs relating to the patent infringement or endangering;

- removal claim, ie. a claim to exact that the consequences of the patent infringement or endangering were removed, in particular by means of taking off the infringing products from the market, by a permanent removal or damage of infringing products, and/or by taking off a permanent removal or damage of materials, instruments and equipment determined or used exclusively or mostly during activities that infringe or endanger a patent;
- claim for a compensation damage occurred as a result of a patent infringement;
- claim for issuance of unjust enrichment that a violator gained as a result of the patent endangering or infringement;
- claim for reasonable satisfaction if by means of the interference with the patent rights other than proprietary loss was caused; a relevant satisfaction can consist also from monetary performance.

Similarly to other industrial rights, a court can pay damages on the motion of a party, the surrender of unjust enrichment and reasonable compensation by lump-sum payment at least in the double amount of the license fee which would be usual for the obtaining of a license to use rights in the period of the illegal interference.

#### **1.4.5.2. Patent use**

The use of a patent utility is specified in the Patent Act. The use of a patent can be direct or indirect.

As direct use is considered:

- production, offering, launching to the market or using of a product that is a subject-matter of a patent, or import or storage of a product relating to this purpose or other using;
- in case of method patents a method using that is a subject-matter of a patent, possibly offering of this method to use;
- In case of method patents hereinafter an offering, opening to the market, using or import or storage of a product relating to this purpose directly obtained by this method that is a subject-matter of a patent; the same products are considered as obtained by a method that is a subject-matter of a patent, and it is very probable that a product was made by method which is a subject-matter of a patent, and after relevant efforts of the patent owner was not succeeded to specify really utility production method unless it is not established otherwise. Herein a law embodies the institute burden of proof appeal in benefit of the patent owner for a production method that claims about a specific product that was made by means of the method protected by his patent. The owner of such patent usually does not have a possibility to enter in the production equipment of a person of whom the owner means that infringes his patent to find out what method is a product made of which the owner means that his patent is infringed. Therefore law forms a disputable legal presumption that the same products are considered as produced by a patented method if it is the most probable and the patent owner after relevant efforts did not succeed to specify really utility productive method; nevertheless a defendant has always possibility to prove a contrary, i.e. to prove what method was used to produce its product.

Indirect patent use includes supplying or offering of the supplies to illegal persons and means relating to essential features of inventions and in this respect serving to its performance, if it is evident in relation to the circumstances that these means are qualified to performance of the patented invention and if they are specified to this purpose. Even this so-called indirect use is a patent infringement unless it concerns means normally occurred in the market.

#### **1.4.5.3. Disposition of a patent**

Exercise of a right relating to a patent owner to give consent for patent using and to transfer a patent in both cases a written form is demanded.

Consent for using invention protected by patent is granted by means of a written license agreement that becomes effective towards the third persons by a record to the patent registry.

Patent transfer as well demands written agreement that becomes effective towards the third persons till a record to the patent registry.

The record to the patent registry is not necessary that the agreement becomes perfect between parties (inter partes) and that would undertake these parties. Nevertheless any agreement effects relating to a patent transfer or relating to license grant to the patent towards the third parties occur till the record of the appropriate agreement in the patent registry. Therefore for instance a license holder to a patent or a patent owner of whom the patent was by the original owner transferred to, they can assert claims from the patent infringement in accordance with the Act No. 221/2006 Coll. till the moment when the appropriate agreement is recorded in the patent registry.

#### **1.4.5.4. Rights exhaustion**

Similarly as concerning other industrial rights a law embodies a principle of patent rights exhaustion. According to this principle a patent owner does not have a right to forbid to the third persons to treat with a product that is a subject-matter of the protected invention if this product opened to the market in the Czech Republic by the patent owner or with his consent, unless there are reasons for spreading rights from the patent for mentioned activities. Whether the patent owner has already given consent that a specific product using his patent is opened to the market in the Czech Republic, the patent owner cannot forbid this product using by any third person in the Czech Republic.

#### **1.4.5.5 Other restrictions related to the effects of a patent**

Effects of the patent are restricted in relation with the former invention user. The former user is a person who before a right antecedence formation used the invention independent on the patent origin or the patent owner or if the person performed to it evidential measures. This former user is then entitled to use the invention without the patent owner's consent.

A law further states some other cases of patent effects restriction. It concerns the invention using:

- on ships of other countries that are members of the Paris Convention for the Protection of Industrial Property in a body of a ship, in the engine, water equipment, in devices and other facilities when these ships are temporarily or accidentally in the territory of the Czech Republic, only if these objects are used for ship needs;
- during building or operation of planes or vehicles belonging to the countries of the Union or parts of these planes or vehicles if they are temporarily or accidentally in the Czech Republic;
- during individual medicines preparation in the chemist In compliance with the doctor's prescription within using of such prepared medicine;
- during activity performed for non-business purposes;
- during activity performed with an invention object for experimental purposes.

#### **1.4.6. Protection, duration and voidance**

A patent lasts 20 years from the invention application.

The owner is obliged to pay every year for keeping a patent in validity administrative fees, so-called annuities. Payment of these fees is defined by a specific act (the Act No.183/2002 Coll., on fees for patents keeping and additional protective certificates for medicaments and preparations for plants protection and on change of some laws). In case of non-payment of the keeping fees in the fixed term the patent terminates.

Except the termination of validity period and non-payment of the keeping fees the patent terminates as well in case that the owner waives a patent, and further as a consequence of its cancellation.

#### **1.4.7 Patent cancellation**

After a patent grant following a motion or ex officio the patent can be cancelled by the Industrial Property Office in the following cases:

- invention did not fulfil conditions of patentability (see 1.4.3. above);
- invention is not described in the patent so clearly and entirely that can be realized by an expert;
- subject-matter of the patent exceeds a content of the original invention application, or subject-matters of the patents granted In compliance with application division exceed a content of its original application or its extent of protection resulting from the patent was spread;
- patent owner does not have a right to the patent; in this case it is possible to make the infringement on the motion of the entitled person.

The grant of patent, even if the entire survey comes before, thus it does not mean a hundred certainty ( not even any form of the legal guaranty form the side of Industrial Property Office ), that the patent will not be terminated because of the above mentioned reasons. Application for the patent termination is very often a reaction on commencement of litigation about patent infringement by the patent owner; only during the proceeding about the patent infringement it is possible to find out that patented invention for instance did not fulfil some conditions of patentability, for instance it was found out that the day before the invention application had



been published the same technical solution in the foreign country etc. Because of the similar reasons it is possible to infringe (to expunge) even a utility model. Probability of an expungement of a utility model from the registry because of the reasons that it does not concern a technical solution capable to protection, herewith it is higher, that the entire application research does not antecede to a decision about utility model record in the registry (unlike the patent).

Possibility of the following patent infringement, or more precisely the expungement of the utility model after its granting, it is necessary to take into consideration during making of any provision for protection of the particular technical solution. Nevertheless whether a patent for invention, or more precisely a utility model was granted, it is necessary, if it is not proved otherwise, to suppose that a patent invention fulfilled all legal conditions of protection and it is necessary to see it as valid till the final decision of Industrial Property Office, possibly the European Patent Office on its infringement/expungement. General method, how to act in case when after the commencement of the proceeding relating to the infringement of rights from a patent or a utility model was a patent validity or utility model validity contested, does not exist. In particular it is not possible to recommend automatic suspension of proceedings about the infringement of rights from a patent or a utility model in these cases, because it could delay and often entirely make impossible (in accordance with time restricted period of validity of both of these industrial rights) effective protection of the patent owner, or more precisely a utility model. However, on the contrary in relation to the granted patents and in particular to the utility models, it is necessary to access with a specific form of criticism in particular when a subject-matter of the protection relating to a solution of the first sight relating to a patent protection is not available, banal, non-technical, for instance concerning rather business methods, playing games, methods of the intellectual activity performance; whether in these cases it is possible to suppose justifiably that the patent will be terminated, it is supposed to avoid from in particular such steps relating to the protection of the patent owner rights, that could show themselves in conclusive way in a legal sphere of the alleged violator, and according to the circumstances it is appropriate even to interrupt the proceedings about the rights infringement relating to the patent till a moment of the final decision in the matter of its termination.

## **1.4.8 Patent protection under international law**

### **1.4.8.1 Principle of territoriality**

Similarly, as in the area of the rights relating to the intangible assets, for a patent law from the point of view of the international private law is applied a principle of territoriality. It means that legal protection of patents and utility models in the Czech Republic is regulated basically by the Czech law and the application of foreign legal regulations on the bases of conflict rules is not possible, regardless of whether the rights related to a patent are applied in the Czech Republic by a Czech citizen or by a foreigner, what kind of patent it is, who is sued etc.

On the other hand it is necessary to emphasize that Czech courts and administration offices have power to decide in the patent matters only in the extend of which a patent has, or more precisely can have effects in the area of the Czech Republic.

### **1.4.8.2 Czech national and European patents**

Presently, two kinds of patents are effective in Czech Republic: first, national patents granted by the Industrial Property Office, and second European patents granted by the European Patent Office on the bases of the European Patent Convention, however only on condition that they were duly validated in accordance with the provisions of sections 35 and following of the Patent Act. Validation means that the applicant of the European patent application submitted a translation of the patent claims in Czech language to the Industrial Property Office and paid an administration fee for making the translation accessible, the Office made this translation accessible to the public and announced this fact in the Official Journal. Similarly, the granted European patent become effective in the Czech Republic only if a patent owner submitted the translation of the patent record in the Czech language to the Office within three months from the day of announcement on European patent grant in the European Patent Official Journal and paid the administration fee for its publication; consequently the Industrial Property Office announces the grant of European patent in its Official Journal and publishes the translation of the European patent record.

All patents that become effective in the Czech Republic had to be published by the Industrial Property Office of the Czech Republic and it is possible to verify their existence at the Industrial Property Office of the Czech Republic, or more precisely in its Official Journal.

If the translation of the European patent record was not translated into the Czech language in the statutory period, the European patent in the Czech Republic is considered as void.

#### **1.4.8.3 Patent registration applications submitting in international scope**

Unlike trade marks and some other sorts of industrial rights, international patents such as do not exist.

Multilateral international agreements in relation to the area of the patent law, by means of a specific way they harmonize rules of the patent applications in different member countries and the application process herewith that finally national offices of the particular states always have to decide about a patent grant, possibly supranational institutions, as for instance the European Patent Office.

The most important multilateral international agreements in the area of the patent law are the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty (PCT) and the European Patent Convention.

Paris Convention for the Protection of Industrial Property defines the institute of union priority. This institute makes it possible to submit a patent application in one of the union country as first while the applications of the same invention in the other member countries can be given in the priority period of twelve months from the day of the application (if the institute of so-called union priority, applications of patents and utility models had to be applied in all countries of which the applicant makes effort for protection, on the same day, because otherwise the application given as the first in the order would have in other countries difficulty relating to novelty of the registered invention).

The Patent Cooperation Treaty (PCT) further simplifies the process of patent applications in the international scope. An applicant has possibility to apply in one year priority period in

accordance with the Union Paris Convention international patent application according to PCT that has effects of the international application in all member states PCT that the applicant mentions in the international application. By means of submission of so-called international application usually a period of twenty or thirty months starts to run in relation to commencement of national phase of the international patent application in the particular member states of PCT. Commencement of these national phases antecedes an issue of the international search report and possibly even a realization of the international preliminary survey. Nevertheless in all these cases in relation to patent grant it is necessary to commence so-called a national phase at the appropriate National or Supranational (European) Patent Office that by means of method of its national legislation specifies if the patent application fulfils conditions for grant and makes decision about the grant. The international patent application submitted in compliance with PCT thus begins to belong to the national patents granted by the particular national offices of the member states of PCT, not to the international patents.

The European Patents Convention was concluded among member states of EU and some other European countries. The Czech Republic is a contractual party of this Convention. The European Patents Convention, on the basis of single patent application, submitted to the European Patent Office with registered office in Munich, makes it possible to obtain a patent protection in all countries of the European Patents Convention on the basis of a single European patent grant by the European Patent Office. Nevertheless a condition of the European patent's effects in the particular member countries is usually a process of validation, concerning in the publication of the European patent record translation into the national language by the Patent Office of the appropriate state. The same applies to the Czech Republic (see 1.4.8.2. above).

## **1.5. Trade marks**

The right to trade mark is the elementary right to designation. The subject-matter of the intangible asset of a trademark is thus not a result of a creative activity of a human being but a designation. This indication can, but does not have to be a result of intellectual activity. If it is the case, such indication can be protected besides the trade mark law also by for instance copyright. In relation to trade mark protection, the creative character of the protected indication is however irrelevant.

In the Czech Republic, three sorts of trade marks exist:

- national trade marks recorded by the Industrial Property Office of the Czech Republic;
- international trade marks according to the
- Madrid Agreement Concerning the International Registration of Marks and the Protocol toward this Agreement, provided that the international trade mark was designated for the Czech Republic;
- Community trademarks Office for Harmonization in the Internal Market in Alicante; these trademarks have the same effects in the whole area of the European Union, i.e. also in the Czech Republic.

Effects of the national and international trade marks in the Czech Republic have basically the same legal regime that is in accordance with the Act No. 441/2003 Coll., on Trademarks and on the Amendment to Act No. 6/2002 Coll., on Courts, Judges and Court State Administration and on the Amendment of Certain Acts, as amended. This law implements to the Czech legal order a provision of Directive No. 89/104/EEC, which harmonizes legal regulations of the member states on trade marks. International trade marks according to the Agreement of Madrid or the Record have basically the same effects in the Czech Republic as national trade marks and so from the point of view of exacting rights relating to these trademarks is not basically essential whether the exacted rights belong to the national or international trade marks (an important exception is a provision of reciprocal dependence of the international and national trade marks in the period of first 5 years of the record relating to the international trade marks and a provision about *avis de refus* (see 1.5.8. below)).

On the other hand, the legal regime of trade marks of the Community (Community trade marks) is regulated by direction of the Council No. 40/94 on Community Trade Mark. This direction specifies both the conditions of the trade mark registration in the Community and a registration process and – but for a few exceptions – the effects of Community trade mark effects. Therefore, the provision of Act No. 441/2003 Coll. does not apply to Community trade marks, but these are regulated directly by Direction No. 40/94. However, also to the Community trade marks the provisions of Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act apply.

Besides the mentioned three categories of the registered trade marks, also generally known trade marks are valid in the Czech Republic according to article *6bis* of the Paris Convention for the Protection of Industrial Property (see 1.5.8. below).

### **1.5.1. Subject-matter of protection**

According to the hereinbefore mentioned Act is defined an indication capable of graphical representation created in particular by words, letters, numbers, colour, drawing, shape or product cover, which is capable to differentiate products and services of different companies or more precisely competitors or other persons. Nevertheless, an indication that fulfils these conditions cannot be protected itself but only in the connection with specific products or services.

### **1.5.2. Conditions of protection**

An indication registered as a trade mark above all has to fulfil its distinguishing function which serves to the consumer to differentiate products and services. It means that such indication has to be, by means of its content and form, an original that a consumer public could particular products or services add to a specific entity.

Relating to the indication in words, an indication of fantasy or more words that form a word connection are in particular capable of protection, then first names, surnames and business names. Relating to a protection of capability are indications formed by a specific abbreviation, thus by a sequence of letters or combination of numbers, but provided that this abbreviation is not usually used.

Relating to a record capability are as well indications consisting of combination of word and visual elements. These indications belong to the indications with a big distinguishing qualification for consumers.

Slogans can be a trade mark in particular when the original slogan or proclamation is supplied by further distinguishing element, for instance by an abbreviation of the business name or primary trade mark of the owner.

Indications concerning exclusively in a colour or combination of colours can be a trade mark under condition of their capability in relation to products or services of which a protection is demanded.

Space indications usually correspond to a product shape or its cover and are capable of protection when it is about original, usually not used space representation.

On the day of the application submission relating to a trade mark at Industrial Property Office, the applicant obtains an antecedence right before a later submitted application of the same or similar trade mark for the same or similar products or services.

An application of the trade mark can be submitted by any Czech or foreign natural person or legal entity.

#### **1.5.2.1. Absolute impediment to registration**

Conditions relating to formation of the trade mark legal protection are defined negatively by a list of absolute and relative impediments to the record capability. Absolute impediments to the record capability are those taken into consideration by Industrial Property Office in relation to the law during a practical survey of the trade mark application. Absolute impediments to the

record capability have a public law character and there is reflected a public interest to avoid records of specific sorts of indications into the registry. Concerning the exclusion from the record In compliance with absolute impediments of the record capability are these indications:

- that do not have a distinguishing capability,
- that are formed exclusively by indications or data which serve in the business to a sort specification, quality, amount, purpose, value, geographical origin or production period of products or service providing or to indication of the other features,
- that are formed exclusively by indications or data which became usual in language or in the honest business habits,
- that are formed exclusively by a shape which comes from the character of the particular product or which is necessary for a technical result obtaining and or which gives the essential utilizable value to the product,
- that are in the dispute with a public order or good manners,
- that could practice deception on the public, in particular if it concerns a character, quality or geographical origin of the product or service,
- registered for wines or spirits which have geographical indications without the fact that wine or spirit really have such geographical origin,
- that contain indications using the protection in accordance with the article 6ter of the Paris Convention , of which record was not given a consent by the appropriate authorities,
- that contain other features, emblems and coat of arms than mentioned in the article 6ter of the Paris Convention , if their use is a subject-matter of the special public interest, unless the appropriate authority gave a consent to its record,
- that contain a feature of the high symbolic value, in particular a religious symbol,
- their use runs counter to a provision of another legal regulations or is contravened with the obligations resulting for the Czech Republic from the international agreements,
- if it is evident that an application of the trade mark was not submitted in good faith (bona fide).

In the three first hereinbefore mentioned cases, a specific indication can be recorded in the registry provided when an applicant proves by means of the trustworthy documents that the indication had obtained a sufficient distinguishing capability as a consequence of use in the commercial intercourse before than the trade mark was recorded.

#### **1.5.2.2. Relative impediments of registration**

Relative impediments of the record are such that the Office within the bounds of the application proceeding does not examine from the official duty, but only in case when the third person protects from the record relating to the application proceeding in the registry, and who feels hurt in his rights in property. Relative impediments of the record have private legal character and lie in the collision of the recorded indication with the older rights.

After the application publication of trade mark in the Official Journal of Industrial Property Office , objections against its record can be raised in the three months period

- owner of the older the same or similar trade mark, recorded for the same or similar products or services whether there on the side of the public exist a probability of confusion within a probability of association with the older trade mark,
- owner of the same or similar older trade mark, whether the registering indication shall be recorded for products or services which are not otherwise similar to these ones for which the older trade mark is recorded, but it concerns the older trade mark which has a good name in the Czech Republic and use of the registering indication would dishonestly profit from a distinguishing capability or a good name of the older trade mark or it would be to the detriment,
- owner of the older generally known trade mark, whether because of the reason relating to the identity or similarity with the older generally known trade mark, and identity or similarity of products or services of which the registering indication and generally known trade mark are related, there exist a probability of confusion on the public side within a probability of association with the older trade mark,
- owner of the older generally known trade mark which is identical with the registering indication or is similar, whether such indication shall be recorded for products or services which are not similar to these for which the older generally known trade mark is protected, but it is about the older generally known trade mark which has a good name in the Czech Republic provided that using of this trade mark relating to the registered products or services would show the relationship between these products or services and the owner of the generally known trade mark,
- owner of the older trade mark of the Community which is identical to the registering indication or is similar, whether such indication shall be recorded for products or services which otherwise are not similar to these for which the older trade mark is recorded, but it is about the older trade mark which has a good name in the area of the European Community, and using of the registering indication without a proper reason would dishonestly profit from a distinguishing capability or a good name of the older trade mark of the Community or it would be to their detriment,
- owner of the trade mark recorded in the other union country of the Union Paris Convention or in the state that is a member of the World Commercial Organization, whether an application of the trade mark was submitted by a representative, agent, assignee or other person authorized to defend economic interests relating to the owner of the trade mark in accordance with the article 6septies of the Paris Convention on behalf of his name and without the owner's consent, unless this agent gives a proper reason of his action,
- user of non-recorded indication or other indication used in the commercial intercourse for the same or similar products or services which are identical or similar to the registering indication, whether the indication does not have local consequences and a right relating to this indication was formed before the day of the application submission,
- natural person of whom rights for a name and for protection of the behaviour of the personal character can be hurt by the registering indication, possibly by a person who is entitled to assert these rights relating to protection of the personality,
- person of whom rights relating to an author's work belong to, whether by means of using the registering indication the author's work can be hurt,
- owner of the older right from another industrial property, whether by means of using the registering indication the rights from the industrial property can be hurt,

- person who is in his rights hurt by an application of the trade mark which was not submitted in good faith.

In case that a person, entitled to raise objections, gives a written consent with a record of the registered trade mark in the registry, takes his objections back and the Office stops a proceeding about objections.

### 1.5.3. Rights

Rights relating to a trade mark owner have positive and negative aspect.

Positive aspect relating to the rights of a trade mark owner lies in the fact that the trade mark owner has exclusive right to use a trade mark in relation with products or services of which it is protected. From this positive aspect relating to the trade mark law results a trade mark owner's entitlement to seek towards the third persons that would defend a performance of this positive right relating to the owner, for instance they would defend the owner of the trade mark to use the trade mark in order to abstain such inconvenient intrusion on this right.

Further entitlements of the trade mark owner have negative character; they lie in the legal sanctioned possibility of the trade mark owner to exclude from using indications recorded as a trade mark or evoking a probability of confusion with this indication third person acting without consent of the trade mark owner. This exclusive right of the trade mark owner is related only to use of the trade mark in the commercial intercourse. Use of the trade mark in the commercial intercourse is considered in particular

placement of the indications on products or their covers;  
 offer of the products under this indication, their opening to the market or storage for that purpose and or an offer or providing of the services under this indication;  
 import or export of the products under this indication;  
 use of the indication in commercial documents and in advertisement.

From another aspect it is possible to express a right of the trade mark owner by a classic triad of proprietary prerogatives *ius utendi*, *ius fruendi*, *ius disponendi*. A trade mark owner has an exclusive right to use the trade mark and exclude other persons from this use, then has a right to use the trade mark, ie. to give consent with its use by third persons usually for payment, and finally has a right to have the use of trade mark, ie. in particular to transfer it, possibly to encumber it with a law of secured transactions.

The most important right of the trade mark owner relating to trade mark, that expresses the essential of the legal mark protection, is an entitlement to use exclusively a trade mark in relation with products or services for which protected is, and to ban its use in commercial intercourse with third persons who do not have the owner's consent. This so-called right to prohibit gives to the trade mark owner a possibility to ban use of specific indications in three different situations:

- Firstly, a trade mark owner is entitled to ban a use of indication that is identical with a trade mark for products or services identical with these ones for which the trade mark is recorded.



- Ban right of the trade mark owner makes a possibility to ban a use of indication, of which because of their identity or similarity with the trade mark and identity or similarity of products or services indicated by a trade mark and an indication, there exist a probability of confusion in the public side, within a probability of association between an indication and a trade mark. The elementary and necessary condition to fulfil the facts of the case is that there is a probability of confusion on the public side, and concerning the probability of confusion from the public side and it is always necessary to judge minimally from two circumstances, either from identity or similarity of an indication and a trade mark, either from identity or similarity of products or services indicated by a trade mark and an indication. Concerning a notion relating to a probability of confusion, there exists quite a large and established practice of the courts of the European Court of Justice and the Office for Harmonization in the internal market. The practice of the courts of the European Court of Justice in this question is binding for Czech courts and other authorities that apply the Act N. 441/2003 Coll.
- Wider protection is applied for trade marks with good name. This protection is applied in relationship with products or services which are not similar to these for which a trade mark is recorded; protection of trade marks with good name as well is not related to the condition of formation relating to probability of confusion on the public side. A trade mark owner with good name in the Czech Republic is entitled to ban in the commercial intercourse a use of indication identical with a trade mark or similar to it for products or services which are not similar to these for which a trade mark is recorded, unless such use would dishonestly profit from a distinguishing capability or good name relating to a trade mark or it would be to their detriment.

#### **1.5.4. Restriction of rights to a trade mark**

Ban entitlement of a trade mark owner is not valid without limitations. In specific cases the law breaks these exclusive entitlements. It is in cases relating to limitations of trade mark effects and so-called exhaustion of rights.

##### **1.5.4.1 Limitation of trade mark effects**

Limitation of trade mark effects becomes evident in the fact that a trade mark owner is not entitled to ban to the third persons to use in the commercial intercourse

- their first name and surname, business company or name or address,
- data concerning a sort, quality, amount, purpose, value, geographical origin, production period of product or providing a service or other their features,
- indication necessary to specification of the product or service purpose, in particular concerning facilities or spare parts,

but only provided that such use is in accordance with the commercial habits, good manners and rules of the economic competition.

A trade mark owner is then in the commercial intercourse obliged to tolerate a use of the same or similar indication if rights relating to this indication were formed before a submission of a

trade mark application and a use of this indication is in accordance with the law of the Czech Republic (right of the previous user).

#### **1.5.4.2 Exhaustion of rights to a trade mark**

Exhaustion of rights relating to a trade mark lies in the fact that a trade mark owner is not entitled to ban its use on products which have already been with this trade mark launched to the market in the Czech Republic, in the member state of the European Community or in the state that forms the European economic space, by this owner or with the owner's consent. Nevertheless the exhaustion of rights relating to a trade mark does not occur whether a condition, possibly a character of products after their launch to the market, changed or got worse, or whether a trade mark owner has other qualified reasons to ban the following commercial launch to the market indicated by the appropriate trade mark.

#### **1.5.5. Rights and claims from a trade mark infringement**

Rights and claims from a trade mark infringement are specified in Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment of Industrial Property Protection Act.

In compliance with this Act a trade mark owner, possibly another entitled person to exact rights relating to a trade mark thus a license holder relating to a trade mark, has these rights, or more precisely claims:

- right to information;
- dilatory claim;
- removal claim;
- claim for compensation;
- claim for issuance of unjust enrichment;
- claim for reasonable satisfaction related to caused other than proprietary loss.

Right to information includes a right to demand towards a violator of a trade mark or towards persons that take part in the infringement of rights relating to a trade mark, information especially about

- goods and services origin that infringe a trade mark;
- distribution systems by means of them this goods are launched to the market;
- data about the amount of goods or services that infringe rights relating to a trade mark which were produced, processed, delivered, stored, accepted or ordered, and data about a price for these received goods or services.

Dilatory claim lies in the fact that the entitled person can claim at the court that a violator abstains from proceedings of which leads to infringement or endangering of a trade mark, typically for instance in order to abstain from a trade mark using in advertisement etc.

Removal claim lies in an entitlement to claim at the court in order to be removed consequences of right endangering or infringement relating to a trade mark. It can happen

especially by means of a withdrawal concerning products which infringe rights relating to a trade mark, from the market, by permanent withdrawal or damage of these products as well by withdrawal, permanent removal or damage of materials, instruments and facilities determined or used during a trade mark infringement. A trade mark owner, possibly other entitled person can demand any of these forms of removal claim realization; nevertheless a damage of products a court does not order if the right infringement could be removed otherwise and damage would be inadequate to this infringement. Removal claim can concern matters that are in the ownership, not persons that infringe a trade mark, but the third persons, for instance owners of the business chains etc. In these cases the law imposes to the court to take into consideration, in decision about removal claim, interests of these third persons, in particular if it concerns consumers and persons acting in good faith. Nevertheless it is possible to accept only in the exceptional cases mere removal of indication that infringes a trade mark, from products before their launch to the market.

Dilatory and removal claim can be on specific circumstances satisfied by the court instead of hereinbefore mentioned provisions by mere acceptance of a monetary compensation to a trade mark owner, or more precisely to another entitled person. It works whether a violator did not know and even could not know that his acting means a trade mark infringement, and if the other provisions caused to a violator irrelevant detriment and a monetary compensation with the entitled person seems satisfactory. Nevertheless a court acts this way only when a violator of rights suggests it.

Court can as well admit to a trade mark owner, or more precisely to another entitled person, a right to publish a judgment at the costs of a violator that did not success in the litigation.

Concerning a claim for compensation and a claim for issuance of unjust enrichment, basically general legal private regulations are valid, thus above all the Act No. 40/1964 Coll., the Civil Code, as amended. Nevertheless this general legal private regime is in a number of important aspects modified by the Act No. 221/2006 Coll. These modifications in particular lie in the fact that amount of all monetary claims concerning a trade mark infringement, thus a claim for compensation, a claim for issuance of unjust enrichment and a claim for relevant satisfaction, the court can in compliance with a motion determine a lump-sum payment at least in the double amount of the license fee that would be usual for obtaining a license to use a trade mark in the period of the lawful interference in the mark rights. It can be for a trade mark owner advantageous in particular in situations when it is difficult to bear a burden of proof relating to a real damage, for instance in the form of loss of profit, suffered as a consequence of a trade mark infringement, possibly what amount a trade mark violator at the owner's expense enriched by means of not entitled use of a trade mark. In these cases a law makes a possibility to construe a hypothetical situation that would occur whether a trade mark violator used a trade mark with the owner's consent in compliance with a license agreement; in such case a violator would have been obliged to pay to a trade mark owner a license fee for its use. The amount of monetary claims it is possible to determine by a lump-sum payment of which amount is related to this hypothetical license fee. In view of the fact that monetary claims here do not have only a reparation function, but a function of satisfaction, preventive and penalization, the law establishes that the particular monetary claim will be in these cases determined by a double of such hypothetical license fee. Nevertheless, whether a violator did not know and even could not know that by means of his acting infringes a trade mark, a particular claim can be admitted in the amount of solely one of such hypothetical license fee. During making decisions about these monetary claims the court takes into consideration all adequate circumstances such as for instance undesirable economic consequences, within a

profit loss that a trade mark owner, possibly another entitled person suffered, relating to illegal profits of the rights violator and possibly to the other than economic aspects, for instance to a moral detriment caused to entitled person by a violator.

### **1.5.6. Legal protection duration**

A protection period of the recorded trade mark runs from the date of the application submission and lasts ten years. Before a lapse of ten years time or in the indulgence period of six months after a lapse of time it is possible to re-establish this protection by paid application for next ten years. It is possible to extend a validity of a trade mark again and again always for next ten years, therefore a trade mark protection can last for unlimited time.

A trade mark can expire by lapse of time of registration validity, by trade mark cancellation or by nullification. A trade mark owner can also waive his right.

### **1.5.7. Invalidity and voidance**

Third persons can submit a motion for declaration of trade mark invalidity in case that a trade mark application from the beginning did not fulfil conditions of recording capability, as well as In compliance with all reasons specified for raising objections, thus as In compliance with absolute as relative objections of the recording capability.

In compliance with the owner's statement the Office issues a decision in the proceeding on a motion for declaration of trade mark invalidity. By means of this decision a trade mark can be declared void and null as the whole or only partly in relation to some goods or services for which it was recorded. The trade mark that is declared void and null loses effectiveness from the day of application (*ex tunc*), thus it is considered as it has never been recorded.

Further the third persons can contest the recorded trade mark by means of proposal for voidance. Among reasons of the proposal for trade mark voidance belong when a trade mark is not used in the crucial period of five years from a record, a trade mark of type and when a trade mark is used deceptively by the owner.

The Office issues an appropriate decision after a trade mark owner's statement to a proposal for voidance. Voidance of the trade mark can be partial or entire and its effect occurs from the date when an appropriate decision comes into force.

The Industrial Property Office exclusively decides about invalidity and voidance of a trade mark concerning the Czech national trade marks, not courts as it is in some other states of EU. Until a final decision of the Industrial Property Office about voidance or invalidity declaration relating to a trade mark was not issued, it is necessary to consider a trade mark, in particular for purposes of exacting rights relating to a trade mark, as valid. In cases when a voidance or declaration of trade mark invalidity is in particular with respect to already commenced proceedings about voidance or invalidity probable, but it will be usually In these cases especially is not convenient to perform any real non-returnable or non-cancellable steps during the exacting of trade marks.

## **1.5.8. Trademark protection under international law**

### **1.5.8.1 Elementary principles**

One of the elementary principles of trademark protection is a principle of territoriality which means that a trade mark uses a protection only in the area of the state, possibly supranational whole of which a protection was provided. Nevertheless, in compliance with multilateral international agreements the members of the member states have the same position if it concerns rights and duties before the recording office, as the members of the aforementioned states.

Whereas to the membership of the Czech Republic in the international contracts and agreements, except national trade marks recorded in the registry of Industrial Property Office, further trade mark rights are valid in the area of the Czech Republic. It concerns these trade marks:

- international trade marks recorded In compliance with the international application according to the Agreement of Madrid on International Record of the Factory and Business Marks and according to the Record relating to the Agreement of Madrid on Factory and Business Marks,
- generally known trade marks defined by the article 6bis the Paris Convention for Protection of the Industrial Property and by the article 16 of the Agreement on Business Aspects of the Rights relating to the Intellectual Property and
- trade marks of the Community recorded by the Office for Harmonization in the Internal Market according to the provision of the Council EC No. 40/94.

### **1.5.8.2 International trademark**

The Agreement of Madrid and the Record relating to this Agreement provide to the members of the contractual parts a possibility of their trade mark protection in all contractual states In compliance with the only application, submitted at the International Office relating to the World Organization of the Intellectual Property in Geneva by means of the appropriate recording office of the applicant's origin country.

An application of the international trade mark at the International Office is based on the record or on the application of the trade mark in the country of its origin. If the trade mark application is submitted till six months from the application submission in the country of origin, it is possible to assert the right of antecedence resulting from the elementary application.

By means of the application of the international trade mark an applicant requires its protection in the indicated (designated) states; from October 2004 by means of the international record form it is possible to register a trade mark even for the European Community as the whole.

The registering offices of the contractual states relating to the Agreement of Madrid can until one year from the date of the international record refuse protection of the international trade mark in case that the mark does not fulfil record conditions according to the interstate regulations. Contractual states of the Record can, In compliance with their proclamation, extend this term for eighteen months. In such case the national recording offices of the

contractual states, for instance the Industrial Property Office in the Czech Republic, can issue so-called avis de rufus (proclamation and refusal) of which they proclaim that they do not recognize effects of the appropriate international trade mark in their territory. The owner of the international trade mark can assert against this so-called avis de rufus remedial measures by means of the method according to the interstate law of the appropriate state. Whether these remedial measures are not applied or are not successful, so-called provisional protection refusal (avis de rufus proviso ire) becomes final (avis de rufus définitif) and thus the international trade mark, in the area of the appropriate state that issued avis de rufus, will lose from the beginning legal effects. It is possible, naturally, to exact rights relating to the international trade marks in the Czech Republic only in relation with the international trade marks which were designated for the area of the Czech Republic and of which an issuance of the final protection refusal did not occur.

International record of a trade mark is, for a period of five years, dependent on the record existence of the elementary trade mark in the country of origin. In case, that an expiry of this trade mark occurs in the given period of five years, its international validity record expires as well.

Generally known trade marks represent an indication which for identical or similar products or services of the owner became accustomed to the consumer public so much, that they show a distinguishing capability without recording to the registry. Quite strict conditions are applied to a degree of this so-called the quality of being established.

In the meaning of the article 6bis the Paris Convention and the article 16 of the Agreement on Business Aspects relating to the Intellectual Property is such indication protected in each contractual country of which it is generally known for identical or similar products or services. It is necessary to prove generally making trade mark known by reliable documents in the appropriate specific proceedings, for instance in the proceedings concerning the rights exacting in relation to this trade mark.

### **1.5.8.3 Community trademark**

From the date when the Czech republic joined the European Community, thus from the 1<sup>st</sup> of May 2004, even trade marks of the Community are valid in the area of the Czech Republic, kept by the registry of the Office for Harmonization in the Internal Market in Alicante.

Trade mark system of the Community provides a possibility to achieve a trade mark record for all member states of the European Community in compliance with the only application submission at the Office for Harmonization in the Internal Market. Unlike the international trade mark which is effective only in the contractual states of which they admitted a protection, a trade mark of the Community is distinguished by a unified character.

This unified character relating to the trade mark of the Community means that the appropriate mark has the same effects in all countries of the Community. A trade mark record, its transfer, its issuance, voidance or declaration for invalidity within a ban of use is valid for all member states of the Community as the whole. The only exception is a license relating to a trade mark of the Community which can be provided only for a part of the area of the European Community.

#### **1.5.8.4 Generally known trademarks**

Generally known trademarks represent an identification that is for identical or similar products or services of its owner become accustomed to the consumer society in a way that shows a distinguishing capability without being recorded in the register. Degree of this quality of being established is specified by strict conditions.

Under the article 6bis of the Paris Convention and article 16 of the Agreement on Business Aspects Related to the Rights of the Intellectual Property such specification is protected in each contractual country where such identification is generally known for identical or similar products or services. The fact of being generally known related to the trademark it is necessary to prove by reliable documents in the specific proceedings, for instance in the proceedings relating to exacting rights related to this trademark.

## **1.6. Industrial designs**

Right relating to an industrial design belongs with its character at the boundary between rights for indication and rights to results of a creative intellectual activity. Industrial designs are traditionally classified among the intangible assets of a creative character. Nowadays the effective Act No. 207/2000 on the Protection of Industrial Designs and the amendments to Act No. 527/1990 Coll., on Inventions, Industrial Designs and Rationalization Proposals, as amended, is formulated in the same way as the formerly valid Act specifying industrial designs No. 527/1990 Coll., specifying an industrial design as a result of a creative intellectual activity of its author. Nevertheless, within the protection by an industrial design comes to the fore rather distinctive, or more precisely individual character of the industrial design than a fact that it is about a creative piece of work. In this regard the institute of the industrial design, related to a specific extend, gets closer to trade marks, and in some cases a parallel protection by an industrial design and trade mark can be even formed for the same object.

Industrial design is a design of a product or its part. Thus it does not concern solutions of the technical character, inventions and utility models, but the result of a creative activity, in essential, of the visual character in particular it concerns activities of the industrial artists and designers. By means of the industrial designs it is not possible to protect technical solutions, but aesthetic and decorative aspects of the products.

Nowadays, industrial design protection in the Czech Republic is defined by the Act N. 207/2000 Coll. on industrial designs protection and on change the Act No. 527/1990 Coll. on Inventions, Industrial Designs and Rationalization Proposals, as amended. This Act is fully harmonized with directive of the European Parliament and the Council No. 98/71/EC from the 13 of October 1998 on legal protection of (industrial) designs.

Nowadays two sorts of industrial designs are valid in the area of the Czech Republic. There are national industrial designs, registered by the Industrial Property Office of the Czech Republic under Act No. 207/2000 Coll., then industrial designs of the Community, recorded by the Office for Harmonization in the Internal Market with registered office in the Spanish Alicante In compliance with provision of the Counsel (EC) No. 6/2002 from 12 December 2001 on industrial designs of the Community. Legal effects and the whole legal regime of both these sorts of the industrial designs are in most directions analogical. The most important difference between national and community regulation is the fact that besides registered industrial designs the community right admits a protection for so-called non-registered industrial designs of the Community. Thus, an industrial design traditionally belongs among industrial rights that are subjected to a registration, but this principle is to a certain extend broken in the area of community industrial designs.

### **1.6.1. Subject-matter of protection**

An industrial design is by the law defined as a design of a product or its part which especially lies in features of lines, outlines, colours, shape, structure or material of a product. It concerns the whole set of design features that are characteristic for a product.

A product means industrially or hand-crafted made object within parts determined to creation into one compound product, cover, design, graphic symbol and a symbol of typography, with



an exception concerning computer programs. A compound product is a product that is possible to dismantle, compounded from several parts of which it is possible to change.

Industrial design has to be a result of its own creative activity of its author or authors.

### **1.6.2. Conditions of the protection**

It is possible to protect an industrial design when it fulfils a condition of novelty and simultaneously a condition of individual character. In case, that an industrial design is a part integrated into a compound product, it is necessary that it is during an ordinary using by the final user of this product visible as the whole or its essential part, and that the part fulfils a requirement of novelty and individual character.

Novelty of the industrial design is specified if before the date of the appropriate application submission or before the day of the antecedence right tomation the same industrial design or design differed only in non-essential features was not opened to the public.

An industrial design presenting the individual character it is possible to consider such design that in relation to a consumer evokes an impression that distinctly differs from impressions from other designs which were opened to the public before the date of submission of the industrial design application.

Industrial design opening to the public means any kind of opening, for instance industrial design exposition, using in the commercial intercourse that was not restricted only for expert circles, publication In compliance with the record in the registry etc.

Nevertheless, whether an industrial design opens to the public, within the bounds of giving information or its realized acting of its author or its legal representative in the period of 12 months before the date of submission of the industrial design application, this publication is not a hindrance of novelty.

A subject-matter of the protection by an industrial design cannot be any technical or constructive solution of a product, a way or a method of its production, internal mechanism or product drive, transfer of the external design related to the existing product for a product of new kind, dimensional adaptation of already existing external design, especially concerning a material, architectural solution of a building etc.

In case, that an object produced according to the industrial design includes some technical function, the Office does not take it into consideration and judges the design only in the extend of remaining design features. Nevertheless, whether an industrial design makes possibility of connection or interconnection with products from different sources, then the protection by the industrial design is possible.

### **1.6.3. Right to industrial design**

Right to the industrial design belongs to the author that created this design and that it is a result of his creative activity. In case, that more authors took part in the process of the industrial design formation, right to protection of the industrial design belongs to all authors.

Whether an author created an industrial design within the bounds of tasks fulfilment resulting from employment or similar relationship, then the right to protection of the industrial design belongs to that who assigned an industrial design formation to an author. An author is obliged to inform in written a customer about an industrial design formation and is obliged to provide all documents necessary for submission of the industrial design application. Nevertheless, right to authorship remains entirely intact and an author in this case has a claim for adequate remuneration corresponding to a contribution of which it is obtained as a consequence of the industrial design using.

Only in case, when a customer of the task in the period of three months does not assert its right on the industrial design, the industrial design right is transferred back to the author and to the consumer is imposed a duty to remain silent concerning the industrial design still for the period of one month from the lapse of the mentioned period.

The author's right is non-transferrable. Nevertheless, an industrial design application and recorded industrial design is possible to transfer to other owner; concerning the recorded industrial design it is possible as well to grant a license for the industrial design use.

#### **1.6.4. Rights**

An owner of the recorded industrial design has exclusive right to use an industrial design, to give consent with its using and to transfer it. It is again about classical triad of the ownership prerogatives *ius utendi*, *ius fruendi*, *ius disponendi*.

A right to use an industrial design has positive and negative side. Positive side lies in the fact that an industrial design owner has a right to use this industrial design, and thus the owner is entitled to defend against that in order to the third persons impede to the owner in the exercise of this right. The negative, prohibitory side of this right lies in the fact that an industrial design owner is entitled to impede the third persons in design using without its consents. The industrial design using in particular means production, offering, launching to the market, import, export or product using, where this industrial design is used or of where it is applied to, or storage of such product relating to these purposes.

A right to transfer of the industrial design is realized by written agreement that becomes effective towards the third persons by record into the industrial design registry. Legal successor of the initial industrial design owner can invoke its rights from the recorded industrial design towards the third persons from the moment when the transfer is marked in the registry.

Consent to use the recorded industrial design is granted by license agreement. The license agreement has to be written and becomes effective towards the third persons when it is recorded in the industrial design registry.

An industrial design can be a subject-matter of security interest (pledge right p.447); the security interest is created by record in the registry. Recorded industrial design can be as well a subject-matter of the exercise of decision.

Rights from the recorded industrial design are valid from the day of application submission, obviously provided that the industrial design was recorded in the registry.

#### **1.6.5. Restriction of rights resulting from industrial design**

Nevertheless, exclusive rights of the owner of registered industrial design are in specific cases broken. It concerns cases of rights restriction resulting from the recorded industrial design in select sense, and further it concerns cases relating to exhaustion of rights and rights existence of a former user.

Rights resulting from the recorded industrial design are not related in particular to acting of the third persons realized for non-business purposes, for experimental purposes, for the third persons' acting consisting in reproduction for purposes of quoting or teaching. Last mentioned exception is only applied provided that such acting is compatible with honest business practice and is not inadequately at the expense of proper industrial design use, and that the source is mentioned. Rights resulting from the recorded industrial design are not related in particular to machinery of ships and planes registered in the other country if they get temporarily in the area of the Czech Republic, to import of spare parts and facilities to the Czech Republic for purpose of such mean of transport's repair and to repairs performance of this mean of transport.

Even in relation to the industrial designs, similarly as concerning the other sorts of industrial rights, is applied so a principle of Community exhaustion of rights. According to this principle, an industrial design owner cannot assert its rights resulting from the recorded industrial design in relation to products where the industrial design is marked or is applied, whether this product has already been once opened to the market in the European Community by the owner of the recorded industrial design or with its consent.

The owner of the recorded industrial design cannot as well assert its rights resulting from the industrial design towards the third person of whom so-called a right of former user belongs to. The right of former user belongs to a person who the day before an application submission or the day before a creation of antecedence right of the industrial design began with the industrial design use in the area of the Czech Republic, whether the used industrial design was created independently on the recorded industrial design or for that purpose serious preparations were made. The right of former user cannot be transferred separately from a company or its part that it is related to.

#### **1.6.6. Claims from industrial design infringements**

Concerning claims from an industrial design infringement is valid section of the Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act. In this respect, in the full extend we refer to the exposition about these claims in the chapter 1.5.5.

#### **1.6.7. Duration of industrial design protection**

The elementary period of an industrial design protection is five years from the date of an application submission. It is possible to extend this protection period by paid application for industrial design renovation. The application submitted always before the lapse of particular five years period makes possibility to extend the whole period of an industrial design protection till 25 years from the date of the application submission.

In case, that an owner does not submit the application for industrial design renovation in the prescribed term, it is possible to ask for it in the additional six months period on condition of official fee payment in double size.

An industrial design protection can expire by several ways, that is

- by lapse of period related to industrial design protection,
- by written owner's declaration about waive of its right and
- by decision about industrial design expungement.

### **1.6.8. Industrial design expungement**

Persons mentioned in the appropriate provision of the law can submit objectively justified proposal for the complete or partial industrial design expungement at Industrial Property Office . It is necessary, that this proposal is relied on reasons specified by the Act and proved by necessary means of proof.

A lack of recording capability related to an industrial design, congruence with preferred older law, illegal use of author's work, use of symbols according to the international agreement etc. belong, in particular, among reasons of expungement.

The proposal for expungement is discussed by the expert committee of the Office In compliance with expression of an industrial design owner and it issues a decision about the complete or partial industrial design expungement or it refuses the proposal fro expungement.

Effects of the expungement or partial expungement become retrospective on the date of the validity beginning of the industrial design, ie. on the date of submission of its application.

### **1.6.9. Industrial designs under international law**

In relation to the industrial designs, regarding the private international law there is applied so-called a principle of territoriality. According to this principle, a legal protection provided to the industrial designs in the area of a specific state is always followed basically by legal order of this state. Therefore, the Czech law is applied to legal relations resulting from the industrial designs recorded by the Industrial Property Office of the Czech Republic.

The Paris Convention on Industrial Property Protection has even importance for the area of the industrial designs. Important is especially the fact, that this agreement embodies an institute of so-called union priority. In compliance with this principle that who submitted an industrial design application in one member state of the Agreement, can submit an application of the same design in the other member states in preferred term of six months without that the originally submitted application was to the detriment of novelty of later submitted applications.

The industrial designs of the Community, determined by directives of the Council (EC) No. 6/2002 of 12 December 2001 on industrial designs of the Community are valid in all member states of the European Union. These industrial designs have identical effects in all member states of the EU and are, similarly as Community trade marks, recorded by the Office for Harmonization in the Internal Market in Alicante. Besides registered Community industrial designs exist non-registered Community industrial designs. As non-registered Community industrial designs are protected such designs which were published, exposed, used in the commercial intercourse or opened to the public in other way that, relating to normal course of business, could reasonably become known in the appropriate business circles. Non-registered Community industrial design is valid for the period of three years from the date when it was firstly opened to the public within the Community.

## **1.7. Topography of semiconductor products**

New structures of semiconductor products – topography it is possible to protect according to the Act No. 529/1991 Coll., as amended. This Act is fully in accordance with the directive of the European Communities on Legal Protection of Topography of Semiconductor Products No. 87/54/EEC.

### **1.7.1. Subject-matter of protection**

Topography of semiconductor products is series of embodied or encoded reciprocally relating depiction of three-dimensional layers arrangement of different materials of which the semiconductor product is consisted. Each of these depictions represent a design, or more precisely a masque of one layer of the semiconductor product or its part, possibly a cover of the semiconductor product in particular phases of its production or making parts of the semiconductor product.

It is about final or interlocutory form of a semiconductor product which shall fulfil specific electronic function and it is formed by at least one layer of conductive, insulating or semiconductor material in a specific arrangement.

Subject-matter of the legal protection is a constructive scheme of a semiconductor product, or more precisely three-dimensional structure consisting of particular layers making semiconductor product that are reciprocally interconnected.

Protection is only related to external arrangement of topography of semiconductor product or its parts; thus a technology used in making topography and production of a semiconductor product is not protected, even not its electronic function, not even information placed in it.

### **1.7.2. Conditions of protection**

Protection capable topography of semiconductor products has to be result of an author's creative activity, thus it presents a technical solution which is not obvious. It concerns an original constructive arrangement in the sense, that it is a result of an author's creative effort and at the time of its creation it is not usual.

Whether topography of semiconductor product is consisted of generally known elements, it is capable of protection only on condition if this combination of known elements is original.

From hereinbefore mentioned results that a condition for protection of topography of semiconductor products is not novelty in the sense of the patent law, nevertheless, the constructive scheme of semiconductor product has to show characteristic, not usual elements.

### **1.7.3. Rights to topography protection**

Right to topography protection of semiconductor product can be asserted by citizens of the Czech Republic or persons who have a residence or a number in the area of the Czech Republic. Citizens of the other states can submit applications related to topography of semiconductor product In compliance with reciprocity and to assert the antecedence right.

Right to protection related to protection of semiconductor product belongs to an author or legal successor. Nevertheless, in view of complicated technical character related to topography of semiconductor product, it is not formed spontaneously by the author. Topography of semiconductor product is usually a result of task related In compliance with employment or other contractual relationship. In this case, an employer or appropriate contractual party has a right to protection related to topography of semiconductor product.

Right to protection related to topography of semiconductor product is asserted by a submission of application related to topography of semiconductor product at the Industrial Property Office which implements a record in the registry and publishes it in the Official Journal.

It is possible to provide a license for a right related to topography of semiconductor product; it is as well possible to transfer this right and inherit.

### **1.7.4. Registration proceedings, protection period**

Protection related to topography of semiconductor product is formed In compliance with proper application submitted at the Industrial Property Office together with documents which make its identification possible and contain appropriate time pieces of information. This protection can occur in double ways.

An applicant submits a written application related to topography of semiconductor product which was not before used in business or was not used in public. Protection is formed on the date of the application submission.

In case, that topography of semiconductor product has already been evidently used in the commercial intercourse, it is possible to submit an application in the period of two years from the date of its first use of which the protection is formed.

Documents related to the application of topography of semiconductor product have to make possible an identification of this topography. It is necessary to present drawings or photos of designs relating to layers or masques for production of semiconductor product according to

chronological order during production and possibly to fulfil them even by semiconductor product. The law makes possible that some of the documents relating to application of topography of semiconductor product, presented by the applicant, were marked as a trade secret. Such documents serve for proceedings before the Office and are not available to the third persons to consult.

The Office makes only formal survey, or more precisely a capability survey related to topography of semiconductor product to the record in which it excludes objects evidently incapable of protection and removes defects of formal character. Thereafter, the Office records topography of semiconductor product in the registry within the appropriate data publishes the record in its Official Journal and gives to the topography owner a specific certificate about the record.

Duration of protection period related to topography of semiconductor product terminates by lapse of 10 years from the end of the calendar year in which was formed. The law does not make new protection related to topography of semiconductor product possible, in a view of supposed technical obsolescence of the constructive schema. After the lapse of protection period, the Industrial Property Office challenges a topography owner to hand over documents making identification of topography possible. Whether it does not happen, the Office destroys the documents.

#### **1.7.5. Rights and claims from infringement**

Concerning topography of semiconductor product or its separate part, it is not possible to reproduce, produce, make its depiction for productive purposes and use it in any business way without the owner's consent. The same is related to a semiconductor product containing the appropriate topography.

Protection effects of topography are not related to the use when a usual consumer does not have possibility to find out that it is about protected topography of semiconductor.

Claims from infringement rights related to topography of semiconductor product are defined by the Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act. In this respect, it refers to our expositions related to trade marks in the above 1.5.5.

#### **1.7.6. Expungement of topography of semiconductor product**

Since, the Industrial Property Office makes a record of topography of semiconductor product without relevant official survey anybody can submit a proposal for expungement of the topography record from the registry of this Office.

Lack of the recording capability, lapse of proper period for an application submission, an application submission by not unlawful person etc. belong among reasons of expungement.

The Industrial Property Office challenges the owner of the topography of semiconductor product to express his point of view to the proposal for expungement. In view of technical

character of the subject-matter protection, the Office can require an expert opinion during the process of expungement.

If a reason asserted in the proposal is proved in the proceedings of expungement, the Office expunges the topography with effect of *ex tunc*. Costs of the proceedings, within costs for the expert opinion, are paid by a participant of the proceedings that did not succeed.



## **1.8. Appellations of origin and geographical designations**

Rights related to appellations of origin and geographical designation are rights to designations. Name of origin and geographical names shall not serve, unlike trade marks, to distinguish products or services related to various competitors, companies that compete in the market, possibly other persons, but they shall serve to inform about geographical origin of some products, and without respect to the fact which entity (company, competitor) is its producer. For this reason, concerning protection relating to name of origin and geographical names public law elements prevail, monitoring protection of public interest for using correct names of origin and geographical names indicated before private law elements. The institute of names of origin and geographical names has from all industrial rights the most distinctive public law character.

Protection of names of origin and protection of geographical names is defined in the Act No. 452/2001 Coll., on protection of appellations of origin and geographical designations and on the amendment of consumer protection act. This Act replaced the former legal regulation from 1973 with respect to the Agreement on Business Aspects of Rights related to the Intellectual Property (TRIPS) and in relation with the directive of the Council (EEC) 2081/92 on protection of geographical designations and appellations of origin.

### **1.8.1. Subject-matter of protection**

According to hereinbefore mentioned Act the name of origin means a name of area, certain place or country used for names of goods coming from this area if quality or features of these goods are exclusively or mostly given by a special geographical area with their characteristic natural and human factors, and if a production, processing and preparation of such goods happen in the restricted area; as names of origin for agricultural products or food are regarded traditional geographical or non-geographical names for goods that come from the defined area whether such goods fulfil the other legal conditions in the hereinbefore mentioned point of view.

Geographical name is according to the law defined as a name of the area used for names of goods that come from this area if these goods have specific quality, reputation or other features that it is possible to add to this geographical origin and if a production or process or preparation of such goods happens in the defined area.

Difference between the name of origin and the geographical name thus especially lies in the intensity of association related to goods indicated by specific indication with a specific geographical area. In case of geographical names a degree of this association is lower. It is enough, that concerning the geographical origin of a specific product it is possible to add specific quality, reputation or other features of goods, and it is not necessary that quality or features of goods were exclusively or mostly given by special geographical setting related to specific area. Secondly, it is enough that in the defined area a production or process, or preparation of specific goods happen, thus any of these activities, whilst in case of name of origin, it is necessary that in the defined area as a production as process and preparation of specific goods happen.

Referring to name of goods, it means any chattel personal made, extracted (vytěžená) or in other way obtained in the defined area without respect to the degree of its processing which is

determined to an offer of the consumer public. As goods, according to hereinbefore mentioned law are considered as well services.

Concerning names of origin or geographical names it is not possible to protect names,

- of which version, to be more precise, corresponds to area name of goods origin, but it can induce wrong presumption that it comes from the other area,
- which is identical with already protected name of origin, geographical name, generally known trade mark or recorded trade mark, or name identical with name relating to variety of plants or breed of animals which could lead to wrong presumptions about real origin of goods and
- general name relating to kind of goods, and that is, without respect to the fact, whether goods come from thus defined area.

### **1.8.2. Conditions of protection**

Protection related to name of origin and geographical name is formed by the date of record in the register managed by Industrial Property Office.

Producers' association or processors' association with registered office in the Czech Republic can apply for name of origin or geographical name relating to their goods produced in the defined area at Industrial Property Office.

Particular natural person or legal entity with the registered office or residence in the Czech Republic can apply for a record related to name of origin or geographical name only in case if in the period of the application submission is the only one that produces, processes and prepares goods in the defined area, for which the protection is required.

In addition, the applicants that do not have their registered office or residence in the Czech Republic can assert the application for record related to name of origin or geographical name in compliance with reciprocity.

The application for record related to name of origin or geographical name is necessary to complete with documents confirming that the applicant's workshop which produces, processes or prepares goods, is situated in the defined area. As well, it is necessary to add a specification with a list of goods to the application, in which serving goods are characterized by detailed description within features and a method of preparation. The specification in particular has to contain

- name and description of the product or food within their characteristics,
- definition of the geographical area and proof that the product or food comes from this area,
- description related to obtaining of the product or food and importance of the geographical area for the product or food.

This specification, in essential, is a specific regulation that should be fulfilled by all goods distributed under the name of origin or geographical name. Czech Agricultural and Alimentary Inspection is based from the activity of this inspection as the control authority of alimentary and agricultural products. In case, that changes in the defined area happen or that change related to technology of processing goods happens or that the other change happens,

the applicant can demand the Industrial Property Office for the record of specification change in the registry.

The Industrial Property Office examines whether the name of origin or geographical name mentioned in the application fulfils conditions for the record in the registry and whether the application has all elements that are required by the law. After this examination, the Office records a name of origin or geographical name in the registry with all needed information, and then publishes the record in its Official Journal and issues the certificate to the applicant.

### **1.8.3. Rights**

Unlike the other entities of the industrial property the record related to name of origin or geographical name does not embody the exclusive right of the particular entity to use the appropriate name, thus only the right of the recorded entity. Right to name of origin or geographical name belongs to all entities which fulfil by law defined conditions, and that is without respect the fact, whether they are recorded in the registry or not. Anybody, who produces, processes and prepares goods with corresponding quality or features in the defined area is entitled to use the recorded name of origin or geographical name.

In view of non-exclusive character relating to subject-matter of the protection, it is not possible to grant a license for recorded name of origin or geographical name. It is not possible as well to provide these names as security (pledge).

### **1.8.4. Duration of the protection**

Protection related to name of origin and geographical name is formed by the record in the registry. Duration of this protection is not temporarily restricted.

Recorded name of origin and geographical name can expire by decision of the Industrial Property Office in the repealing proceedings.

### **1.8.5. Effects of the protection**

Anybody, who produces, processes and prepares specific goods in the definite area is entitled to use the recorded name of origin or geographical name, in particular to place it on goods.

Except the mentioned entities, nobody is allowed to use or to abuse the recorded names, anybody is not allowed to take dishonestly and to imitate them, not even to use them as indication related to sort of goods. It is possible to apply for a ban related to use of the recorded name of origin or geographical name for comparable goods which do not fulfill conditions in relation with appropriate specification.

Recorded names of origin and geographical names are protected against

- any business use of the recorded name for goods of which the record is not related to,
- abuse, imitation or mention of the recorded name by means of comparison or sort indication,

- any wrongful or deceptive information about geographical origin and features of goods on the cover during transport, advertisement and further
- any act leading to deception about the origin.

Every person can, by means of the legal way, apply for a ban to use the recorded name of origin or geographical name for comparable goods which do not fulfil conditions that are in relation with the appropriate specifications, within its withdrawing from the market. Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act applies for exacting rights from names of origin and geographical names. In this regard, we fully refer to the expositions of the point 1.5.5. below.

### **1.8.6. Appellation of origin or geographical designation infringement**

The record infringement related to name of origin or geographical name can occur In compliance with the affected person's motion, checking authority or from the initiation of Industrial Property Office . Conditions defined by law can be as well influenced by a permanent qualitative change of natural environment, climate or natural sources exhaustion.

Reason for the record infringement is

- breaking of the conditions defined by law,
- cancellation of the conditions defined by law,
- when goods, indicated with name of origin or geographical name, do not fulfil requirements defined by the appropriate specification.

In case of breaking conditions related to the record of name of origin or geographical name, infringement ex tunc occurs, in next two cases ex nunc.

### **1.8.7. Protection related to the appellations of origin and geographical designations under international law**

#### **1.8.7.1 General principles**

Unlike most sorts of the industrial rights, rights related to name of origin are a subject matter of a number of bilateral agreements that the Czech Republic is bounded. It concerns, for instance the agreement with Switzerland (regulation No. 13/1976 Coll.) and with Austria (regulation No. 19/1981 Coll.). A protection resulting from these bilateral agreements can be wider than a protection resulting from the interstate law, or more precisely multilateral international agreements, and in case of a specific matter judging, it is always necessary to find out whether a bilateral agreement is not valid in the relationships of the affected states. In relationships of the member states of the European Union firstly, in the process of these agreements' application, it is necessary to find out whether obligations, resulting from these agreements, pass in a view of the entry of the Czech Republic in the European Union.

Three important multilateral international agreements define the area related to name of origin and geographical name that is the Agreement on the Business Aspects of the Intellectual Property (TRIPS), The Agreement of Madrid on Suppressing False or Deceptive Information and The Agreement of Lisbon on Protection of Name of Origin and on their International Record.

### **1.8.7.2. International record of appellation of origin**

The Agreement of Lisbon on Protection related to Name of Origin and on their International Record makes possible the international record related to name of origins which are protected according to the interstate law of the member states of the Agreement. Internationally recorded names of origin are then protected in all member states of the Agreement against all dishonestly taking or imitation, and that is when the real product's origin is indicated or even when the name is used in translation or is accompanied by expressions such for instance "sort", "type", "method", "imitation" etc., unless a specific member state declared that it cannot provide protection related to a specific internationally recorded state; nevertheless the specific member state has to make this declaration in the period of one year from the date of the acceptance related to the announcement about the international record.

### **1.8.7.3. Protection in the EU**

In the European Union the area of geographical names for names of origin is defined by directive of the Council No. 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products, which substituted directive No 2081/92 from the 14<sup>th</sup> of July 1992. This directive defines the protection related to geographical indications and designations of origin for agricultural products determined to human consumption and further alimentations, but it is not related to wine and spirit. This directive- unlike the Czech Act on protection names of origin - does not provide protection related to designations of origin of the other products than agricultural products and alimentation. By means of this directive, legal regulation is exclusive in the sense that the expressions protected by name of origin or by protected geographical name or similar traditional national names are possible to use only for agricultural products and alimentation which are convenient to the conditions of the directive.

This exclusivity was confirmed by the Judicial Court of the European Communities, when deducted that by using the interstate regulations the member states cannot change names of origin of which protection by means of the directive they demanded, and to protect such name in the national level.

The Commission registers, in compliance with provision No. 510/2006, geographical indications and designations of origin. The applications for registration are handed over to the Commission by means of the appropriate national authority of the member state where a specified geographical area is situated. Whether the Commission considers the application as lawful, the specification is published in the official list of the European Communities. Each member state, in the period of six months from the publication, can submit a protest against the record; the appropriate authorities of the member states are obliged to guarantee that persons, who have lawful economic interest, were entitled to express their opinion in relation to the application. Whether the protest is not accessible or whether any protest was not submitted, the Commission records the name in the registry.

Recorded names are protected against:

- direct or indirect business use of the recorded names on products of which the record is not related to, whether these products are comparable with products recorded under

this name, or (where products are not comparable) whether use of the names profits from good reputation of the protected name;

- each abuse, imitation or mentioning, although the real origin of the product is mentioned or although the protected name is translated or accompanied by an expression “sort”, “type”, “imitation”, “method” etc.;
- every other false or deceptive information about provenience, origin, character or elementary features of the product mentioned on the cover, advertisement materials etc., in a way that could induce wrongful impression about its origin;
- all other practices capable to exercise deception on the public regarding the real origin of the product.

The directives expressly define that protected names cannot become generic.

## **1.9. Corporate name (company name)**

Right related to corporate name (company name) is usually classified to the rights related to the intellectual property. Institute of the corporate name (company name) in particular belongs among rights of the intellectual property with respect to the fact that a subject-matter of this right is the intangible asset – specific indication which personalizes businessmen in legal relations and in the market. Regarding the systematic classification of rights related to the intangible assets, in specific right related to corporate name (company name) belongs to rights for indication, thus rights related to entities of non-creative character. It is possible to see a certain relation of this institute with the industrial rights in the fact that even right related to a corporate name in the Czech legal system is subjected to registration, but absolutely not by the Industrial Property Office but by a court which is appointed to manage the Commercial Register.

Nevertheless, right related to a corporate name (company name) does not belong among typical industrial rights with its genesis and not even with its position within the bounds of system related to legal order. It is about the institute that belongs typically in the commercial law and which developed differently from the other industrial rights. Right related to a corporate name (company name) is not as well subjected to some institutes that are typical for industrial rights and some legal regulations are not related to them as well which are otherwise related to all industrial rights, especially there is not related the Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act.

Nevertheless, the institute of a corporate name (company name) is not negligible element of complex system of the industrial rights protection that this system in important aspects completes and amends. Company name protection is embodied in the elementary multilateral international agreement in the area of the industrial property – The Paris Convention on Protection of the Industrial Property. Brief treatise about this legal institute cannot be absent in this brief overview, even if a number of institutions competent to enforce rights of the intellectual property will not have competence in the area of rights relating a corporate name (company name).

### **1.9.1. Concept**

Institute of the corporate name is in the Czech legal order defined in sections 8 to 12 of Act No. 513/1991 Coll., The Commercial Code, as amended. The Commercial Code defines a corporate name as a name under which a businessman is registered in the Commercial Register, and defines duty of businessman to act legal act in relation with its firm.

The corporate name is thus a name which every businessman, who is registered in the Commercial Register, has compulsory, especially every business company, and which serves as an identification of this businessman in the legal relationships. Exclusively under the corporate name a businessman is thus obliged to identify for instance in agreements, in unilateral legal acts, any other legal acts, under the corporate name a businessman is obliged to act before courts and state authorities, especially in the court and administrative proceedings etc. In all these cases there exist an interest in order to a businessman, acting in the specific legal relationship, was unambiguously specified thus in order that it could be

possible to identify a businessman as a specific person and to differ him/her from any other persons, either businessmen or next persons.

### *Absolute and relative protection of company name*

In relation with a corporate name recorded in the Commercial Register, exclusive rights of absolute character are formed relating to a businessman, which appeal towards all third persons. Besides this institute of absolute character there exist corporate name protection of relative character that is not bounded to the record of the company name in any register and that appeals only relatively within bounds of legal relationships which are formed in the economic competition. The institute of the company name in this sense knows for instance French law. As “company name” in this sense it is possible, in contemporary Czech legal order, to consider even a name of a person and special name of business used by specific competitor of which protection by means of right against unfair competition belongs to, in particular In compliance with the provision of section 7 paragraph a) of the Commercial Code. Recently, (before amend of the Commercial Code carried out by the Act No. 370/2000 Coll.) the institute of the “registered” corporate name (with specific modifications) was called a company name. Between “a company name” under the Commercial Code, as amended, before the amendment carried out by the Act No. 370/2000 Coll. and “a corporate name” in the sense of contemporary legal regulation it is possible, with specific qualifications, to give a sign of equation. It is necessary to distinguish from “a company name” in the sense of the former valid legal regulation of the Commercial Code the institute of non-recorded company name in the sense of hereinbefore mentioned.

### *Company stem and additions*

A corporate name is formed by company stem and additions. Compulsory company additions, in case of business companies, are abbreviations of their law forms, thus “public business v.o.s.” in case of business company, “k.s.” in case of limited partnership company, “Ltd.”, possibly “company Ltd.” in case of the limited liability company and “a.s.” in case of public limited company (akciová spol) and in case of cooperative associations the addition is “a cooperative association”. A company stem is the remaining part of the corporate name that forms the own name of the businessman. This name can have personal, real, imaginative and mixed character. In case of company’s stem related to personal character, the company stem is formed by already existed name, typically by name of a businessman – a natural person. Real company’s stem has a specific semantic value that in a specific way is related to a subject-matter of business of specific businessman. Imaginative company’s stem is thought up and is usually formed by non-existing word. Mixed company’s stem is a stem created by combination of personal and/or imaginative elements.

### *Establishment of an individual*

Business of an individual person is always the first name and surname, the business of an individual thus has always a personal character. Besides, the company of a natural person can contain an addition that distinguishes a person of businessman or sort of business usually relating to this person or sort of business. The corporate name of a natural person is for instance “Karel Novák”, a businessman – nevertheless, a natural person has facultative



possibility to add an addition to this compulsory part of the corporate name that characterizes his business or his personality, for instance “furniture production”, “healer”, “younger” etc. The whole corporate name of a natural person can sound for instance “Karel Novák, production furniture”. This addition, according to established practice and exposition of the Commercial Code, can have an imaginative character, for instance “Karel Novák – Gumotex”. Nevertheless, necessary part related to the corporate name of a natural person remains first name and surname of the businessman; without this company stem it is not possible to use the natural person’s company. Whether, for instance an imaginative name that a businessman – natural person – uses during his business activity, stands separately, for instance “Gumotex”, it would not concern a corporate name, but it could concern a specific name of a business protected by means of right against unfair competition.

### *Establishment of a legal entity*

Corporate name of a business company or cooperative association, as well as the other legal entities that are formed by means of the record in the Commercial Register, is a name under which they are recorded in the Commercial Register. In these cases a corporate name’s stem can have as personal as real factual or imaginative, possibly mixed, character, but it cannot act deceptively. A corporate name of the limited liability company can sound for instance “Gumotex, Ltd.”, in the same way as “Martin Holý, Ltd.”, possibly “Holý – Gumotex, Ltd.”, “Furniture Pilař, Ltd.” etc, provided that the sound of the corporate name does not act deceptively with respect to a subject-matter of the business.

Some specific Acts embody specific requirements on companies related to some sorts of legal entities; for instance the banks’ corporate names have to contain a name “a bank”, similarly stock exchanges’ corporate names have to contain a name “ a stock exchange”, and the other entities in its corporate name and name cannot use this name. Part of corporate name related to legal entities is an addition indicating their legal form. Without this addition a corporate name of a specific businessman is not complete and cannot be used (for instance a company with a corporate name “Gumotex, Ltd.” cannot be indicated as only “Gumotex”, such name would not be a corporate name).

### **1.9.2. Conditions of protection**

Protection of a corporate name is bounded to its record in the Commercial Register. A corporate name and its related rights are formed by means of this record.

Choice of a corporate name is basically a matter of a businessman’s choice (a natural person or a legal entity) which allows itself record or has already been recorded in the Commercial Register. The businessman always has to choose a corporate name at so-called the first record, thus at the moment when he/she allows himself/herself record in the Commercial Register for the first time. The businessman, that has already been recorded in the Commercial Register, is allowed to change his corporate name in accordance with defined conditions by law; nevertheless, in such case a businessman has to apply for a record of a specific change in the Commercial Register and the new sound of the corporate name becomes effective at the moment of its record in the Commercial Register.

When a businessman chooses a corporate name, he/she has to respect these elementary rules:

- corporate name of a legal entity always has to contain its name and surname;
- corporate name of a legal entity has to contain the addition indicating its legal form, possibly further indication according to specific legal regulations (for instance “a bank”, “a stock exchange”, “an insurance company” etc.);
- corporate name is not allowed to be interchangeable with a corporate name of the other businessman;
- corporate name is not allowed to act deceptively.

An addition indicating a legal form is not sufficient to distinguish a corporate name, ie. they should be additionally recorded in the Commercial Register, for instance corporate names “Gumotex,a.s.” and “Gumotex, s.r.o.”. To distinguish a natural person there usually is sufficient to mention another place of business, for instance “Karel Novák, Olomouc”, “Karel Novák, Broumov”. If one natural person has the same name as the other businessman acting in the same place of business, he/she is obliged to fulfill information relating to name by sufficiently distinguishing addition.

The court, that administrates the Commercial Register, assesses a fulfillment of the hereinbefore mentioned conditions; the court should not record the corporate name, that is insufficient in accordance with the hereinbefore conditions, in the Register. Such name, as a corporate name, should not be protected at all. Whether (and until) a specific corporate name is recorded in the Commercial Register, it is necessary to be based on the fact that it is in accordance with specific requirements of the Commercial Code. Nevertheless, it does not exclude a possibility to demand a change of the corporate name related to another businessman, whether this corporate name is not in accordance with legal conditions; but before a change of a corporate name in the Commercial Register there must be the acceptance of the businessman’s decision about a change of his corporate name according to by law prescribed way, for instance by the resolution’s acceptance of the general meeting of the limited liability company.

Anyone who inherits a business after a businessman of a natural person or acquires such business by agreement, he/she can do business under the existing corporate name with the successive addition, and that is only when he/she has an express consent of a testator or inheritors or his legal ancestor.

Corporate name of a legal entity estates upon a successive legal entity with a business, if the original legal entity terminates without liquidation and the successive legal entity hands over the corporate name, in case of fusions, transfer of assets to a member, division or change of a legal form. If the successive legal entity has different legal form, the addition of the corporate name has to be in accordance with its legal form.

A transfer of a corporate name without contemporary transfer of a corporate name is inadmissible. On the contrary it is possible to transfer a business without a corporate name.

### **1.9.3. Rights**

Although the Act does not expressly define it, exclusive right of absolute character belongs to a businessman in relation to a corporate name, and such right excludes non-restricted group of third persons in using of the same corporate name. The businessman has, of course, not only a

right, but has a legal duty to act legal acts under the corporate name, and that is exactly in the form as it is recorded in the Commercial Register.

The Commercial Code further defines specific claims that, in case of rights infringement, belong to the corporate name. Anyone who was affected in his rights, by means of illegal using of the corporate name, has these legal claims:

- dilatory claim, i.e. a claim for the fact in order that the illegal user abstains its act;
- removal claim; i.e. a claim in order that the illegal user removes harmful condition;
- claim for issuance of unjust enrichment;
- claim for relevant satisfaction that can be provided in money;
- claim for compensation of damage, if the damage was caused by means of illegal using of corporate name.

Besides this, the court can admit to a participant, of whom proposal was satisfied, a right, in the judgment concerning rights related to a corporate name, to publish the judgment at the costs of a participant who did not succeeded in the dispute, and according to circumstances to define an extend, form and way of publication.

It is possible to assert the hereinbefore mentioned claims in the civil proceedings.

#### **1.9.4. Duration and voidance of the protection**

Legal protection of a corporate name is related to its record in the Commercial Register and provided that the corporate name fulfils legal conditions, it lasts as long as the corporate name's record in the Commercial Register lasts. Similarly, as the registration of a businessman in the Commercial Register, the registration of the corporate name is made basically for indefinite period, and therefore rights related to a corporate name last basically during non-restricted period without necessity to renew, to extend the registration in any way etc.

Protection of a corporate name basically terminates by the expungement of a businessman from the Commercial Register, in particular, in case of legal entity termination with liquidation without a legal successor, and in case of natural person death – a businessman recorded in the Commercial Register, whether his inheritors do not continue in business under the existing corporate name.

#### **1.9.5. Protection of the company name in the international law**

As it is mentioned in the introduction, the Paris Convention on Protection of the Intellectual Property embodies a protection of the company name. Article 8 of this Agreement defines that a company name is protected in all union countries without a necessity to register or record it. The Union Paris Convention is based on the French conception of the company name (see hereinbefore point 1.9.1) of which legal protection does not need registration.

Although, a necessary condition in the Czech legal order to form right related to a corporate name for Czech citizens (citizens of the Czech Republic and companies established and existing in accordance with law of the Czech Republic) is the record of a corporate name in the Commercial Register, the Czech Republic is obliged to provide protection of the company

names related to persons from the other member states of the Union Paris Convention , and without respect to the fact if these company names are recorded in the Czech Republic in the Commercial Register, or possibly in the other register. Basically, it is inadmissible that a Czech businessman allows himself/herself to record in the Commercial Register under a corporate name which is identical or exchangeable with the older company name of the other businessman from countries of the Union Paris Convention.

## **1.10. Unfair competition**

Right against unfair competition is traditionally included in the area related to rights of the intellectual property.

Right against unfair competition is connected with rights of the intellectual property because by the means of right to protection against unfair competition it is possible to protect specific competitive acts of the intangible character that can have a character of the intangible assets or are very similar to the intangible assets. It concerns, especially, the names that are really used by competitors in the market but formally non-registered as trade marks.

Nevertheless, rights protected by means of unfair competition in a lot of essential respects differ from the other sorts of rights of the intellectual property. These differences are so distinctive that they can even lead to opinion that the right of unfair competition does not belong among rights of the intellectual property. The most essential from these differences is that the right of unfair competition provides protection to rights only within the bounds of the relative legal relationship among competitors reciprocally, possibly between competitors and consumers. Right of unfair competition does not found thus rights of absolute character that would be possible to assert erga omnes towards non-restricted circle of the third persons. Condition of successful asserting claims from the unfair competition is mostly proving of the existence of so-called competitive relationship of which relation only rights, protected by means of protection before unfair competition, can be formed and use protection (see hereinafter). Another important difference is that rights protected by the institute of unfair competition are not subjected to the registration unlike the industrial rights.

Courts, almost exclusively, provide a legal protection before an unfair competition. Unfair competition right is in the Czech legal order defined in sections 44 and following of Act No. 513/1991 Coll., The Commercial Code, as amended, and regulations concerning the industrial rights are not usually related to it. It is not possible to apply for protection before unfair competition in compliance with Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act, and under Act No. 191/1999 Coll., on Measures Relating to Import, Export and Re-Export of Goods Violating some Intellectual Property Rights and on Amendments to Certain Other Acts, as amended, or more precisely Council Regulation (EC) No 1383/2003 concerning customs impact against goods suspected of infringement related to specific rights of the intellectual property and provisions that shall be accepted against goods which demonstrably such rights infringed.

### **1.10.1. Concept**

The Commercial Code defines an unfair competition as acting in the economic competition which contravenes with good morals of the competition and is capable to cause a detriment to the other competitors and consumers. The acting, that is in sense of this definition an unfair competition, is illegal acting and is banned by law. According to the conceptual definition of the unfair competition, there is evident a delictual character of the unfair competition right. The unfair competition right, unlike the other rights related to the intellectual property, does not form any own rights of positive character but bans specific forms of delictual acting that is designated as illegal. Whether such acting of delictual character occurs, a legal relationship is formed of which respect rights and obligations reciprocally can be to its participants formed.

Content of these rights and obligations is defined by legal means of protection before unfair competition, or more precisely by definition of the particular claims from the unfair competition (see hereinafter 1.10.3).

There are three conceptual features that are necessary for qualification of specific acting as an unfair competition:

- has to concern an acting in the economic competition;
- that contravenes with good morals of the competition;
- and that can cause a detriment to other competitors or consumers.

### **1.10.1.1. General clause vs. specific facts of a case**

Three hereinbefore mentioned conditions are necessary conditions, but as well sufficient for qualification of a specific acting as unfair competition's acting. These conditions result from so-called general clause for protection before an unfair competition that in general level defines the unfair competition. This general clause is completed by the exemplary number of particular facts of a case related to the unfair competitive acting. This list is exemplary, it is not detailed. It means that although it is usually possible to include a specific unfair competitive acting in some specific facts of an unfair competition, there is not a possibility of qualification related to specific acting as a completion of specific facts of unfair competition that is necessary condition for qualification of such acting as an unfair competitive acting. For qualification of specific acting as an acting of unfair competition, there is always sufficient that this acting fulfils so-called general clause of the unfair competition, thus fulfils the hereinbefore three conditions and even if this specific acting was not possible to include under any of the specific facts of the unfair competition. Legislator intentionally left quite wide scope to courts that decide in matters of unfair competition to form an unfair competitive right by judicial decisions. That is because a practice of the economic life is enormously large and various, and in the course of time it develops and changes; in advance by means of detailed way it is not possible to describe particular possible forms of the unfair competition acting of which occurs or sometime in future can occur.

Special facts of cases relating to the unfair competition are:

- deceptive advertising;
- deceptive names of goods and services;
- initiating of exchange danger;
- sponging on business' reputation, products or services of the other competitor;
- bribery;
- disparagement of a competitor;
- comparative advertisement;
- trade secret infringement;
- endangering the consumer's health and the environment.

### **1.10.1.2. Acting in economic competition**

Acting in the economic competition is any acting of which occurs on the occasion of the economic competition in the market, in non- legal context called as well a competitive

struggle. It does not depend whether participants of such economic competition are businessmen in the sense of the Commercial Code; it is sufficient if it concerns competitors that de facto take part in the competition, even if for instance in specific case they did not have Trade Permit or another permit related to particular sort of business activity. This acting does not have to be necessarily focused on a profit obtaining, a target of such acting can be different, for instance a competitor removal, obtaining of higher share in the market, reduction or loss minimization etc. Nevertheless, target of a competitive acting should be attainment of some economic benefit, either own or someone else's.

A notion of so-called competitive relationship is closely related with a definition of target of a competitive acting. The unfair competitive acting can occur only on the occasion of a competitive relationship which is, of course, interpreted very widely. Not only direct competitors are in the competitive relationship, for instance producers of two products that directly compete in the market, but all other entities that act in similar or reciprocally substitutable (substitutovatelných) branches or economic activities. From the widest point of view, it is possible to understand a competitive relationship as a summary of relationships that is formed with bounds of the circle of persons who can be affected in their interests not only as entities but as objects of competition.

### **1.10.1.3. Good morals of the competition**

A notion of good morals is a metalegal notion. This notion expresses ethical evaluation of a specific acting from the point of generally well-known principle of decency accepted in a specific society. Legislator refers to out of legal summary of norms that objectively exists in the society and is recognized as rules how the competitors shall behave decorously in the market. It is usually about, at least theoretically, rules that are empirically identifiable, not about ethical rules entirely of abstract character that would be possible to see by only clear reason or transcendental methods. It is about rules that are generally known in a specific society that can develop in the course of time. It is not possible to identify these rules not even with a subjective ethical persuasion of a specific individual, not even with a summary of specific particular ethical rules held by a specific human society, for instance in a specific religion, the Church, philosophical theory etc.

Particular definition what acting is and what acting is not inconsistent with good morals of the competition, is a matter of a decisive activity of the court that, of course, has to take into consideration really recognized moral rules in the society. Good morals of the competition have different concept than good morals in general, but with a notion of good morals as such is closely connected. In specific cases good morals of the competition can include as well rules that do not belong among generally valid good morals, in the other cases good morals of the competition can include rules that by means of a specific way modify or even refuse specific rules of good morals. In particular, from generally point of view it is accepted that first purpose of the economic competition is a profit attainment and it is a legitimate mean of the profit attainment to attain competitive advantages above the other competitors. Such competitive struggle pointed to attain a profit possibly under the use of weakening or entirely economic damage of a competitor is in accordance with good morals, but the economic struggle has to be fair, good, honest and conscientious. Existence of inconsistency with good morals related to a competition is an issue of law not a factual. Evaluation, what acting it is and what is not in accordance with good morals of the competition cannot be a subject-matter

of evidence in the struggle; it concerns an issue of which judgment exclusively belongs to a court.

#### **1.10.1.4. Capability to cause detriment**

The third necessary condition for qualification of a specific unfair competitive acting is that this acting is capable to cause a detriment to the other competitors or consumers. Thus it is sufficient that the only capability of the specific acting can cause a detriment, it is not necessary that such detriment has already happened and has been proved. This detriment can occur either to the other competitor or other competitors, or only to consumers, or as to the other competitors as to consumers. It can concern a real damage, for instance a profit decline of another competitor, property values reduction of a consumer, but as well a non-material detriment, for instance interference with a good name of the competitor, its good reputation, good reputation of its business etc.

#### **1.10.2. Particular facts of a case related to unfair competition**

##### **1.10.2.1. Deceptive advertising**

The Act defines a deceptive advertising (section 45, the Commercial Code) as spreading information about own or foreign business, its products or acts that are capable to incite a deceptive imagination and to arrange with it to own or foreign business an advantage in the prejudice of another competitors and consumers in the economic competition. It does not depend on the fact what way the information spreading occurs, it can be about spreading by oral or written word, printing, picture, photography, radio, television or another media. Nevertheless, as deceptive information can be considered pieces of information that are themselves true, if in view of circumstances and relations of which they were made, can mislead.

##### **1.10.2.2. Deceptive designations of goods and services**

The Act defines deceptive designations of goods and services is any indication that is capable to cause a wrong presumption in the economic intercourse, that these names of goods or services come from a specific state, specific area or place, or from a specific producer, and or they show specific characteristic features or specific quality. As deceptive it is considered even such name that is true itself, if it can cause a wrong mistake in view of circumstances and relations of which it was made. As a deceptive name it is considered as well a wrong name of goods or services of which is added an addition that serves to distinguish from the real origin, such as expressions “sort”, “type”, “way”, whether such name is capable to cause a wrong presumption about origin or character of goods or services. Nevertheless, as a deceptive name is not considered a name that has already been used serving to indicate a sort or a quality of goods in the economic intercourse, unless there is added an addition that is capable to deceit about origin, such for instance “real”, “original”, etc.

##### **1.10.2.3. Inciting of the danger of confusion**



Inciting of the danger of confusion lies in one of three forms of acting, however, it is always necessary that such acting is capable to cause a danger of interchange or a deceptive imagination about connection with a business, firm by means of a special names or products or acts of another competitor:

- use of a firm or name of a person or a specific name of a business used in accordance with law by another competitor;
- use of a specific name related to a business or specific names or formations of products, acts, business materials of a business which are valid for specific business or as distinctive in the customer circles (for instance name of covers, printed forms, catalogues, advertising means);
- imitation of foreign products, their covers or performances, unless it is about imitation in the elements that are according to the character of products functionally, technically or aesthetically predetermined, and an imitator made all measures that are possible to require in order that an imitator eliminated or at least essentially limited a danger of interchange.

Whilst a firm or a name of a person, but even a specific name of business used already in accordance with law by another competitor are protected without further, another names or formation of products, performances or business materials of a business (for instance non-recorded brands, firm colours, logos, etc) are protected only provided that they are valid as distinctive for a specific business or firm in the business circles. Whether it concerns an imitation of foreign products, the law does not ban an imitation of technical solutions that are not protected by a patent or a utility model, or more precisely there, where a patent protection or a utility model protection terminated. On the contrary, in these cases a purpose of legal regulation is to make possibility of imitation and adoption of technical solutions developed or used by another competitors or persons, because such imitation, or more precisely relating to foreign performances is an essential condition of sociable and economic progress. Nevertheless, copycat imitation of foreign products is banned, when a competitor adopts without further a product of another competitor without making any change, and when a competitor imitates all or almost all its elements, even such that are not determined by function, technically not even aesthetically.

#### **1.10.2.4. Parasitizing on reputation**

The Act defines parasitizing on reputation as the using of reputation of business, products or services of another competitor to have results of own or foreign business to gain a profit that the competitor in another way did not achieve. Necessary condition to fulfil this facts of a case is not that a change occurs in the market or that such change can occur; it is sufficient that one competitor uses illegally reputation of a business, products or services of another competitor to have results of own or foreign business to gain a profit that the competitor in another way did not achieve. The example can be for instance a use of a specific business brand of products which a consumer will not connect with this brand, but its use can incite in the consumer positive associations with respect to good reputation connected with this brand, for instance a use of the brand “Roles Royce” for bicycles.

#### **1.10.2.5. Bribery**

Facts of bribery (section 49 of the Commercial Code) includes both active and passive bribery and is defined as acting which:

- competitor directly or indirectly offers, promises or provides to a person, who is a member of the authorized or another authority related to another competitor or who is in the employment or another similar relation to a competitor, any profit for that purpose, by means of its unfair way, to obtain in prejudice of another competitor a preference or the other illegal advantage in the competition, or
- person, who is a member of the authorized or another authority related to another competitor or is in the employment or another similar relation to another competitor, directly or indirectly asks for, is promised to or accepts any profit for that purpose, by means of his unfair way, to obtain in prejudice of another competitors for himself/herself or another competitor a preference or the other illegal advantage in the competition.

#### **1.10.2.6. Disparagement**

Disparagement (section 50 of the Commercial Code) is defined as an acting under which a competitor presents or spreads false capable information about relations, products or performances related to another competitor to cause a detriment to this competitor. This elementary definition is further expanded to cases when true information about relations, products or performances related to another competitor, whether they are capable to cause a detriment to this competitor. Nevertheless, in case of mentioning and spreading truthfully information it is not possible to qualify as an unfair competition such acting of which the competitor was forced by circumstances, thus, usually by acting of another competitor (legal protection).

#### **1.10.2.7. Comparative advertising**

Unlike the other specific facts of the unfair competition, a comparative advertising is banned only whether it does not fulfil by the Act exactly defined conditions. Comparative advertising is by the Act defined as any advertising that expressly or even indirectly identifies another competitor or goods or services that is offered by another competitor. Comparative advertising is allowable whether it cumulatively fulfils all following conditions:

- is not deceptive;
- compares only goods or services satisfying the same needs or determined to the same purpose;
- objectively compares only such features of specific goods or services which are for them essential, relevant, verifiable and representative; there usually have to be comparisons in more features where a price can belong; only exceptionally it is possible to admit a comparison in one feature if such comparison fulfils all mentioned conditions in the full extend;
- it does not lead to an inciting related to danger of interchange in the market between anybody of whom products or services the advertising supports and a competitor, or among their businesses, goods or services, trade marks, firms or the other specific names that became distinctive for the one or the second one from them;

- it does not disparage by untruthful information a business, goods or services of the competitor, not even its trade marks, firms or the other circumstances of which they concern;
- it relates to products in which a competitor has an entitlement to use a protected name of origin, always for products with the same name of origin;
- it does not lead to a dishonest profit of good reputation related to trade mark of a competitor, his firm or the other specific names that became for him/her distinctive, or from a good reputation related to a name of origin related to competitive goods;
- it does not offer goods or services as an imitation or a reproduction of goods or services indicated by a trade mark or a business name or a firm.

Whether a comparative advertising does not fulfil any of the hereinbefore conditions, it is banned comparative advertising. Whether a comparison refers to a specific offer, there has to be clearly and explicitly mentioned a date to which this offer terminates, or there has to be mentioned that it will be terminated depending on the exhausting of stock in trade goods or services; whether such specific offer has not begun to be effective, there has to be mentioned a date as well when a period begins in which a specific price or the other specific conditions are asserted.

#### **1.10.2.8. Trade secret infringement**

The Act defines a trade secret infringement as an act of which an actor illegally discloses to another person, makes for himself/herself accessible or uses for another one a trade secret that can be used in the competition and of which he learnt in hereunder mentioned ways:

- in a way that a trade secret was confided to him/her or in another way it became accessible (for instance from technical drafts, directions, drawings, models, patterns) In compliance with his relationship with competitors or In compliance with another relationship to it, possibly within a discharge of the office of which he/she was summoned by court or the other authority;
- by own or foreign act that contravenes with law.

To concern a trade secret the following conditions have to be cumulatively fulfilled:

- it concerns facts of business, production or technical character relating to a business;
- having real or at least potential material or non-material value;
- that are not usually accessible in the particular business circles;
- shall be according to a businessman's will made secret;
- businessman secures their secrecy by corresponding way.

#### **1.10.2.9. Endangering of health and environment**

The Act defines endangering of health and the environment as an acting of which a competitor distorts competitions of the economic competition by means of making production, opening products in the market or making performances that endanger interests related to protection of health and the environment that are protected by the law to obtain for himself/herself or for someone else a profit to the detriment of another competitors or consumers. These facts of a case is thus defined by so-called a blanket way that refers to the

other laws protecting health or the environment. These laws infringement, usually of public law character, provided the defined conditions by the Commercial Code, can be simultaneously judged even as an unfair competitive acting, thus a private legal delict, and be affected by private legal means for protection before the unfair competition.

### **1.10.3. Unfair competition claims**

Whether relating to the unfair competition acting occurred, persons of whose rights were infringed or endangered can apply for specific claims versus a violator. Persons, whose rights were by means of the unfair competition infringed or endangered, can be either the other competitors or consumers.

Claims from the unfair competition are defined by the Commercial Code. It concerns these claims:

- dilatory claim (a claim that a violator abstains his illegal acting);
- removal claim (a claim for removal of defective condition occurred in relation to the unfair competitive acting);
- claim for relevant satisfaction which can be provided even in money;
- claim for compensation of damage;
- claim for issuance of unjust enrichment;

The courts decide in essential about these claims in the judicial proceedings. It obviously does not prevent that a satisfaction of these claims can occur in compliance with out of court agreement before the particular judicial proceeding was commenced, possibly in its course. Concerning a claim for compensation of damage is valid the provision of sections 373 and following, the Commercial Code similarly because it does not concern a damage caused by the infringement of duties defined by the Commercial Code (section 757 of the Commercial Code).

### **1.10.4. Relation of unfair competition rights and intellectual property rights**

Legal regulation related to a right of the unfair competition and the industrial rights, possibly the other rights related to the intellectual property are mutually interrelated. These legal regulations are situated beside themselves and can be asserted at the same time, in essential, independently. For instance, a specific acting can be simultaneously an infringement of a trade mark and a patent and at the same time it can be qualified as an unfair competition. Then, it depends on a person of whom rights were by means of this acting affected, if the person applies for protection In compliance with the trade right, or more precisely the patent right, or only In compliance with the right to protection before the unfair competition, or In compliance with these institutes, and what legal means of protection the person chooses. In the civil proceeding very often occur situations that a plaintiff of specific claims applies for a claim from several judicial titles, for instance from the title of the rights infringement related to a trade mark and from the title of protection before the unfair competition.

Entities related to rights of the intellectual property have in a number of regards strengthened legal protection. This stronger protection is expressed, in particular, in the absolute character of rights related to the intellectual property that can be asserted against any third person acting

without consent of the particular right owner, without respect to the fact whether a competitive relationship exists between this person and the owner. The right owner related to the intellectual property has as well, in contrast with a plaintiff in the unfair competitive dispute, usually much easier evidential position, because concerning the success in the dispute there is efficient to prove only the fact that he is the particular intellectual right owner and that his right is illegally infringed. He does not have to prove a participation in the economic competition, an existence of the competitive relationship, a capability related to an acting of a defendant to cause him/her a detriment in the economic competition, not even another conditions necessary for a qualification of the acting related to the defendant as an unfair competition, either in accordance with the general clause or In compliance with some specific facts of the unfair competitive acting (for instance, in case of protection related to non-recorded names a peculiarity of this name for a plaintiff in the customer circles).

Strengthened protection of rights related to the intellectual property is expressed in the fact that, unlike the unfair competition right, the intellectual property rights owners have, especially the industrial rights, a wider available sphere of legal means related to protection that is defined, in particular, by specific Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment on Industrial Property Protection Act. Concerning rights protection related to the intellectual property there exist a higher public interest and power related to the interferences against the infringement of these rights is placed not only to courts but to some administrative offices that during their activity transfer from the official duty (see chapter 2.). On the contrary, powers related to protection before an unfair competitive acting is placed exclusively to courts. That is, because a decision in the matters of the unfair competition is usually more complicated in fact and law point of view than a decision concerning the infringement of rights related to the intellectual property, in particular in cases of so-called a fight against piracy.

Right of an unfair competition, in specific circumstances, can be effective as a specific corrective in relation to rights of the intellectual property. Even the intellectual rights owners, especially of industrial rights, have to act in accordance with a law and good morals of the competition in the economic competition. According to formed legislative, for instance in specific circumstances a use of recorded trade mark by its owner can be the unfair competitive acting. Concerning a right of the unfair competition is referred the Act No. 441/2003 Coll., on trade marks, whether it embodies specific cases of effects restriction related to the trade mark. The trade mark owner is not, In compliance with its rights, entitled to ban to the third persons to use in the commercial intercourse

- their name and surname, business company or a name or address;
- data concerning a sort, quality, amount, value, geographical origin, production period of a product or providing of a service or another their features;
- name necessary to determine a purpose of a product or service, in particular concerning facilities or spare parts;

that is only provided that such using is on accordance with business habits, good morals and rules of the economic competition. According to the Act N. 441/2003 Coll. as well is valid that the Industrial Property Office cancels a trade mark whether a final judicial decision was issued according to which a trade mark use is non-permitted competitive acting; in such case it is possible to submit a proposal for a trade mark voidance in the preclusive period of six months from the legal force of a judicial resolution.

### **1.10.5. Unfair competition under international law**

From point of view relating to the private international law, concerning the unfair competition right similarly as rights related to the intellectual property, so-called a principle of territoriality is applied. It means that according to legal order of a specific state, or more precisely a legal order that is effective in the area of this state, it is possible to apply for a protection in relation to acting of which effects become effective in the area of this state, or more precisely this area. According to the Czech law for protection before an unfair competition it is thus possible to assess for instance an acting that occurred in the area of the Czech Republic; an acting that occurs in the market of the Federal Republic of Germany or develops in this area competitive effects it is possible to assess in accordance with a law of the Federal Republic of Germany etc.

The Paris Convention on Protection of the Industrial Property embodies in a specific rudimentary form an institute of an unfair competition. This Agreement, similarly as the Commercial Code, contains the general clause for protection against an unfair competition that the unfair competition is defined as acting in the economic competition that is inconsistent with honest habits in industry or business. These general facts of a case are completed by exemplary list of specific facts of the unfair competitive acting. It concerns acts

- that could cause any exchange with a business, products either industrial or business activities of a competitor;
- false data during a business practice that could damage a good reputation of a business, products either industrial or business activity of a competitor;
- data or statement which a use during a business practice could give a false representation to the public about feature, way of production, characteristics, capability to use or about amount of products.

The Union Paris Convention undertakes member states to secure legal means for effective suppression of the unfair competition. Members of the member states relating to the Union Paris Convention in the Czech Republic can apply for a protection before the unfair competition minimally in the extend that results from a definition of the unfair competition in this Agreement.

Unlike a number of the industrial rights related to another rights of the intellectual property the unfair competition right was by this time subjected to harmonization by European directives only in minimal extend (only in the area of deceptive and comparative advertising). In the other point of view, the unfair competition right remains a domain of the national legal orders of the member states and a legal regulation can substantially differ in the particular member states.

## **2. Administrative authorities participant in intellectual property rights protection and enforcement, their powers and procedures**

### **2.1 Industrial Property Office**

#### **2.1.1. Position and activities of the Office**

Industrial Property Office (also only Office hereinafter) was established by Czech National Bank Act No. 21/1993 Coll. from 21. 12. 1992, which changes and amends CNR Act No. 2/1969 Coll. on the Establishment of Ministries and Other Central Authorities of State Administration of the Czech Republic, as one of the central authorities of state administration. The powers and scope of activity of the Office are governed by Intellectual Rights Act 14/1993 Coll., according to section 2 of which the Office decides on the granting of protection to inventions, industrial designs, topographies of semiconductor products, trademarks and appellations of origin, works in compliance with the provisions for patent attorneys and administrates the central fund of patent literature. From the definition of the Office core activities it is apparent that the Office performs chiefly a function of a patent and trademark office, i.e. functions as a registration point for industrial rights. Therefore, in the first place, the Office decides in administrative proceedings whether or not it is possible to grant a protection to some of the potential industrial property items (registration proceedings) or whether the granting of a protection already existing was justified (expungement, or cancellation proceedings).

The conditions for the granting of protection to particular items of industrial property are governed by specific regulations which apply in the proceedings before the Office (Laws No. 527/1990 Coll., on Inventions and Rationalisation Proposals, No. 529/1991 Coll., on the Protection of Topographies of Semiconductor Products, No. 478/1992 Coll., on Utility models, No. 207/2000 Coll., on the Protection of Industrial Designs, No. 408/2000 Coll., Plant Variety Rights Protection, No. 452/2001 Coll., on the Protection of Designations of Origin and Geographical Indications, Act No. 441/2003 Coll., on Trademarks), as well as by general regulations for administrative proceedings (these are in particular Law No. 500/2004 Coll., Administrative Procedure Code and Law 201/2004 Coll., amending certain laws in connection with the adopting of Administrative Procedure Code).

In addition, apart from the regulations already mentioned, also Law No. 634/2004 Coll., on the Administrative Fees and Act no. 173/2002 Coll., on Fees for Maintenance of Patents and Supplementary Protection Certificates for Pharmaceuticals apply in the proceedings before the Office, as well as international treaties binding for the Czech Republic in a given area, which can modify both the participation in the proceedings and the processes and which must be applied in preference if they collide with national legislation; these are, in particular, the Convention Establishing the World Intellectual Property Organization, Agreement on Trade-Related Aspects of Intellectual Property Rights (supplements to Agreement on the Establishing of WTO), the Paris Convention for the Protection of Industrial Property from 20. 3. 1883, the Patent Cooperation Treaty from 19. 6. 1970, the European Patent Convention, the Madrid Agreement Concerning the International Registration of Marks from 14. 4. 1891, the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration from 31. 10. 1958, the Treaty Establishing the European Community and others.

Furthermore, the Community Law, directly applicable under the Council order, i.e. applicable without the necessity of being transformed into the national legislative system, became a part of Czech legislation on the accession of the Czech Republic to the European Union. The Office is thus bound to apply in its proceedings also the Community Law regulating the particular area, with the directly applicable directives being actually superior to the national legislation.

As for the procedural techniques before the Office, this area is not regulated by the Community Law. In the proceedings before the Office it is therefore necessary to observe Law No. 500/2004 Coll., Administrative Procedure Code and laws regulating the granting of protection for the individual items of industrial property.

Thus, by operation of law, the Office participates in industrial property rights protection chiefly by the granting and administering of the rights. The registration (granting of the right) provides the holder with absolute rights to the registered industrial property item (invention patent, trademark, industrial designs, appellation of origin and others).

The Office has only limited powers derived from particular laws protecting the individual industrial property items when these absolute rights are breached. In this way, when these absolute rights of a trademark owner are infringed by an application to register a trademark whose similarity to or identity with an earlier trademark and identity or similarity of the trademark related products or services can cause confusion on the part of public, the Office decides in objection proceedings on the justification of the claim of the owner of the earlier trademark to dismiss the later trademark application. The Office then enforces through its decision the earlier rights of the party lodging the objection (the owner of the earlier trademark) and prevents the breach of such rights by the registration of an identical or similar designation.

The enforcement of rights can be also mentioned in connection with proceedings with dealing with applications for a decision on whether a certain product or process is covered by a specific patent or utility model; it is possible for both the owner of the protective document and the alleged infringer to apply for such a decision.

Also connected with the Office processes described above is the following instrument which the Office can use in the protection of absolute rights to the industrial property. In the proceedings related to trademark or patent applications, the registration is preceded by thorough research, when the Office investigates whether the object of the application does not interfere with earlier rights of third persons protected by law.

By carrying out researches and examination proceedings, the Office also participates in industrial property rights enforcement, for on the bases of the research results it raises objections against the application presenting earlier rights of third persons to identical objects of industrial property. In this way, the Office protects already existing earlier rights against infringement or reduction.

Closely associated with industrial property rights enforcement is the educational activity of the Office. This activity contributes to the enhancement of the awareness of industrial rights protection and its purpose and intention, among both expert and general public, including the enforcement of rights to particular industrial property objects. In this context, the Office publishes and circulates information booklets which can be get for free in the Office quarters or on its internet site. Besides, the Office offers expert workshops to schools, professional



chambers, research institutions and government authorities with various topics related to industrial property rights protection and enforcing. Repeatedly, such expert workshops were organized for the officers of the Czech Commercial Inspection, the State Agriculture and Food Inspection, the Police of the Czech Republic, for judges and prosecuting attorneys. The Office also participates in specialized projects carried out by universities - such as the TRIPOD project of the Czech Technical University which should result in a tutorial program/course aiming at the protection and enforcement of industrial property rights.

Also not to be overlooked is the legislative activity of the Office. The Office actively participates in the creating of the conception of industrial property protection both in the Czech Republic and on the international level. Moreover, the Office is authorized to make suggestions to all concepts of legal regulations concerning industrial property, its protection and enforcement.

### **2.1.2 Role of the Office in the existing system of intellectual property rights enforcement**

The Industrial Property Office is ready to cooperate and in most cases already cooperates with all bodies and authorities responsible for or interested in the industrial property rights enforcement issues.

On request of public authority bodies, namely the Police of the Czech republic, Customs Administration, Czech Commercial Inspection, Czech Agriculture and Food Inspection and prosecuting attorney offices, the Industrial Property Office provides information, opinions and statements related to individual issues these authorities deal with. Sometimes, the statement requests are of general nature, otherwise the Office gives opinion to particular cases.

Also a court of justice can submit a request for advice. However, due to the character of court proceedings, this concerns only general expert opinion, never an overall solution of a particular case.

Nevertheless, as a rule, the Office is not consequently informed on the way in which the request submitting authorities treat its opinions, i.e. on the concrete outputs of the public authorities in matters related to the enforcement of intellectual property rights. The reason for this is the fact that the Office is not a participant in the particular proceedings and is not therefore notified about the resolution of the matter in concern. An exception from this rule is the administrative justice process, i.e. proceedings in administrative action filed against the Office decision, or more precisely, the decision of the chairman of the Office. In that case, the Office is a party to the proceeding as the defendant, participates actively in the proceedings and is obliged to act upon the legal opinion of the court in a possible further proceeding.

Within its practice, the Office encounters judgements on the following cases:

#### **a) The Office is directly bound by the adjudication**

Mostly, proceedings before administrative tribunals are concerned, where the Office's position is that of a participant in the process (as in proceedings in action against the decision of the Chairman of the Office). In this case, the Office is obliged to act upon the legal opinion of the court and comply with the opinion in its proceedings.

**b) The Office is not directly bound by the adjudication, but is obliged by law to take the judgement into account**

This concerns cases predicted by particular laws on industrial property protection:

Under the provision of section 31, paragraph 2 of Act No. 441/2003 Coll., on Trademarks, as amended, the Office shall revoke a trademark in proceedings commenced upon a motion submitted within less than 6 months of coming into force of the judgement qualifying the use of the trademark as an illicit competition.

Under the provision of section 31, paragraph 2 of Act No. 441/2003 Coll., on Trademarks, as amended, the Office shall revoke a trademark in proceedings commenced upon a motion submitted within less than 6 months of coming into force of the judgement qualifying the use of the trademark as an illicit competition.

Under the provision of section 29 of Law No. 527/1990 Coll., on Inventions and Rationalisation Proposals, as amended, the Office shall transcribe an application for invention or patent registration to a person designated by the court as the author of the invention. The Office shall change the applicant or the patent owner if the body responsible in the dispute over the right to the patent decides that the right belongs to a different person.

Under the provision of section 19 of Act No. 478/1992 Coll., on Utility models, as amended, the Office shall on the grounds of a motion withdraw a utility model from its owner on learning from a judgement that the owner failed to possess the right to the utility model. Consequently, following the proposal of the person owning the right of protection by utility model according to the judgement, the Office then registers this person as the owner of the utility model.

Under the provision of section 16 of Law No. 207/2000 Coll., on the Protection of Industrial Designs, as amended, the Office shall on the grounds of a motion remove the protection of a registered industrial design from its owner on learning from adjudication that the owner failed to possess the right to the industrial design. Consequently, following the proposal of the person owning the right of industrial design protection according to the judgement, the Office then registers this person as the owner of the industrial design.

Finally, according to the provision of Law No. 529/1991 Coll., on the Protection of Topographies of Semiconductor Products, as amended, the Office shall on the grounds of a motion remove the protection of a registered topography from its owner on learning from the adjudication that the owner failed to possess the right to the topography protection. Consequently, following the proposal of the person owning the right of topography according to the judgement, the Office then registers this person as the owner of the topography.

**c) European Court decisions**

As stated above, the Community Law became an integral part of the Czech legislation immediately on the accession of the Czech Republic to the European Union. Leaving aside the somewhat disputable issue of the European Custom Law, three main sources of the Community Law are discerned: the principal European Community treaties including the Treaty on European Union, their supplements and protocols (primary Community law), legal

acts issued on the basis of treaties by European Community bodies including European Court of Justice (secondary or derived Community law) and general legal principles including the fundamental rights (unwritten Community law).

The decision of the European Court of Justice is thus one of the sources of law and is directly binding, i.e. does not require implementation into the national legislations of EU member countries. Specifically, in terms of the activities of the Office, this means for the Office to consistently apply in the proceedings the decisions of the European Court of Justice either directly connected with the matter in concern (for instance, when the European Court of Justice in its decision gave opinion to a preliminary question with which a Czech court appealed to it within proceedings where the Office is a direct participant) or decisions in which the European Court of Justice gave opinion on the interpretation and application of the Community Law in relation to intellectual property (for instance, decisions in which the European Court of Justice gave opinion on the issue of the assessment of designation liable to create confusion – see especially decisions in re C-251/95 SABEL, in re C-39/97 CANON, in re C-425/98 Marca Mode etc).

At this stage, it is necessary to state that as far as the application of the European Court of Justice decisions and opinions is concerned, the decision-making practice of the Office changed considerably on the accession of the Czech Republic to the European Union: from the initial reluctance to take the European Court of Justice decisions into account to the present standard practice when the Office of its own accord quotes the most significant decisions of the European Court to support its legal opinion.

#### **d) Other courts judgements**

Other courts judgements are not binding for the Office. However, considering a general requirement to maintain the legal certainty of the participants of the proceedings, the Office should also conform to other courts judgements, in particular to the judgements of higher instance courts (Supreme Courts, High Courts).

For use by other government bodies (the police, customs authorities, tax offices etc.), the Office provides information on actual proceedings in writing and by phone, including direct counsels in the assessment of individual cases.

The Office also cooperates in law enforcement with bankruptcy trustees and with executors by researching and by prompt registering of the restrictions of disposition with the object of protection on international level.

## **2.2 Ministry of Culture**

### **2.2.1 Position and activities of the Ministry**

The Ministry of Culture was established by Act No. 2/1969 Coll., on Establishment of Ministries and Other Central Authorities of State Administration of the Czech Republic, as a central authority of state administration for arts, cultural and educational activities, cultural relics, church and religious organizations matters, matters of press including the publishing of non-periodical prints and other information media, for radio and television broadcasting in the absence of a special law, for Copyright Act implementing and for the production and trade in relation to culture (the provision of section 8 of Act No. 2/1969 Coll.). As for the area of intellectual property rights, the Ministry of Culture of the Czech Republic (the Ministry hereinafter) accounts for the implementing of Copyright Act, i.e. for area of copyright.

The tasks of the Ministry related to this area are carried out by its copyright department.

### **2.2.2 Role of the Ministry in the present system of intellectual property rights enforcement**

In compliance with copyright law, the Ministry acts as a supervisory authority over collective rights administrators. In this capacity, the Ministry is authorized to require information and documentation necessary for the supervising from a collective administrator, to determine whether the duties imposed by copyright law are not breached and impose liabilities when faults are detected, to set a reasonable term for their implementation and impose fines. If the collective administrator fails to comply with the liability imposed, the Ministry can impose a coercive fine up to the amount of CZK 100000, even repeatedly. The sum total of fines imposed in this way must not exceed the amount of CZK 500000.

Fines imposed by the Ministry to collective administrators breaching their duties resulting from copyright law can amount to CZK 500000 and can be imposed repeatedly.

In relation to rights enforcement (in its wider context), the tasks of the Ministry or rather of its copyright department as defined by organizational guidelines are as follows:

#### **The Copyright Department**

- evaluates the level of protection of the rights of authors, performers and audio or audio/video record producers and suggests measures to prevent piracy and illicit use of products and other objects enjoying protection under copyright law
- cooperates with authors and users of products and other objects enjoying protection under copyright law, with protective author and professional organizations, with Czech Commercial Inspection Office, the Police of the Czech Republic, courts, General Directory of Customs and similar governmental or other agencies and organizations with the aim to provide a effective protection under copyright law and to reinforce legal consciousness of the significance of the protection of products against illicit use.

In reality, this means that the Ministry takes part in the activities of the Interdepartmental Commission for the abatement of acts against intellectual property rights formed under count

13 of Annex to Government Decree no. 330 from 14. April 1999, namely by providing information on new legislative on both national and international levels as well as information on problems arising from the enforcement of rights gathered from collective administrators and other subjects (such as IFPI or Czech Anti-Piracy Union). The Ministry further participates in the activities of “Octapartite Agreement”, however neither in this case it does not actually collaborate directly in dealing with particular cases of rights infringement. As in activities within the frame of the above mentioned Interdepartmental Commission, the Ministry rather conveys information from collective administrators and other subjects and discusses with other institutions the possibilities of improvement of their collaboration in this area.

Following demands on the part of professional and general public, the Ministry provides basic information on copyright legislation and on authorizations of collective administrators of rights. Furthermore, it gives statements and opinions related to copyright issues (stipulating that these are not legally binding – only court of justice can provide legally binding interpretation). The Ministry also provides cooperation to investigative, prosecuting and adjudicating bodies under section 8 of Act No. 141/1961 Coll., on Rules of Criminal Procedure (Criminal Procedure Code). Under paragraph 1 of this provision, government authorities as well as individuals and legal entities are obliged to comply without undue delay and in the absence of a provision to the contrary without charge with requests made by investigative, prosecuting and adjudicating bodies in connection with carrying out of their duties. Government bodies are further obliged to report to a prosecuting attorney or to the police any fact indicating that a criminal offence has been committed.

The Ministry also answers inquiries concerning registration of copyrights, or rather of the copyright right bearers – i.e. of authors, heirs or escheats (usually inquiries on the part of individuals interested in using the objects of protection and occasionally also on the part of notaries acting as judicial commissioners within probate proceedings). In these cases, the Ministry refers to competent collective administrators keeping the records of registered and on a contract basis represented right bearers as well as records of the objects of protection. In this respect, the Ministry always points out that these records are not thorough. It is entirely left to discretion of the right bearers whether and to what extent they should register their rights, or more precisely the objects of protection, with the collective administrator. Considering the informal nature of copyright protection and due to the non-existence of official records of rights under copyright protection, the above records nevertheless present the only source of information on right bearers and on objects of protection which are kept under the legal provision (Copyright Act).

With effect from 1 January 2003 the Ministry does not decide as the authority of second instance on offences resulting from rights under copyright protection. Under the provision of Law No. 320/2002 Coll. and 231/2002, on Regions, municipal authorities of municipalities with extended competence shall decide on offences at first instance and regional authorities at second instance. Starting with the amendment to Copyright Act effected by Law No. 216/2006 Coll., which came into force on 22. May 2006, offences related to copyright violation and subsequent sanctions are regulated directly by Copyright Act. The sanctions were raised significantly, so that a fine in the amount of up to CZK 150,000 can now be imposed for a copyright offence.

## **2.3 Ministry of Justice**

### **2.3.1 Position and activities of the Ministry**

Under the provision of Act No 2/1969 Coll., on the Establishment of Ministries and Other Central Institutions of State Administration of the Czech Republic, the Ministry of Justice of the Czech Republic (the Ministry hereinafter) is the central authority of state administration for courts, prosecuting attorney offices, prison services, probation and mediation. The Ministry further gives legal opinions to credit and guarantee agreements to which the Czech Republic is a party and represents the Czech Republic in the settling of complaints about the infringement of the Conventions on Human Rights and Fundamental Freedoms and its Protocols and of the International Covenant on Civil and Political Rights.

The Ministry and its individual departmental units, particularly courts and prosecuting attorney offices, thus under Law No. 2 mainly provides judicial protection of intellectual property rights. The protection is realized on two levels: on private law (civil law) level and public law (criminal law) level.

#### **2.3.1.1 Protection under civil law legislation**

In this field, the Ministry or rather the courts proceed in compliance with legislation regulating the individual areas of intellectual property. When implementing Directive No. 2004/48/EC on the Enforcement of Intellectual Property Rights, the Ministry as of 1. January 2006 extended the statistical records of court decisions in such a way that the proceedings regarding intellectual property protection are recorded in a separate category. This concerns the proceedings under the legislation governing the particular areas of intellectual property, i.e. Act No. 121/2000 Coll., on Copyright, No. 441/2003 Coll., on Trademarks, Act No. 478/1992 Coll., on Utility models, No. 207/2000 Coll., on the Protection of Industrial Designs, No. 527/1990 Coll., on Inventions and Rationalisation Proposals, No. 529/1991 Coll., on the Protection of Topographies of Semiconductor Products, No. 452/2001 Coll., on the Protection of Designations of Origin and Geographical Indications. The Ministry goes beyond the scope of Directive No. 2004/48/EC by including in this category also proceedings under sections 11 to 13 of Act No. 40/1964 Coll., the Civil Code, i.e. the protection of personality proceedings.

In all the proceedings conducted under the above stated legislation, the holder of intellectual property rights infringed by a third person, or a person authorized to exercise such rights, is entitled to request in court that the infringer should refrain from activities leading to the breach or endangerment of law and that the results of such breach or endangerment are eliminated. The right holder or authorized person further has a right to claim damages, the rendition of unjustified enrichment and appropriate compensation. These rights are specifically regulated under the provisions of section 4 paragraph 1 and section 5 paragraph 1 of Act Coll., on the Enforcement of Industrial Property Rights, provision of section 40 paragraph 1,4 of the Copyright Act, and, as far as the protection of personality is concerned, under the provision of section 13 of the Civil Code.

Considering the comparative novelty of the Act on Enforcement of Industrial Property Rights, which came into force on 23.5.2006, still no common practice of Czech courts has been established in relation to the amount of damages and appropriate compensation granted in the

proceedings resulting from industrial property rights infringement. As for the copyright, earlier adjudications concerning the amount of appropriate compensation already exist. However, due to extensive amendments to the Copyright Act effected by Laws No. 61/2006 Coll., No. 186/2006 Coll., and No. 216/2006 Coll., which affect significantly also the Copyright protection provision (Part one, Chapter I, Division 5, Sections 40 and following), the practice of courts in this area is bound to be reviewed.

As a significant role in the determination of the amount of damages and appropriate compensation is played by sworn experts for respective fields, on the changes of the legislation in this field also changes in the methodology and work of sworn experts is required. The expertises on the amount of damages and appropriate compensation in cases resulting from intellectual property rights infringement were and still are to be made by experts whose subject of knowledge is economics – the field of prices and assessments, or by experts on patents and inventions. Nevertheless, both of these specializations fail to deal directly with the issue of the assessment of the amount of damages and appropriate compensation from intellectual property rights infringement, which is then reflected in the quality of the expertises presently made and submitted by experts.

The number of lawsuits requiring the specification of the amount of damages and possibly also of appropriate compensation – which in relation to the breach of copyright or trademark protection involves not only simple numeration of the amount but also a certain abstract consideration of the infringed rights value as well as the determination of a hypothetical licence fee with regard to the whole range of circumstances related to the case - is expected to increase gradually, which is bound sooner or later to bring forth the conception of a new special expert field of intellectual property rights licensing.

Under the provision of section 3, paragraph 1 of Law No. 36/1967 Coll., on Sworn Experts and Interpreters, the experts on individual fields are appointed by the Minister of Justice or, to the extent laid out by the authorization of the Minister of Justice, by the President of a Regional Court. As the issue of experts falls entirely into the Ministry of Justice scope of responsibilities, the Ministry could in its activities aim at the improving of the present state in relation to intellectual property rights licensing, so far not altogether satisfactory, and the related issues of specifying of the amount of damages and appropriate compensation for the intellectual property rights infringement. Such improvement could be facilitated by the new act on sworn experts and interpreters, which is currently being prepared by the Ministry.

### **2.3.1.2 Protection under public law regulations**

In relation to public law, protection under respective provisions of Law No. 140/1961 Coll., Criminal Code, should be mentioned. Presently, the Criminal Code enables prosecuting attorneys in cooperation with the Police of the Czech Republic to effectively enforce intellectual property rights, as it establishes three criminal acts that a person breaching some of the intellectual property rights in its broader meaning (i.e. including copyright law) can commit. These are the following offences: the offence of the infringement of rights to trademark, trade name and protected designation of origin under the provision of section 150 of the Criminal Code, the offence of industrial property rights infringement under the provision of section 151 of Criminal Code and the offence of copyright infringement and the infringement of rights related to copyright and database rights under the provision of section 152 of the Criminal Code. In all three cases, the sanctions are in particular the sentence of

imprisonment for a term of maximum two years (maximum five years when offences under the provision of section 152 paragraph 2 are concerned), or a fine.

The Prosecuting Attorney Office commands in cooperation with the Police of the Czech Republic satisfactory instruments to enforce intellectual property rights. Nevertheless, because of the field of intellectual property rights being highly specific and as the relevant state authority bodies including judicial authorities presently lack sufficient level of knowledge and experience, these instruments are in reality seldom used. Most cases of intellectual property rights infringement are thus dealt with by means of private law instruments.

### **2.3.1.3 Court protection system of intellectual property rights**

Under the regulations presently effective, the disputes over claims resulting from industrial property, over claims from endangerment or infringement of industrial property rights and over claims to the rendition of unjustified enrichment gained to the detriment of an industrial property right beneficiary are at first instance decided by regional courts (in Prague, by the Municipal Court). The same rule applies to disputes over rights to a corporate name. All these disputes are considered as trade disputes by law.

Under the provision of section 9, paragraph 2, letter b) of Civil Procedure Act, regional courts also decide as courts of first instance in disputes concerning claims resulting from copyright law, disputes from claims resulting from industrial property rights endangerment or infringement and claims to the rendition of unjustified enrichment gained to the detriment of a copyright beneficiary, regardless of the nature of the relationship between the participants.

Thus, the legislator automatically considered the disputes related to copyright law as complicated from both legal and factual points of view, whereas the disputes on claims related to industrial property are seen as complicated only when the relationship between the participants is of commercial law nature.

This lack of method is endeavoured to be rectified to some extent by Act No. 221/2006 Coll., on the Enforcement of Intellectual Property Rights, which with effect from 1. 1. 2008 explicitly transfers the jurisdiction to make decisions in disputes on claims resulting from industrial property at first instance to a single court, the Municipal Court in Prague (section 6 of Law on Industrial property rights enforcement). Besides, the amendment to Act No. 6/2002 on Courts and Judges came into force on the same date, section 39 paragraph 2 of which also defines the local and subject matter jurisdiction of the Municipal Court in Prague as the court of first instance over disputes on claims resulting from industrial property rights.

However, the real issue is whether this solution is actually the most suitable one, and whether it would not be more practical to decide on a different distribution of courts jurisdictions over decisions on claims resulting from intellectual property rights (i.e. including copyright). As from 1.1.2008, the concentration of all disputes resulting from industrial property rights at the Municipal Court in Prague will undoubtedly lead to a significant raise in the flow of cases of this kind. This will require both personal and technical changes at this court leading to the increase in the numbers of judges and auxiliary personnel. However, cases of claims from industrial property rights already commenced will be winding down at other courts in the Czech Republic making it impossible to transfer judges who have dealt with industrial



property issues have thus some practical experience in this field from regional courts to the Municipal Court in Prague. It can be therefore expected that if the designed and enacted model is put into practice, it will result in significant slowdown of proceedings concerning claims resulting from industrial property rights.

### **2.3.2 Role of the Ministry in the present system of intellectual property rights enforcement**

The Ministry, or more precisely, the units of its department, grants judicial protection to intellectual property rights in accordance with the legislation of the Czech Republic. This activity does not include active investigating, when cases of right infringement as well as the infringers as such are traced, but standard finding activity, when state attorney offices and courts evaluate information and evidence gathered by other subjects. This activity includes also collaboration with other state administration bodies – in particular with the Industrial Property Office, General Directory of Customs, the Police of the Czech Republic and the Czech Commercial Inspection.

The activities of both of the fundamental units of the department of the Ministry (courts and prosecuting attorney offices) then presents the top of a whole system and serves as an umbrella for the actions and activities of all concerned state administration bodies.

Under count 2 of the Attachment of the Decree 330 from 14.4.1999, the Ministry also takes part in the implementation of common educational projects focused on intellectual property protection issues.

Besides the above mentioned judicial protection of intellectual property rights granted in accordance with the effective legislation of the Czech Republic, no other procedures are employed either by the Ministry or by their departmental units active in this field.

Apart from considerations on changes in the existing judicial system in relation to disputes resulting from intellectual property rights, still some scope for the Ministry activities presents itself especially in respect of further education of judges. Considering the old but ever valid principle *iura novit curia*, sound knowledge of legislation in this field is crucial. However, equally important is the ability of courts to apply the legislation in individual cases and interpret in a consistent and convincing manner rules of law in their contexture and with a view to the purpose of the respective legal regulations. To achieve this in the field of intellectual property rights, certain knowledge is also necessary on the role of intangible assets in economic activities on macroeconomic, but especially on microeconomic level.

## **2.4. Ministry of Industry and Trade**

### **2.4.1 Position and activities of the Ministry**

Under the provision of section 13 paragraph 1 of the Czech National Council Act No. 2/1969 Coll., on Establishment of Ministries and Other Central Authorities of State Administration, the Ministry of Industry (the Ministry hereinafter) acts as the central authority of State Administration for, among other issues, domestic trade and consumer interests protection.

Consumer protection from intellectual property rights infringement also falls within consumer interest protection, as primarily, the consumer interest must not be deceived. The prohibition of deceptive consumer transactions is explicitly stated in Act No. 631/1992 Coll., on Consumer Protection, namely in the provision of section 8 paragraph 1, while under paragraph 2 of the same provision also an offer to sell or selling goods or products infringing some of intellectual property rights is considered as deceptive consumer transaction, as well as the storing of such goods or products for purpose of offering to sell or selling them.

The body responsible in the department of the ministry for the performing of tasks in the field of consumer protection is the Czech Trade Inspection, which is therefore also responsible for the intellectual property rights enforcement with the aim to protect the interests of a consumer.

### **2.4.2 Czech Commercial Inspection**

#### **2.4.2.1 Position of the Czech Commercial Inspection within the system of state administrative bodies, its activity**

The Czech Commercial Inspection (COI hereinafter) has been established by Act No. 64/1986, on Czech Commercial Inspection, as the successor organization of State Commercial Inspection. COI is a state administration authority subordinate to the Ministry of Industry and Trade and is further divided into the central inspectorate and its subordinate inspectorates. COI is headed by central director answering to the Ministry of Industry and Trade, the inspectorates are headed by directors under the management of the central director. The central inspectorate resides in Prague and performs administrative, methodology and service functions. The supervisory and inspectional activities are performed by inspectorates, seven in total in the Czech Republic.

The principal activity of COI is the supervision over the observance of the rules concerning consumer and domestic market protection. Following the changes in legislation (such as the coming into force of Act No. 110/1997 Coll., on Foodstuffs, which transfers the supervision over the quality of food products to the State Agricultural and Food Inspection), COI became in the course of past years the chief supervisory body for non-food products from the point of view of technical requirements on product and on product safety, as well as the supervisory body in relation to consumers economic interests and the area that protects in a limited scope also the fiscal interests of the state.

COI monitors legal entities and individuals selling or supplying goods and products in the domestic market, rendering services of performing other similar activities on the domestic market or providing consumer lending, unless the supervision is performed by a different

administrative body under specific regulations. The longterm aim of COI is among others to prevent deceptive consumer transactions committed through the selling of products infringing some of intellectual property rights.

The basic legal frame for COI activities in the field of intellectual property rights protection is created by Act No. 64/1986 Coll., on Czech Commercial Inspection, which defines the powers of COI and its position in the system of state administration authorities. Furthermore, it is Act No. 634/1992 Coll., on Consumer Protection, which establishes the concept of “deceptive consumer transaction” for the purpose of consumer protection and gives definition of products infringing intellectual property rights.

COI performs its supervisory and inspection activities in compliance with Act No. 500/2004 Coll., Administration Procedure Code, with a view to the provisions of Act No. 552/1991, on State Supervision.

The individual inspectors conducting the inspection then must possess at least basic knowledge of particular regulations governing intellectual property rights. Without such knowledge, it is not possible for the inspectors to judge whether the product in question infringes intellectual property rights or not. This necessity results automatically from the definitions of basic concepts stated in Act No. 634/1992, on Consumer Protection.

## **2.4.2.2 COI Procedures**

### **2.4.2.2.1 Basic concepts definition**

Under the provision of section 2 paragraph 1 letter r) of Act No. 634/1992 Coll., on Consumer Protection, products or goods violating some intellectual property rights means:

- fake products or goods, including their packaging, which without the consent of the trademark holder bear a designation which is the same as or can be mistaken for a trademark, violate the rights of a trademark holder pursuant to a special law (Act No. 441/2003 Coll., on Trademarks), all objects bearing such a designation (signs, logos, labels, stickers, brochures, user's manuals, warranty documentation, etc.), even in cases when they are supplied separately, and separate packaging which bears such a designation;
- prohibited imitations, i.e. products or goods which are copies or comprise copies made without the consent of the holder of copyrights or related rights or without the consent of the holder of industrial model rights, provided that production of such an imitation violates such right in accordance with special laws (Act No. 121/2000 Coll., Copyright Act, Law No. 207/2000 Coll., on the Protection of Industrial Designs)
- products or goods which violate the rights of holders of a patent (Law No. 527/1990 Coll., on Inventions and Rationalisation Proposals) or a utility mode (Act No. 478/1992 Coll., on Utility models) or the rights of holders of supplementary protection certificate for pharmaceuticals and vegetation-protection substances in accordance with a special law (Law No. 527/1990 Coll., Council Regulation EEC 1768/92 on the granting of a supplementary certificates for medicinal products);
- products or goods violating the rights of a beneficiary of the protection of registered designation of origin or geographic description (Law No. 452/2001 Coll., on the Protection of Designations of Origin and Geographical Indications, Council Regulation EC No 510/2006 on

the Protection of Geographical Indications and Designations of Origin for Food and Agricultural Products);

Under the provision of section 8 paragraph 1 of Consumer Protection Act, no one may deceive consumers, particularly by providing untruthful, unsubstantiated, incomplete, inaccurate, unclear, ambiguous or exaggerated information, or by concealing information about the real properties of products or services or the quality of purchasing conditions.

Under paragraph 2 of the same provision, considered as deceptive consumer transaction is also offer or sale of goods or products violating certain intellectual property rights as well as storage of such goods or products with the purpose of offering or selling the same.

For the purposes of Consumer Protection Act, storage of goods or products violating intellectual property rights means the placement of such goods or products in storage facilities, means of transportation, offices or other non-residential areas as well as points of sale, including outdoor stands (section 8 paragraph 6 of Consumer Protection Act).

While the majority of duties defined by Consumer Protection Act is directed towards sellers, i.e. entrepreneurs who sell products or provide services to the customer, the provision concerning the prohibition of deceptive consumer transactions is because of the usage of the expression “no one” related also to producers, importers and suppliers. The Consumer Protection Act thus enables COI to implicate a whole range of subjects which might commit deceptive consumer transaction under the definition of the provision of section 8 paragraph 2 of the law.

#### **2.4.2.2.2 Motions to inspections, documentation, deposits**

COI conducts inspections focused on products or goods infringing intellectual property rights under the provision of section 5a of Act No. 64/1986 Coll., on Czech Commercial Inspection, on their own initiative or initiative of another state administration body, further on a consumer 's initiative or initiative of another person that demonstrates a legal interest in the matter; the inspection may be initiated also by an owner or a co-owner of a patent, owner of an author 's certificate, owner of a trademark, owner of a copy right or another right covered by the Copyright Act or owner of a right to a registered industrial design or utility model, or his representative.

Another person that demonstrates a legal interest in the matter can be under the above cited provision for instance an entrepreneur who intends to resell the product or use it otherwise for the purpose of his/her business activity. Indispensable condition is to prove a legal interest in the matter, which occurs when the rights of such person are prejudiced by the declared deception.

Motions to inspection can be submitted by the above stated entitled persons either directly to the central inspectorate of the Czech Commercial Inspection or to the respective regional COI inspectorates. For there purposes, counselling and information service has been established, accessible on all working days.

Under the provision of section 8a of the Customer Protection Act, holders and co-holders of a patent, holders of a copyright certificate, holders of trademarks, holders of copyrights or other rights protected under the Copyright Act, and holders of rights for a registered industrial

design or utility model or their representatives (hereinafter "holders of intellectual property rights") must upon request submit to the supervisory authority documentation necessary for the assessment of goods or products within 15 business days of receiving such a request. Holders of intellectual property rights are responsible for ensuring that such documentation is truthful, accurate, complete and effective. They must inform the supervisory authority of any changes which may be material for the accuracy of an assessment of goods or products. If the supervisory authority has doubts about the acceptability and objective correctness of submitted documentation, the authority shall inform in writing the holder of intellectual property rights about this fact. The holder of intellectual property rights shall provide a written statement concerning the ascertained deficiencies in the documentation within 15 days of receiving such a notice.

The documentation necessary for the assessment of goods or products means for instance a certificate of a trademark registration, certificate of industrial design registration or certificate of utility model registration to which the intellectual property rights infringement is related, patent deed and similar. When a licence has been granted to other party, licence agreement must be submitted, or record number stated of each trademark, utility or industrial design or patent related to the licence, to whom and when the licence was granted and what is its validity.

It is also advisable to add further identification data which can help COI officials in the initial assessment of the authenticity of the goods in question. For instance, sufficiently detailed material is the samples or photos of original products, catalogues or samples of packaging and such likes, which are significant for fake products identification within the conducted inspections. It is also possible to supply samples of fake products for comparison, or perhaps photos of fake products or other means of fake product description (stressing the differences between the products and fake products).

If possible, the entitled person can give information on concrete places where the offering to sell, selling or storing of fake products can be expected.

In case of motion submitted by the intellectual property right holder or another party that demonstrates legal interest in the matter, such person must pay an adequate deposit for the purpose of covering expenses of the supervisory authority in the event that the results of the investigation show that the complaint was unsubstantiated. The deposit shall be calculated based on the average cost of work performed by one inspector per day during the preceding year. The deposit shall be paid by the holder of intellectual property rights or another party that demonstrates legal interest in the matter to the account of the supervisory authority within 15 days of the filing of a complaint. If the deposit is not paid by the applicable deadline, the supervisory authority shall be under no obligation to investigate the complaint. If the results of an investigation show that a complaint was substantiated, the supervisory authority shall refund the deposit within ten days of the completion of investigation. If the complaint is found to be unsubstantiated, the supervisory authority shall calculate the actual cost of the conducted investigation (provision of section 8a paragraphs 2 and 3 of the Consumer Protection Act).

Under provision of section 8a paragraph 4 of the quoted act, in the event that a holder of intellectual property rights submits to the supervisory authority untrue, incorrect, incomplete or ineffective documentation, and if damages are incurred on the part of the investigated party due the decision of the supervisory authority based on such documentation, the holder of intellectual property rights shall be liable for this.

In order to achieve best results of COI activities, the collaboration of the holders of intellectual property rights is essential. For this purpose it is necessary to name in every motion a contact person that will ensure the required cooperation with COI and provide information on the violated intellectual property rights. The contact person is usually the holder's representative (legal representative, patent representative or trademark attorney) who acts on behalf of the holder also in other proceedings resulting from intellectual property rights infringement (proceedings before the Industrial Property Office, customs agencies, court proceedings etc.)

#### **2.4.2.2.3 COI authorizations in inspections**

Under the provision of section 2 paragraph 2 letter F of Act No. 64/1986 Coll., COI as a supervisory agency is authorized to check in the frame of its activities whether the consumer is deceived.

For the purpose of this, it is entitled to:

take necessary samples of products or goods from the inspected parties for the assessment (section 4 paragraph 1 letter d) of Act on COI);

conduct or ensure the conducting of analysis necessary for evaluation and invite to inspection persons qualified under special legal regulations, i.e. specialists, experts, interpreters (section 6 paragraph 1 of Act on COI);

call on the intellectual property right owner to submit documentation necessary for the assessment (provisions of section 5a paragraph 1 letter b) of Act on COI and section 8a paragraph 1 of Consumer Protection Act);

call on the intellectual property right holder or other party that demonstrates legal interest in the matter to pay deposit (section 8a paragraph 2 of the Consumer Protection Act);

impose measures (seizure, forfeiture, confiscation, destruction) on establishing that goods or products violating some intellectual property rights has been offered to sell, sold or stored.

#### **2.4.2.2.4 COI inspection procedures**

The activities of COI are primarily focused on the inspection preparation, which means the verifying of the submitted documentation and the evaluation of the inspection backgrounds and risks. Within this preliminary stage, inspection instructions are prepared and decisions made on the necessity of taking samples or on other measures suitable or necessary for the conducting of the inspection in a given matter.

As the issue of some intellectual property rights violation is rather complex, it is not possible to apply a unified methodical procedure consistently in all cases. Similar procedures are used for instance in cases concerning the infringement of a right to a trademark, where it is possible to estimate in advance comparably high risk of an inspection. In other cases, individual procedures are usually employed.

Generally, the steps of COI inspectors are defined under section 7 of Act on COI. According to this provision, if an offer to sell, selling or storing products or goods that fail to comply with specific regulations has been established, the inspector is obliged to impose detention of

such products or goods. The inspector then verbally advises the inspected party or the party present at the inspection of the imposed measure to detain products or goods and draws an official record stating the reason for such a detention and the description and amount of the detained products or goods.

When conducting an inspection, COI is authorised to store detained products or goods that fail to satisfy specific regulations out of reach of the inspected party. The inspected party shall surrender the detained products or goods to the inspector. If the party refuses to do so, such products or goods shall be forfeited. The inspector then shall prepare an official record of the delivery or seizure. The storing costs shall be covered by the inspected party proved to have offered to sale, have sold or stored such products or goods. The inspected party shall not pay for the costs of stored products if it is established that the products or goods do comply with special legal regulations. The detention of products or goods that fail to satisfy specific regulations shall last till the final and conclusive decision on their forfeiture or confiscation, or till it has been established that these are not such products or goods. The measures on seizure of products or goods established to comply with specific regulations shall be cancelled in written by an inspector of a directorate. The document shall be delivered to the inspected party. Upon the cancellation of the measures of seizure, seized products or goods shall be returned without any undue delay in intact condition to the inspected party, with the exception of products or goods used for assessment. The inspector then prepares prepare a written record of the returning.

The party under inspection may lodge objections against the imposed measure of the seizure of products or goods that fail to satisfy specific regulations with the respective local inspectorate within 3 working days from the date on which the party was informed of the imposed measure. Such objections have no suspensive effect. The inspectorate director shall decide on objections without any unnecessary delay. His decision is final. The written decision on objections shall be delivered to the inspected party.

#### **2.4.2.2.5 Sanctions, further treatment of the detained products**

Under the provision of section 24 paragraph 1 of Consumer Protection Act, COI is empowered to impose a fine in the amount up to CZK 50,000,000 for a breach of the duties stipulated in section 8, paragraphs 1, 2, and section 8a, paragraph 1 of Consumer Protection Act. When imposing such a fine, the nature of the unlawful conduct and the scope of its consequences shall be taken into consideration.

Furthermore, COI can impose sanctions on the inspected party under the provision of section 9 paragraph 1 of the Act on COI, as amended, on a breach of the duties stipulated in this Act, even in the form of procedural fines. A fine in the amount up to CZK 50,000,000 can be imposed even repeatedly on inspected individual that obstructs, frustrates or otherwise hinders the performing of an inspection.

The effective legal regulation (provisions of section 7b paragraphs 8 – 13 of Act on COI) enables COI on the meeting of certain conditions. Such products can be provided for humanitarian purposes which are safe from health and sanitation point of view and from which all elements infringing intellectual property rights was thoroughly removed by the receiving organization. Each product or goods item shall be marked “humanity” in

irremovable ink in such a way that the dignity of individuals using such products is not lowered.

The products or goods could be supplied for humanitarian purposes to receiving organizations which can be only branch offices and contributory organizations of state or self-governing entities which were established in order to provide social care or which are active in health or educational system or other legal entities not established for commercial purposes if the scope of their business activities is solely the providing of social care or are active in the educational or health system, provide humanitarian aid at least for two years and can document they are not deficient in tax, social security premiums or state employment policy allowances payment and do not face any lawsuit.

#### **2.4.2.3 Collaboration of COI with other state administration authorities**

Within its supervisory activities, COI collaborates with all institutions involved in any way in the protection of intellectual property rights. This means not only the direct interaction with the Police of the Czech Republic or with Customs Administration officials during the inspections, but also the sharing of experience, information and methodical procedures. An outstanding role in the field of intellectual property rights infringement is the Octapartity, which is an agreement of institutions aiming at the mentioned collaboration, especially with respect to open stalls selling, whose member COI is.

The effective legislation provides COI with a whole range of authorizations which can be used in intellectual property rights protection or enforcement. As obvious from the statistics published on the website of COI ([www.coi.cz](http://www.coi.cz)) of financial sanctions imposed by COI for unlawful acts, these authorizations are actively used.



## **2.5 Ministry of Finance**

### **2.5.1 Position of the Ministry, its activities**

The Ministry of Finance (the Ministry hereinafter) is the central authority of state administration for, among others, the state budget, state exchequer of the Czech Republic, financial market and consumer protection on financial market except from the supervision over the financial market within the scope of Czech National Bank powers, for customs duties, taxes and fees and for the prevention of the legalization of proceeds of crime (provision 13 paragraph 1 of Act No. 2/1969 Coll., on Establishment of Ministries and Other Central Authorities of State Administration).

Under the quoted Competence Act, subordinate to the Ministry is the Customs Administration of the Czech Republic, whose agencies (namely, the customs offices) are under the provision of section 23 paragraph 6 of Act No. 634/1992, Coll., on Consumer Protection, authorized to supervise the observance of Consumer Protection Act also in connection with the prohibition against deceiving a customer by offering to sell or selling of products or goods infringing some of the intellectual property rights, as well as by storing such products or goods with the purpose to offer to sell or sell them as stipulated by section 8 paragraph 2 of the Consumer Protection Act.

It is also the directly binding legal enactment of the Community, the Council Regulation (EC) No. 1383/2003, on customs actions against goods suspected of infringing certain intellectual property rights and measures to be taken against goods proved to have infringed such rights, that grants extensive competencies to the Ministry or rather to the Customs Administration and its agencies. This regulation was implemented into Act No. 191/1999 Coll., on measures concerning entry, export and re-export of goods infringing certain intellectual property rights, which partly further specifies the regulation. Council Regulation 1383/2003 and its implementary regulation, Commission Regulation (EC) No 1891/2004, stipulates conditions for the actions of Customs Office against parties owning, holding, storing or selling goods by production of which intellectual property rights were violated in the customs area of the European Community.

### **2.5.2 Customs Administration of the Czech Republic**

#### **2.5.2.1 System of Customs Administration, its competencies and activities in the field of intellectual property**

The Customs Administration of the Czech Republic (Customs Administration hereinafter) was established by Act No. 185/2004, on the Customs Administration of the Czech Republic (Customs Administration Act hereinafter). The Customs Administration consists of the General Directorate of Customs, eight customs directorates and 54 customs offices subordinate to it. The Customs Administration is a security corps.

##### **2.5.2.1.1 General Directorate of Customs**

The General Directorate of Customs acts as and administrative office for customs on national level subjected to the Ministry of Finance. The General Directorate is headed by general

director, who is at the same time the head of the whole Customs Administration. Under the provision of section 1 paragraph 8 of the Act on Customs Administration, director in customs administration is authorized to enter into legal act on behalf of the state in all property and labour law matters. General director approves the rules of organization of customs administration, according to which branches of customs offices are established with the aim to ensure certain activities within the competencies of individual customs offices. Only a customs officer can become a general director, who is appointed to this position, managed and discharged from service by the Minister of Finance.

The General Directorate of Customs is an authorized customs agency which under the provision of section 12 paragraph 2 of Act No. 141/1961, Criminal Code, together with provision of section 3 paragraph 3 of the Act on Customs Administration, acts in position of the police in proceedings from offences committed by violating of customs regulations and regulations on the import, export or transit of goods, even in cases of offences committed by members of armed forces and services, by violating of regulations in connection with the placing and purchasing of goods in the Community member countries if such goods is transported over the borders of the Czech Republic, and in cases of tax regulations violation if the customs agencies act as tax administrators and if the cases are of national or international significance. The General Directorate of Customs acts as the police also in cases of intellectual property rights infringements including copyright, if such cases are of national or international significance.

Specifically, the General Directorate of Customs as the empowered customs authority is competent from matter of fact point of view also to detect and document three offences committed by persons infringing some of the intellectual property rights. These are the offence of the violation of rights to a trademark, to a corporate name and to the protected designation of origin under the provision of section 150 of Criminal Code, the offence of industrial rights infringement under the provision of section 151 of Criminal Code and the offence of the infringement of copyright, rights related to copyright and rights to database under the provision of section 152. In all three cases, the offences are deliberate, when the perpetrator acts with purpose to injure the respective intellectual property rights. In relation to the cited offences, state administration bodies are under Act No. 141/1961 Coll., on Criminal Court Proceedings (Criminal Procedure Code), as amended, according to its provision of section 8 paragraph 1, obliged to report without undue delay to a prosecuting attorney or to the police (authorized customs agencies) facts suggesting that an offence has been committed. State authority shall meet this requirement by submitting criminal information at some of the named criminal proceedings subjects.

#### **2.5.2.1.2 Directorate of Customs**

In matters which are not of national or international significance, the authorized customs agency is customs directorate. The customs directorate is managed by director of customs directorate, who must be a customs officer and who is appointed to and discharged from the position by the general director.

The directorate of customs among other activities administrates customs offices in its district, coordinates inspection and assistance activities which are in the matter-of-fact jurisdiction of the customs offices in its district and acts as a body responsible for criminal proceedings over

offences resulting from intellectual property rights infringement including copyright, if this is not within the powers and jurisdiction of General Directorate of Customs.

In terms of intellectual property rights enforcement and protection, Directorate of Customs in Hradec Králové has an outstanding position among customs directorates. The Directorate of Customs in Hradec Králové is under the provision of section 4 paragraph 1 of Act No. 191/1999 Coll., on measures concerning import, export and re-export of goods infringing some of intellectual property rights a body with which intellectual property right holder applies for a customs directorate action and which decides on approving or rejecting of such application. When the application for customs directorate action is approved, the Directorate of Customs in Hradec Králové informs without delay the competent customs office which is to perform the action. The decision (as well as the decision rejecting the application) is then delivered to the right holder. The action as such is then according to Act No. 191/1999 performed by the competent customs office.

The Customs Directorate in Hradec Králové is a body with nation-wide jurisdiction which decides on the suitability to withhold intellectual property infringing goods for further use for humanitarian purposes.

#### **2.5.2.1.3 Customs offices**

The customs office is headed by customs office director, who must be a customs officer and who is appointed and discharged from this position by the general director following the motion of a competent customs office director (provision 5 paragraph 1 on Act on Customs Administration).

Customs office has extensive competencies within customs administration which are listed in details in the provision of section 5 paragraphs 3, 4 of the Act on Customs Administration. As for the competencies within the protection and enforcement of intellectual property rights, these are granted to customs offices by the above quoted Council Regulation (EC) No. 1383/2003 implemented by Act No. 191/1999 Coll., on measures concerning export, import and re-export of goods infringing some intellectual property rights (Act on Measures hereinafter) and Act No. 634/1999, on Consumer Protection.

#### **2.5.2.2 Customs office procedure under Act No. 191/1999 Coll.**

This act specifies conditions defined by Council Regulation (EC) No. 1383/2003, under which a customs office action is conducted against parties owning, holding, storing or selling goods by whose production or adaptation intellectual property rights were infringed within the whole territory of European Community according to directly binding Community regulations (provision of section 1 paragraph 1 of Act on Measures).

As already stated above, Council Regulation (EC) No. 1383/2003 is directly binding and does not require implementation into the Czech legislation by special law. Nevertheless, the Act on Measures attempted to implement the regulation through amendment effected by Act No. 255/2004 Coll., which either explicitly adopted or further specified the regulation provisions, of at least refers to them in footnotes.

Council Regulation (EC) No. 1383/2003 and related Act on Measures stipulates conditions on which the customs office is authorized to:

- a) detain goods on justified suspicion that by its production or adaptation intellectual property rights has been infringed
- b) provide for such goods destruction
- c) exclude the goods from trading and other transactions goods found by court decision as infringing intellectual property rights
- d) deal with minor offences and administrative delicts resulting from the breach of the act

According to the provision of section 2 of Act on Measures, “customs office action” means acts that the office performs in compliance with this law. These are above all customs supervision, i.e. all operations the customs agencies deem necessary to perform with the aim to ensure that all the obligations stipulated in customs legislation are duly met (article 13 of Council Regulation (EEC) No. 2913/92), as well as the detention of suspected goods, the destruction of such goods or the exclusion of such goods from trading or other transactions.

The application for customs action is submitted by the holder of the right at the Directorate of Customs in Hradec Králové (Directorate of Customs hereinafter), which decides on the application approving or rejecting.

The concept of “right holder” is not directly specified in the law. Under the provision of article 2 (2) of Council Regulation (EC) No. 1383/2003, a right holder is under the Act on Measures the holder of a trademark registered within the whole territory of European Community (Community Trademark) or within the territory of the member country in which the application for customs office action is lodged, the beneficiary of copyright or rights related to copyright, of registered utility model, industrial model or a patent, the holder of supplementary protection certificate, of plant variety rights, authorized holder of protection of designations of origin or geographical indications as well as any other party authorized to use any of the listed intellectual property rights, such rights holder representative or an authorized user. At first sight, this definition is rather complex. However, in everyday practice its wording does not cause any significant difficulties and the customs directorates are generally capable of discerning whether or not the applicant is a “right holder” according to the Act on Measures.

The application must be lodged by means standard form whose particulars are defined in Appendix of Commission Regulation (ES) 1891/2004. The form can be obtained at every customs office or in the electronic version on the website of Customs Administration ([www.cs.mfcr.cz](http://www.cs.mfcr.cz)).

If the application is accepted, the customs directorate informs without delay the competent customs office which is to carry out the action and delivers the decision to the right holder. The customs office detaining the goods shall on the right holder’s request provide statement in written (i.e. by fax or by post) or in electronic version containing information on the name or names, surname and permanent address or the company name and address, name of the business person, the permanent address of the declarant, the holder or the owner or the goods, and, if known, the same information on the sender and the recipient, as well as information on the origin and place of consignment of goods by whose production or adaptation intellectual property rights were infringed, in order that the right holder could claim the protection of the right. The office can send or hand over samples of the goods to the right owner on his own explicit request, only for analysis and the facilitating of further proceedings. The right holder

then has to inform in written or in electronic form the customs office of the fact that proceedings were commenced to assess if intellectual property rights were infringed by the production or adaptation of the goods in question, i.e. if these are fake products (the provision of section 11 of the Act on Measures).

On being informed by the customs office of the detention of goods suspected from intellectual property rights infringement and about the data of the declarant, owner or holder of such goods, the right owner is obliged to lodge at the competent court a motion to start proceedings to assess whether the detained goods are fake products. This motion must be submitted as soon as possible, in order that the customs office can be informed “without undue delay” of this proceedings commencement.

If the customs office detained the goods within performing customs supervision before the application for action was submitted, the office shall advise the right holder of the possible violation of his/her rights without delay to enable the right holder to submit such application. The customs office proceeds similarly also if it obtains goods from other authority under specific regulation (for instance Act No. 634/1992 on Consumer Protection).

On detaining goods by whose production or adaptation the rights of intellectual property rights holder were violated, the customs office decides following the rights holder application on the destroying of such goods and ensures its destruction under the supervision of three customs officers, without necessity to further ascertain whether the goods really were fake products. This is a simplified procedure of the customs office performed on condition that the right holder informs the customs office within ten days on being advised of the goods detention that the goods are fake products and delivers to the customs office the consent in written of the declarant, owner or holder of the goods with the goods destruction. Prior to the destruction, samples are taken which are kept by the customs office in order to be used as evidence in possible court proceedings. The goods are destroyed at the expense and in the responsibility of the declarant, owner or holder of the goods (the provision of section 14 paragraph 1 of the Act on Measures).

When a court finally and conclusively decides in proceedings commenced by a right holder that the goods are fake products but fails to decide on the goods destruction or forfeiture, the customs office provides for the destruction of such goods at the expense of the goods declarant, owner or holder. If the owner or holder of the fake products is unknown to the customs office, the owner of the right pays for the costs of the fake products destruction (the provision of section 14 paragraph 2 of the Act on Measures). This provision enables the customs office to destroy the goods if the proceedings continue for such a time when the periods elapse for the imposing of fines and the detention or forfeiture of goods.

On final and conclusive decision of the court that the goods are fake products and that it is sufficient to remove the trademarks from such goods, the customs office ensures in accordance with the decision that the trademarks are cleared and destroyed at the expense of the goods declarant, owner or holder (the provision of section 14 paragraph 3 of the Act on Measures).

The customs office shall at the expense of the perpetrator of a minor offence or administrative delict arrange for:

- a) with the consent of the right holder the removing of trademarks from forfeited or confiscated fake products in compliance with the court decision in order that they can be disposed of otherwise than through sales;
- b) with the consent of the right holder other modifications of forfeited or confiscated fake products provided that the state of goods is not changed
- c) the destruction of goods forfeited or confiscated (fake products), of the trademarks removed according to letter a) and of the waste and remains from other alterations (letter b)) (the provision of section 14 paragraph 4 of the Act on Measures).

The procedure under the quoted provision and namely the procedure under its letter c) is in the everyday practice of the customs office the most used one.

When the rights owner gives a consent that the fake products are after the necessary alterations (trademarks removal) used for humanitarian purposes, the Directorate of Customs decides on which of the fake products are suitable for such purposes and which can be transferred free of charge for the humanitarian purposes to the receiving organization (the provision of section 14 paragraph 6 of the Act on Measures). The receiving organization is obliged at its own expense and under conditions stipulated by the Directorate of Customs arrange for the removal of trademarks or for other alterations of the products and for the consequent destruction of the removed trademarks and of the waste and remains from the alterations.

The receiving organizations can be only branch offices and contributory organizations of state or self-governing entities which were established in order to provide social care or which are active in health or educational system or other legal entities not established for commercial purposes if the scope of their business activities is solely the providing of social care or are active in the educational or health system, provide humanitarian aid at least for two years and can document they are not deficient in tax, social security premiums or state employment policy allowances payment and do not face any lawsuit.

Each fake product shall be marked "humanity" in irremovable ink in such a way that the dignity of individuals using such products is not lowered.

The General Directorate of Customs and the receiving organization shall conclude a contract on the transfer of fake products to humanitarian purposes, which must comprise apart from the usual essential elements also the sort and quantity of fake products transferred free of charge, the conditions of the Directorate of Customs in Hradec Králové under which the trademarks are to be removed from the fake products and destructed as well as a provision on contractual penalty in case of the breach of the liability to transfer the fake products free of charge solely for humanitarian purposes and specific purpose for which the fake products shall be used by the receiving organization (the provision of section 14 paragraph 9 of the Act on Measures).

As far as the sanctions for the breaching of the Act on Measures, the Directorate of Customs can impose for a minor offence a sanction of a fine or of goods confiscation. The fines can range from the amount of below CZK 100,000 for the submitting of customs declaration for the releasing of fake products into free circulation or into export regime to the fine in the amount of CZK 20,000,000 for significant breach of liabilities stipulated by the provision of section 15 paragraph 1 letter c), d) of the Act on Measures. The sanction of confiscation can

be imposed independently or together with a fine (provisions of sections 15 and 16 of the Act on Measures).

In minor offence proceedings, the competent customs directory in which territorial jurisdiction the minor offence was detected decides at first instance.

Apart from minor offences, the Act on Measures regulates also administrative delicts (the provision 23 and following of the act). The administrative delict can be committed by an individual or body corporate who is an entrepreneur who within the business activities violates the Act on Measures in the same manner and the same scope as non-entrepreneurs in case of offences. Correspondent to this are also the sanctions, which are consistent with the sanctions for minor offences: fines and goods confiscation. The fines are imposed in the same amount as for minor offences, i.e. in the maximum amount of 20,000,000 for a significant breach of liability.

### **2.5.2.3 Procedure of the Directorate of Customs according to No. 634/1992 Coll.**

Under the provision of section 23 paragraph 6 of Act No. 634/1992 Coll., on the Consumer Protection, the supervision over the observance of obligations stipulated in sections 7b and 8, paragraphs 2 and 8 is provided also by customs directorates which employ procedures under the provision of section 23b and 23c of the act.

The provision of section 7b of the Consumer Protection Act defines the prohibition to offer to sell, sell or export of products or goods intended for humanitarian purposes and marked with “humanity” inscription in irremovable ink. The provision of section 8 paragraph 2 of Consumer Protection Act defines the prohibition of deceptive consumer transactions, while considered as such is also the offer to sell or selling of products infringing some of intellectual property rights, as well as storing of such products or goods with purpose to offer to sell or sell them. The provision of section 8 paragraph 2 of Consumer Protection Act stipulates conditions on which the holder or intellectual property rights lodges a motion to inspection as well as the procedure of the supervisory body, which is under the above cited provision of section 23 paragraph 6 of the Consumer Protection Act also the customs office.

#### **2.5.2.3.1 Powers of the customs office**

Under the provision of section 23 paragraph 6 of the Act on Consumer Protection, the customs office is authorized to exercise control similarly to the Czech Commercial Inspection or other supervisory bodies. The powers of the customs office are listed in details in the provision of section 23b of the Consumer Protection Act. Under this provision, the customs offices executing inspections are authorized:

- perform inspections of legal entities and individuals who manufacture, store, distribute, import, export, purchase or supply products and goods to the national market or carry out any similar activity on the national market; in doing so, the customs authorities act either in concert with the Czech Trade Inspection or independently, providing there is justified suspicion that products or goods violate certain intellectual property rights;
- enter while performing their inspections retail outlets or storage facilities with respect of which they hold a justified suspicion that such points offer, store or sell

product or goods contravening certain intellectual property rights; the government is the party liable for any damage caused at that; it cannot be exempted from such liability,

- enter the premises of a manufacturer, importer or distributor and require submission of relevant documentation and provision of truthful information. Manufacturers, importers or exporters may be advised by a customs officer to obtain and submit professional opinions by a professionally qualified person on the subject of supervision, or a customs officer may request presence, for consideration, of a professionally qualified person during the inspection. A fee for the work performed by a professionally qualified person is agreed according to Act No. 526/1990 Coll., On Prices, as amended
- establish the identity of individuals who are parties subjected to an inspection as well as identities of individuals representing inspected persons and ascertain powers of representation of such individuals,
- require all necessary documents, information and oral or written explanations from the checked persons,
- take on compensation from the inspected persons required samples of products or goods for assessing whether or not a respective product or goods is violating certain intellectual property rights with respect of consumer deception. Checked persons shall receive compensation for any seized samples of products or goods, at the amount of the price for which the product or good is offered at the time of the sample seizure. No compensation will be however furnished if waived by the checked person. No title to compensation will arise if a final and conclusive decision is taken on the product or good concerned that, in fact, it is a good infringing certain intellectual property rights.

In performing the tasks under Consumer Protection Act, customs officers identify themselves by customs office authorization and service identity card without demand. Customs officers shall maintain confidential any facts constituting a business secret subject that have come to their attention in discharge of their supervisory tasks or in performance of duties relating to such secret, except for disclosure of information required for the purposes of and relating to criminal proceedings.

#### **2.5.2.3.2 Motions to inspections, documentation, deposits**

Under the provision of section 8a paragraph 2 of Consumer Protection Act, the motion to start an inspection can be submitted by the holder of the violated intellectual property right or a party that demonstrates a legal interest in the proceedings commencement. Besides, customs offices can start an inspection of their own accord.

Under the provision of section 8a of the Customer Protection Act, holders and co-holders of a patent, holders of a copyright certificate, holders of trademarks, holders of copyrights or other rights protected under the Copyright Act, and holders of rights for a registered industrial design or utility model or their representatives (hereinafter "holders of intellectual property rights") must upon request submit to the supervisory authority documentation necessary for the assessment of goods or products within 15 business days of receiving such a request. Holders of intellectual property rights are responsible for ensuring that such documentation is truthful, accurate, complete and effective. They must inform the supervisory authority of any changes which may be material for the accuracy of an assessment of goods or products. If the



supervisory authority has doubts about the acceptability and objective correctness of submitted documentation, the authority shall inform in writing the holder of intellectual property rights about this fact. The holder of intellectual property rights shall provide a written statement concerning the ascertained deficiencies in the documentation within 15 days of receiving such a notice.

At this stage, it is important to mention that on the detention of goods by customs office through procedure stipulated under the Consumer Protection Act, the customs office will also decide on imposing of a fine and on confiscation or seizure of goods on the grounds of it being deceptive in relation to consumers. To assess whether consumers were actually deceived, the customs office needs documentation on the bases of which it will be possible to ascertain beyond doubts that the detained goods infringes intellectual property rights. Documentation necessary for evaluation of products or goods means, apart from the documents ascertaining the holder's rights (certificate of a trademark registration, certificate of utility model registration, certificate of industrial model registration etc.), particularly the specification of the original products, their images, photos, information on the products imitations already known, original products catalogues and similar. When a licence has been granted to other party, it is necessary to submit the licence agreement, or record number stated of each trademark, utility or industrial design or patent related to the licence, to whom and when the licence was granted and what is its validity.

When the inspection is carried out by the customs office, the subject on whose request the inspection was commenced should be aware that the scope of the inspection has an impact on the amount of the deposit which the office is authorized to require as the supervisory body under the provision of section 8 paragraph 2 of Consumer Protection Act.

In case of motion submitted by the intellectual property right holder or another party that demonstrates legal interest in the matter, such person must pay an adequate deposit for the purpose of covering expenses of the supervisory authority in the event that the results of the investigation show that the complaint was unsubstantiated. The deposit shall be calculated based on the average cost of work performed by one inspector per day during the preceding year. The deposit shall be paid by the holder of intellectual property rights or another party that demonstrates legal interest in the matter to the account of the supervisory authority within 15 days of the filing of a complaint. If the deposit is not paid by the applicable deadline, the supervisory authority shall be under no obligation to investigate the complaint. If the results of an investigation show that a complaint was substantiated, the supervisory authority shall refund the deposit within ten days of the completion of investigation. If the complaint is found to be unsubstantiated, the supervisory authority shall calculate the actual cost of the conducted investigation (provision of section 8a paragraphs 2 and 3 of the Consumer Protection Act).

Under provision of section 8a paragraph 4 of the quoted act, in the event that a holder of intellectual property rights submits to the supervisory authority untrue, incorrect, incomplete or ineffective documentation, and if damages are incurred on the part of the investigated party due the decision of the supervisory authority based on such documentation, the holder of intellectual property rights shall be liable for this.

In the proceedings before the customs office, similarly to inspections performed by COI, collaboration and interaction of intellectual property rights holders or their representatives is crucial. Without such collaboration it is not possible for the customs office to properly evaluate the detained products and decide on their further destiny.

### **2.5.2.3.3 Inspection procedures**

The concrete procedures used by customs office, or rather, by customs officers, in providing supervision over the compliance with duties stipulated by Consumer Protection Act (the observing of prohibition of deceitful consumer transactions under the provision of section 8 paragraph 2, the observing of prohibition to offer to sell, selling or exporting of products intended for humanitarian purposes under the provision of section 7b) are governed by the provision of section 23c of the Consumer Protection Act.

The customs office is authorised to deposit seized products or goods out of the inspected person's reach. The inspected person is obliged to surrender the seized products or goods to the customs officer. Should the inspected person refuse such surrender, the products or goods shall be forfeited from the inspected person. The customs officer shall make an official record of the surrender or forfeiture. Costs of forfeiture, transport and storage are at the expense of the inspected person. The inspected person shall not be liable to cover the costs if it is proved that the products or goods do not deceive the consumer or are not intended for humanitarian purposes as stipulated in section 7b and 8, paragraph 2.

The inspected person may lodge objections with the customs office director against the imposed measure to seize the products or goods under paragraph 1 within 3 working days from the date of familiarisation with the imposed measure. Such objections shall have no suspensive effect. The customs office director shall decide on the objections without undue delay. The decision of the customs office director is final with no available remedy. A written decision on the objections shall be delivered to the checked person.

The seizure of products or goods lasts until a conclusive and final decision is taken on their forfeiture or confiscation, or until they are proved not to be the products or goods violating certain intellectual property rights. Cancellation of a measure to confiscate the products or goods that are then proved not to violate certain intellectual property rights shall be made in writing by the customs office director. The decision shall be delivered to the inspected person. If the measure of confiscation is cancelled, the products or goods shall be returned to the inspected person goods intact and without undue delay, except for the products or goods used in the assessment. The customs officer shall make a written record of the return.

### **2.5.2.3.4 Sanctions, further disposal of the detained products**

Under the provision of section 24 paragraph 1 of the Consumer Protection Act, the customs office, similarly to COI, can impose a fine for the breach of liabilities stipulated in section 8 paragraphs 1 and 2 and section 8a paragraph 1 of the Consumer Protection Act up to the amount of CZK 50,000. When imposing such a fine, the nature of the unlawful conduct and the scope of its consequences is taken into consideration.

When the detained goods or products can deceive the consumer or are intended for humanitarian purposes and an attempt to resell them has been made, the director of customs office decides to impose, apart from a fine, also the sanction of confiscation or forfeiture of such products. The state then becomes the owner of the forfeited or confiscated products or goods.

The customs office director decides that the forfeited or confiscated products or goods are to be destroyed, or, if they are suitable for humanitarian purposes, the director of the customs

office can decide to release them for such purposes without charge. Humanitarian purposes mean activities performed with the aim to provide the basic needs of people in difficult circumstances or in emergency, when the using of emergency material resources is justified.

If the products are to be destroyed, the destruction is carried out under supervisions of a three-member commission appointed by the customs office director. The commission shall draw up a record of the destruction, signed by all three members of the commission. The destruction shall be carried out at the expense of the checked person who offered to sell, sold or stored the products or goods. The customs office shall impose an obligation to pay the costs by a decision with a maturity period of 30 days from the date of notifying on the decision. Should the above costs fail to be settled within the maturity period, customs office shall proceed with their exacting in accordance with the Act on Administration of Taxes and Charges.

Customs offices can also provide the forfeited or confiscated goods or products for humanitarian purposes. Products provided for humanitarian purposes must be safe from health and sanitation point of view and all elements infringing intellectual property rights must be thoroughly removed by the receiving organization. Each product or goods item shall be marked "humanity" in irremovable ink in such a way that the dignity of individuals using such products is not lowered.

The products or goods could be supplied for humanitarian purposes to receiving organizations which can be only branch offices and contributory organizations of state or self-governing entities which were established in order to provide social care or which are active in health or educational system or other legal entities not established for commercial purposes if the scope of their business activities is solely the providing of social care or are active in the educational or health system, provide humanitarian aid at least for two years and can document they are not deficient in tax, social security premiums or state employment policy allowances payment and do not face any lawsuit.

The General Directorate of Customs and the receiving organization shall conclude a contract on the transfer of fake products to humanitarian purposes, which must comprise apart from the usual essential elements also the sort and quantity of the supplied products, a provision on contractual penalty in case of the breach of the liability to supply the products solely for humanitarian purposes and specific purpose for which the products shall be used by the receiving organization. The removal of items infringing intellectual property rights, their destruction and the marking by "humanity" inscription shall carry out or arrange for the receiving organization at its expense. A protocol on the adjustments and destruction is then drawn by a three-member commission appointed by the director of customs office, whose members can be the intellectual property rights holders or their representatives. The protocol is signed by all the three members of the commission.

The directly binding European Community Regulations (particularly, Council Regulation (EC) No. 1383/2003) together with Acts No. 191/1999 Coll., on measures concerning the import, export and re-export of goods infringing some of the intellectual property rights and No. 634/1992, on Consumer Protection, form the basis for the activities of customs agencies in the field of intellectual property rights protection. On the basis of these, and by means of sanctions and related procedures, customs offices in collaboration with the rights holders, their representatives and other state administration authorities detain and consequently destroy almost on a daily basis large quantities of fake products, which would without the legislation in place and its consistent application by the customs agencies come in the market or could prejudice the rights and rightful interests of the customers.

The operation of customs offices, or, in fact, of all agencies of Customs Administration, is essential in the fight against intellectual property rights violation also because of the fact that the Customs Administration is the only state administration authority with competencies in the field of intellectual property rights not only on national level and towards the European Union member countries, but also in relation to third countries. Therefore, it plays a significant role in the global protection of intellectual property rights.

## **2.6 State Agricultural and Food Inspection**

The State Agricultural and Food Inspection has been established by Act No. 146/2002 Coll., on the State Agricultural and Food Inspection, as amended, as the legal successor of the Czech Agricultural and Food Inspection. The State Agricultural and Food Inspection is an administrative office subjected to the Ministry of Agriculture, whose main task is to supervise the individuals and corporate bodies supplying agricultural products, foodstuffs or stuffs for their production and tobacco products. It consists of the central inspectorate and seven subordinate inspectorates. State Agricultural and Food Inspection resides in Brno.

The State Agricultural and Food Inspection is headed by the central director who manages the central inspectorate and inspectorate directors. The central director is subjected to the Ministry.

The central director act and makes decision on behalf of the State Agricultural and Food Inspection, manages and supervises its operation and answers for performing duties arising from the Act on the State Agricultural and Food Inspection and other legal regulations in the given area, which are in particular Act No. 110/1997 Coll., on Foodstuffs and Tobacco Products, as amended, and Act No. 321/2004 Coll., on Viticulture and Vine Production, as amended.

The supervisory activity of the State Agricultural and Food Inspection means under the provision of section 2 of Act on the State Agricultural and Food Inspection the examining conducted by an inspector or an inspectorate, when the compliance of the checked products and staffs, technological equipments, operating procedures and health and sanitary conditions as prerequisites for due operating procedure within producing and supplying of agricultural products, foodstuffs or staffs or tobacco products with specific regulations is examined.

The task of State Agricultural and Food Inspection to supervise the observance of intellectual property rights is stipulated under the provision of Act No. 634/1992 Coll., on Consumer Protection, as amended, Act No. 110/1997 Coll., on Foodstuffs and Tobacco Products, as amended, and Act No. 146/2002 Coll., on the State Agricultural and Food Inspection, as amended. The concrete supervisory powers of the State Agricultural and Food Inspection are detailed in section 3 of the Act on the State Agricultural and Food Inspection. One of such powers it the authorization to control and asses whether deceitful consumer transactions are committed according to the provision of section 8 of the Consumer Protection Act, under which also the offer to sell or selling of goods or products infringing some of intellectual property rights is considered as the deceiving of a consumer, as well as the storing of such products with a purpose to offer to sell or sell them, and whether the rights of persons enjoying the protection of registered designation of origin or geographical indications of products, foodstuffs or stuffs and tobacco products are violated.

### **2.6.1 Inspection procedure**

The inspection of the State Agricultural and Food Inspection in relation to intellectual property is mostly carried out on the basis of:

- motion submitted by intellectual property right holder or another person demonstrating legal interest in the matter,
- motion submitted by a consumer,

- its own motion,
- motion of other state authority.

In general, the inspection is performed with the aim to minimize the risk of incurring claim for damages from the inspected persons under Act No. 82/1998 Coll., on Responsibility for Damage Caused in the course of Executing Public Administration or Incorrect Administration Procedure, as amended.

The result of the examination following a motion related to intellectual property rights observance is in the responsibility of the inspectorate director. On learning that his/her inspectorate is not competent to dealing with the motion, the inspectorate director transfers the motion to the competent directorate or to other competent authority. The party submitting the motion is informed of this without undue delay. Furthermore, directors of other inspectorates and the central directorate of State Agricultural and Food Inspection are notified of any examination related to intellectual property rights. If more directorates are involved in the motion, managing inspectorate is appointed which coordinates the activities and communicates with the person submitting the motion.

On receiving and recording a motion which is evaluated as a motion for inspection concerning intellectual property rights protection, the director appoints a working group consisting of the following people:

- the leader (always an inspector)
- inspector – specialist
- lawyer
- administrator
- other members, if applicable

The leader of the team arranges for the calculation of the amount of the deposit – a sum to be paid by the intellectual property right owner or by a person demonstrating legal interest in the matter on account of State Agricultural and Food Inspection for the purpose to safeguard possible damages and the costs of the inspection. The deposit is calculated on the basis of costs of the activities of one inspector per day and has to cover all costs of the prospective inspection.

If the deposit is not paid, the inspection is not initiated and the working group terminates its activities.

The working group calls on the rights holder or the person demonstrating legal interest in the matter to submit documentation to substantiate the claimed rights from intellectual property within the period of 15 days. For alleged violation of rights to a trademark, the necessary documentation consists of the certificate of the recording of a trademark in the registry under the provision of section 28 paragraph 1, section 8 paragraph 1 of Act No. 441/2003, on Trademarks, or the abstract from the registry of trademarks under the provision of section 8 paragraph 1 and section 44 paragraph 2 Act No. 441/2003, on Trademarks. The period for the submitting of documentation can be extended in justified cases.

All the documentation submitted following the request must be compared with the documentation in the information system of Industrial Property Office. In particular, it is to be verified whether the alleged intellectual property right holder actually holds that right and whether the way of protection of such right is duly documented.

The result of the activity of the working group is the assessment of the justification of the motion to intellectual property rights observance examination and the matter of fact completeness of the documentation submitted, as well as preparing of a protocol. In the protocol, the working group states their opinion on whether or not the intellectual property rights were infringed (and possibly in what such an infringement consists). The inspectorate director then notifies the person submitting the motion by means of a letter of the findings of the working group concerning the alleged infringement of the intellectual property rights.

When the suspected intellectual property rights infringement is confirmed, a field inspection is started of pre-specified subjects, which can be defined either from the motion or from running examinations of the inspectorate.

At the place of the inspection, samples are taken for further evaluation at the inspectorate, which minimizes the risk of wrong decision. On evaluating of the taken samples, the acting inspector prepares an expert opinion and decides whether the products infringe intellectual property rights (whether these are fake products or forgeries) or not. As an item of proper evidence also the expert opinion of the intellectual property holder can be used.

A protocol on the inspection findings is then completed, where the inspector describes in what way the intellectual property rights were infringed and what differences were found in comparison with the documentation submitted by the intellectual property rights holder (the person demonstrating legal interest in the matter). On the affirmative findings, the next step is the imposing of the measures of the inspector leading to the detention of the foodstuffs (products) infringing intellectual property rights. The detention will last till the final and conclusive decision on their forfeiture or confiscation is made, or till it is proved that intellectual property rights were not infringed.

The inspected person is obliged to surrender the detained food or products to the inspector. If the inspected person refuses to surrender the products, they shall be forfeited by the inspector. The surrender / forfeiture of the foodstuffs or products is then recorded in written by the inspector, where the reason for the detention as well as the description and amount of the detained foodstuffs (products) is stated.

While carrying out the foodstuff detention, the inspector takes a sample of the batch for analysis of those parameters whose state could change during storage. The results of the analysis shall be used in case the inspected person argues on possible return of the food that it was damaged due to State Agricultural and Food Inspection operations.

The foodstuffs or products detained are stored out of the reach of the inspected person, if possible due to their nature. To ensure the storage (including transport) falls in the competencies of the inspectorate performing the relevant inspection. The detained or forfeited foodstuffs or products shall be stored under such conditions which prevent their devaluation.

When foodstuffs or products subject to customs supervision are found during the inspection, such found and detained products are handed over by the manager of the working group to the competent customs authority. The person submitting the motion to inspection is then notified of this.

If it is subsequently proved that the intellectual property right was not infringed, the inspectorate director shall cancel the measure and call on the inspected person to take over the detained food or products without delay. Furthermore, an internal regulation defines procedures for non-standard inspections, when the inspected person is unknown (for instance, in market halls or open market places). Within these inspections the inspectorate collaborates with the Police of the Czech Republic or with the metropolitan or municipal police.

When the intellectual property right infringement is ascertained by the inspection, administrative proceedings are started. The inspectorate director shall through a decision made under the administrative procedure code impose a fine, decide on confiscation and order the destruction of the foodstuffs. In this case, it is not possible to refrain from imposing of a fine.

On coming into effect of such decision, the inspectorate director appoints a three-member commission which shall supervise the foodstuffs destruction. The commission then draws a protocol on the destruction. The destruction is made at the expense of the inspected person who supplied the foodstuffs or products.

The final stage of the operations is the accounting for the deposit paid. If the motion was proved as justified, on order of the working group manager the administrator of the inspectorate gives instruction to return the deposit and notifies the inspectorate director of this. The deposit is then paid back within five days.

When the motion is not proved as justified, the inspectorate administrator accounts for the actual costs of the inspection. The administrator then submits to the inspectorate director for signature a "Notice of the accounting for the actual costs of the performed inspection", which contains details on the findings of the inspection as well as a detailed statement of actual costs of the inspection. In case of the actual costs being lower than the deposit paid, the excess is returned to the depositor. If the actual costs exceed the paid deposit, an invoice shall be prepared and send to the depositor who shall pay the debt.



## **2.7 The Ministry of Interior**

### **2.7.1 Position and activities of the Ministry**

The Ministry of Interior of the Czech Republic (the Ministry hereinafter) was established by Czech National Bank Act No. 2/1969 Coll., on the Establishment of Ministries and Other Central Authorities of State Administration, as the central state administration authority for domestic affairs, namely for public order and other affairs of domestic order and security within the defined scope including the supervision of road safety and highway traffic flow; names and surnames, registry offices, nationality, identity cards, reporting of residence, register of citizens and birth identification numbers; for freedom of association and licensing of organizations with international element; public collections; weapons and ammunitions; fire prevention; passports; resident alien permits and status of refugees; regional division of the state; state borders and their surveying and maintaining and the administration of documentation on establishing, closing and status changes of border crossings; state symbols; local councils elections, elections into the Parliament of the Czech Republic and elections to the European Parliament held in the territory of the Czech Republic; crisis management, civil emergency planning, citizen protection and integrated rescue system (under the provision of section 12 paragraph 1 of Act No. 2/1969 Coll.).

In respect of intellectual property rights enforcement and protection, or as a matter of fact in respect of the law enforcement and protection in general, the related tasks within the department of the Ministry are performed by the Police of the Czech Republic.

### **2.7.2 The Police of the Czech Republic**

The Police of the Czech Republic (the Police hereinafter) was established by Act No. 283/1991 Coll., on the Police of the Czech Republic (Act on Police hereinafter) as a security corps of the Czech Republic for the performing of tasks related to domestic order and security as well as other tasks within scope and in a way defined by legal regulations (the provision of section 1 paragraph 2 of Act on Police).

Primarily, the Police protect the security of persons and property, participates in the maintaining of public order and takes measures to its resettlement when disturbed, fights terrorism, detects offences and their perpetrators, investigates in offences, detects and treats administrative delicts.

Within the Police, Criminal Police and Investigation Service is authorized to detect and investigate offences. Under the Act on Police and Act No. 141/1961 Coll., on Criminal Code Proceedings (Criminal Order), the Service investigates offences committed in the territory of the Czech Republic either on its own initiative or at the instance of an individual or body corporate or other state administration authorities. The basic organization structure of the Service is parallel to the structure of prosecuting attorney offices and courts, i.e. is organized on a district and regional level. Both district and regional Service offices participate in the investigating of offences related to intellectual property rights. Apart from this basic structure stand offices with nationwide jurisdiction; however, the detection and investigation of offences related to intellectual property rights are presently not in their matter of fact jurisdiction.

Act No. 140/1961 Coll., Criminal Code, defines in its section 3, paragraph 1 which acts can be considered as offences: “An offence is any act dangerous to society with attributes specified under in this act”. Criminal Code presents exhaustive lists and definitions of acts which can only be regarded as offences. Among those, there are also acts violating intellectual property rights.

The Criminal Code, as amended, defines in total three offences, which a person infringing some of intellectual property rights in the broader sense (i.e. including copyright) can commit. These are the offence of the violation of rights to a trademark, to a corporate name and to the protected designation of origin under the provision of section 150 of Criminal Code, the offence of industrial rights infringement under the provision of section 151 of Criminal Code and the offence of the infringement of copyright, rights related to copyright and rights to database under the provision of section 152. In all three cases, the sanctions are in particular the sentence of imprisonment for a term of maximum two years (maximum five years when offences under the provision of section 152 paragraph 2 are concerned), or a fine.

Apart from these three offences, closely related to the intellectual property rights are also the offence of unfair competition under the provision of section 149 of the Criminal Code and the offence of the violation of binding regulations of economic competition under the provision of section 127 of the Criminal Code. These more general provisions can be used to penalize the infringers of some intellectual property rights also in cases when it is difficult or impossible to establish that a particular intellectual property right (a particular trademark, copyright or similar) has been violated (naturally on condition that the elements of an offence were accomplished under the relevant provision of the Criminal Code).

Moreover, the Police encounter the issue of intellectual property rights when dealing with internet criminality. It is just the internet where vast amounts of products infringing intellectual property rights are offered to sell and consequently sold. Successful crackdown against internet criminality perpetrators is hindered by the fact that in compliance with the institute of telecommunication secret the Police are not authorized to ascertain which person administrates the particular internet site, from what server and using which telecommunications operator, unless criminal proceedings were instituted against such a person. However, the proceedings can not be instituted unless the person suspected from the offence is known (cp. the provision of sections 88 and 88a in connection with section 65 of the Criminal Code).

As for administrative delicts related to intellectual property rights, the role of the Police and Criminal Police and Investigation Service can be somewhat doubtful.

Administrative delicts related to intellectual property rights are not listed in the enumeration in the provision of section 58 paragraph 2 of Act No. 200/1990 Coll., on Administrative Delicts, as Amended, on the report of which “the Police carry out investigation necessary to the ascertainment of the person suspected of the commitment of the delict and secure proper evidence”. In view of the quoted provision it can be assumed that the Police are not authorized to investigate administrative delicts related to intellectual property rights. This creates somewhat of a controversy deserving more detailed study, which will follow in the second part of the methodologies.

In relation to intellectual property rights, the Police also play an important part in organizing and safety ensuring of actions carried out by other supervisory bodies (the Czech Commercial Inspection, Czech Agricultural and Food Inspection or customs offices). Besides this

collaboration, the Police employ the services of Czech Commercial Inspection, which as an independent agency can provide expertises that can be used as evidence in criminal proceedings.

### **3. Analysis of the system of intellectual property rights enforcement and practical experience with the system**

The first two parts of the methodology and methods related to intellectual property rights enforcement at the particular public administration authorities of the Czech Republic with competencies in intellectual property rights enforcement were predominantly of the character of normative analysis of the effective legislation, partly related to substantive intellectual property law (part one), partly related to an area that could be with a certain licence classified as procedural or institutional, if powers and methodology directly related to such powers of particular state administration authorities of the Czech Republic with competencies in intellectual property rights enforcement were described (part two).

With a view of this project purposes and with particular regard to the objectives of part two of this study which is to deal with the methodology of the interaction of the state administration authorities of the Czech Republic participating in the enforcement of intellectual property rights, it is now necessary after this indispensable introductory explanation to proceed with the analysis in itself of the intellectual property rights enforcement as a system and with the assessment of practical hitherto experience with this system functioning. In terms of methodology, the study is thus transferred from the sphere of principally normative examination to mostly sociological as well as legally and institutionally theoretical level of examination. As the final objectives of the project of intellectual property rights enforcement lay chiefly in the juristic sphere, the method of normative analysis will nevertheless not be altogether abandoned in the following study, though this will not include primarily methodical approach and the juristic focus will no more present the sources of the assumed considerations and conclusions, but will become more of a means to deduce the results on the basis of knowledge acquired by, from the methodology point of view, different, usually empiric methods.

First of all, it will be necessary to define and to describe the elementary features of the system of intellectual property rights enforcement as such, including the definition of the concept of rights enforcement especially in relation to other activities and aspects in connection with intellectual property rights.

For this definition, an analysis will be necessarily required of the elements of public interest in the protection of intellectual property rights, relations between the rights of intellectual property right holders and public law means to protect such rights. From these analyses, a certain framework of values will arise, defining inner and outer boundaries of the system of intellectual property rights enforcement as a particular social system existing within narrower and broader institutional (and from a different viewpoint, also legal and social) systems, with which it is through the very framework of values interconnected. In the light of this value framework, especially the particular objectives stand out by which the system of intellectual property rights enforcement is characterized in its – in the last instance – autopoietic features and which legitimate it by means of effective achieving of the objectives from the point of view of other social system complex.

From this, in its principle content analysis, it will be possible to move to a formal analysis focused on the basic features of intellectual property rights enforcement system. As the specific features of this system, the persons (applicants, holders, infringers), rights, public administrative authorities, activities and acts will be explored. However, these elements are not mere formal links of the system ensuring its inner coherency and, at the same time, its

cohesion with its surroundings; these are also the spheres in which the content characteristics of the system defined by the objectives and values determined in the antecedent analytical elaboration concentrate.

These analyses will be employable in the second part of the methodology of the interaction as the sources of the assessment of relations between these individual formal elements of the system with a view to the achieving of, from the legitimization point of view, justifiable parameters of content objectives and values which define the system of intellectual property rights enforcement.

What will follow is the study of experience with the functioning of the system in reality, which will be divided into three levels: the rights formation level (in particular, through the rights registration), the rights elimination level (especially through the process of their nullification and voidance) and the level of the rights enforcement as such, which is, nevertheless, as will be demonstrated, closely connected with both of the previous levels.

In the second part of the methodology, subsequent to these results will be the case study of intellectual property rights during their enforcement from the standpoint of the user of the system, i.e. the intellectual property right holder.

### **3.1 Objectives and values defining inner and outer boundaries of the system**

#### **3.1.1 Rights enforcement concept**

##### **3.1.1.1 Methodology sources**

The dualism of normative and factualness viewpoint of phenomena primarily impalpable without the acceptance of noetic sources which extract the sphere of normativity as a specific area accessible to human cognition is in its mutual friction a necessary definition resource for the phenomena of institutionally systemic nature. The term and concept of rights enforcement can not be legitimized in terms of discursive ethics without alluding at the same time to the state and development of certain human activities; it is however impossible not to pay attention to the normative framework within which these activities take place and within which they are simultaneously evaluated in terms of meeting objectives in such normative framework immanently set or even formally embedded.

The rights enforcement can be therefore regarded in the first place as a certain complex of activities which are defined by a certain complex of objectives. These activities include

- the monitoring the conduct and behaviour of economic entities, especially of the economic competition competitors, as well as other parties, and the assessment of this in view of the conformity with the effective law;
- supervision of such conduct or behaviour and activities aiming at the prevention of conduct that could be qualified as unlawful or that could end in unlawful conduct or state;
- the exercising of rights by making claims related to such rights infringement both in a forensic and non-forensic manner;
- the rendering of protection to rights that are being infringed or endangered by infringement, namely through the settling of lodged claims;

- the exercising of public authority with the purpose of eliminating unlawful conduct or unlawful state and with a view to restoring balance in terms of the particular objectives of the given system;
- the imposing and extracting of sanctions towards infringers, in terms of both protection against rights infringement and protection of the compliance with law.

### **3.1.1.2 Substantive law and its enforcement (exaction, execution)**

In juristic terminology, the term “enforcement” is closely related with the terms “exaction” and “execution”. This semantic connection is after all evident also from the comparison of the individual language versions of Directive 2004/48/EC of the European Parliament and the Council, which reads in the Czech version as Directive on the observance of intellectual property rights“, while in the English version as “enforcement”, “Durchsetzung” in German and “respect” in French. While implementing this directive into the Czech legislation, Czech legislator uses in Act No. 221/2006 Coll. the term “exaction”, whereas in this project and in some theoretical studies “enforcement” is used.

The resource of the concept of rights enforcement or rights execution in the Central European legal culture is the discerning of three legal norms in the legislation in terms of their operation, namely

1. substantive law norms defining the normative framework as such for the conduct and behaviour chiefly of individuals;
2. the norms of discovery procedural law which cover the application of substantive law norms to concrete cases for the purpose of the formulation of rules relating to individual cases (“law ascertaining”);
3. procedural law norms of execution proceedings governing the process of applying the coercion in itself, at its last instance physical, to respect the regulation on the second, “ascertaining” level, found to apply to the concrete case.

This model corresponded with originally romantic, historical law idea that the content of legal regulations is a natural reflection a certain society (nation) culture and that these legal regulations as such are naturally respected by the majority of the society. The ascertaining of law as such in individual cases was then reduced in this model to cases considered as rather exceptional, when, above all, it was not clear in which way the abstract substantive right should be applied to the concrete facts at issue. Therefore, the terms “law searching” and “law finding” were used. From this resulted the somewhat abstract nature of the third, execution level, which came into question only in exceptional cases, when the trial judgement was not voluntarily realized.

It is however not possible to meaningfully define the presently used concept of rights enforcement (execution, observation) on the basis of this model. The development of law in the past years has been characterized by the shift in attention from legal norms embedding the rules of the behaviour as such within certain legal institutes (substantive rules) to legal norms focused on the practical enforcement of substantive rules within institutions with personal substrate (these legal norms can be termed as formal rules). This process probably proceeds against the background of broader interaction between the established continental model of law and the Anglo-American model, which is contrary to the continental model focused more on the protection of rights of individuals and the formulation of legal rules for concrete cases.

The intellectual property rights enforcement came under discussion especially in the relation with the activities focusing on the ensuring of practical respect, and through this, the realization of economic potential of these rights on the international and multinational level. On the international level, the most important step in this area was the accession to the Agreement on commercial aspects of intellectual property rights; similarly, on the European Union level, it was the acceptance of the above mentioned Directive 2004/48/ES, on enforcement of intellectual property rights. In explication of this concept, the content and context of these significant documents of the international and community intellectual property law must not be omitted. It is stated in article 7 of the Agreement on commercial aspects of intellectual property rights that “the protection and enforcement of intellectual property rights should contribute to the supporting of technical innovations and the transfer and broadening of technologies, to mutual advantages of producers and users of technical knowledge in a way contributing to social and economic wellbeing and to the balance of rights and liabilities.” It is worth reminding that in the original English version of this article, “enforcement” is mentioned, in the French version “respect”, in Spanish “observancia”. While the English expression “enforcement” can tempt to be translated into Czech as the comparably narrow expression of “vynucování” (exaction), it is obvious, especially on confrontation of the English version with the other two language versions, that this term is meant to cover much broader range of measures, activities, but also rules, which are somehow related to the effects of intellectual property rights within the society and global economics.

### **3.1.1.3 The concept of enforcement within the Directive 2004/48/ES**

The Directive 2004/48/EC, on enforcement of intellectual property rights, mentions in its preamble that “for the creation of the domestic market, it is necessary to remove the restriction of freedom of movement and the violation of economic competition while creating an environment supporting innovation and investments”, while “in this respect, the protection of intellectual property is the prerequisite of the domestic market success; the protection of intellectual property is essential not only for the supporting of innovation and creativity, but also for the expansion of employment and increasing of competitive strength.” The directive preamble further implicitly emphasises that not only the intellectual property enforcement, but, above all, effective means for intellectual rights observance are the means necessary for the meeting of objectives, which are the development of innovation, creation and investments.

The directive considers it “necessary to ensure that the substantive intellectual property law which presently forms a substantial part of *acquis communautaire* is effectively used within the Community.” In the context of intellectual property rights observance, the preamble mentions “pronounced differences between the rules of implementation of individual member countries for the usage of emergency rulings employed particularly in the obtaining of proofs, the determining of the amount of damages or in proceedings resulting in injunction”. Moreover, it is mentioned that “in some of the member countries, such measures, proceedings and remedies as the right to information or the withdrawal of goods infringing intellectual property rights from circulation at the expense of the infringer do not exist”. These differences obstruct the proper functioning of domestic market and make it impossible to ensure the equivalent level of protection of intellectual rights throughout the whole of the Community, which prejudices the creation of an environment favourable to a healthy economic competition. It is obvious from this enumeration that in the term “the observation of rights”, the directive includes a whole range of measures and rules pertaining to the ascertaining

procedural law and even to substantive law, for instance as far as the emergency rulings and injunctions as well as the rules for the amount of damages determining are concerned.

Furthermore, the preamble of the directive points out that these present differences in legal regulations of these institutes in the individual member countries legislations result also in the weakening of substantive law of intellectual property and that the effective observance of the substantive law of intellectual property must be ensured by a special action on the Community level. When using the term intellectual property rights observance, it is therefore impossible not to take into consideration the close cohesion of the means of the rights enforcement and the substantive law legal regulation of the individual sorts of these rights; it is not possible to discern precisely between the two spheres and to disregard their interaction.

#### **3.1.1.4 Synthesis**

Therefore, it is possible to conclude that the legal instruments of intellectual rights enforcement fall within both the sphere of substantive law (where it means in particular the detailed regimentation of legal titles belonging to the holders of such rights) and into the area of procedural law (especially in terms of the specific regulation of some procedural institutes such as emergency ruling, burden of proof, obtaining of proofs) including the executory law. Furthermore, this area also includes specific public law instruments and means used by state administration authorities other than courts with the aim to ensure the observing of both the legal norms of law in the area of intellectual property protection and the individual rights to intellectual property. When using these means and instruments, it is however necessary to bear in mind that despite public interest in the protection of intellectual property rights, the individual intellectual property rights remain private rights, which can come into mutual conflict very often and which can conflict also with private rights other than those to intellectual property. These conflicts are usually not settled by state administration authorities but by courts (as will be dealt with in more details further in the text in chapter 3.1.3)

It is also possible to define the concept of rights enforcement from the juristic point of view in a negative way – saying that it fails to include either the legal regime of the intellectual rights formation (for instance, the regulation of the conditions for technological solution patenting, the regulation of conditions of trademark eligibility of registration, the regulation of the registering proceedings of industrial rights and similar) or general definition of the content of such rights. On the other hand, the individual partial titles, or entitlements, reflecting the constituent content of intellectual property rights, are included in the concept of instruments of intellectual rights enforcement in the broadest meaning of the term.

In view of the absence of a strict division between the substantive regulation of intellectual property rights and the sphere of their enforcement, especially from the juristic standpoint and in respect of the close interaction of those two spheres, rather extended survey of substantive regulation of intellectual property rights has been elaborated in the first part of the methodology. When analysing the individual contentual and formal features of the intellectual property rights enforcement system, it is necessary to take this substantive law regulation into account in a suitable manner and to construct and coordinate the individual methodology processes of the enforcement as such in view of this substantive law regulation (see capture 3.3 below).



The intellectual property rights enforcement system is thus defined from the normative point of view by a complex of legal norms regulating enforceable titles from the infringement of those rights within court or administrative proceedings, process institutes in relation to ascertaining proceedings as well as executory, court and administrative proceedings instrumental in the effective protection of those rights, as well as specific authorizations of the state administration authorities in the ensuring of the observance of those rights and legal regulations related to intellectual property. In respect of sociology, the system consist of elements, objectives and values aiming at the effective social assertion of intangible assets under the circumstances of European Union inner market, or under the circumstances of global economy. The intersection of these two viewpoints is the institutional viewpoint, which gives possibilities to grasping the system of intellectual property rights enforcement through a prism of activities, processes and instruments employed within the conducting of economic, decision-making, supervisory, executory and administrative activities in connection with social assertion of intangible assets.

### **3.1.2 Inner and outer interface of the intellectual property rights enforcement system**

Similarly to the coherency of most of the social systems, the coherency of the intellectual property rights enforcement system results from the network of links of this system to other, in relation to this system outer systems, and to the systems originating and functioning within individual structural elements of this system (inner systems). On the interface of these systems, the information exchange is realized, ensuring on one hand the functioning and development of the intellectual property enforcement system as such, and, on the other hand, the maintenance and development of the outer and inner systems connected to it. This information is either of concrete, practical nature, causing certain concrete reactions within the interconnected systems, or of abstract nature which can not be directly transferred into a reaction on the level of any of the concerned systems which are however essential for the possibility of the creating of the system autonomy and its inner functioning on up to autopoietic level. This abstract information takes on the form of objectives and values. These objectives and values thus ensure the contentual definition of the system in relation to other systems and its relatively autonomic functioning. The primary resource of this objectives and values is, nevertheless, not, as obvious from the above stated, the system as such, but the information exchange which takes place on its interface.

#### **3.1.2.1 Outer interface**

The outer interface of intellectual property rights enforcement system is defined by

- effective law, in particular by Czech legislation and European Community law;
- political systems again especially on national (Czech) and multinational (European Community) level;
- economic system functioning in the Czech Republic, which is inseparably connected with the economy of other European Union member countries in the framework of inner market and with global economy;
- liabilities of the Czech Republic towards the European Community;
- system of ethical norms generally acceptable in the Czech society.

These individual outer systems influencing the intellectual property rights enforcement system from the outside also interact with each other, thus participating by their own interaction in the genesis of certain values and objectives which are consequently accepted into the intellectual property rights enforcement system. This must be taken into consideration when analysing the individual objectives and values with a view to their connectivity with the complex of abstract information generated by these individual systems, whose regular exchange with the intellectual property rights enforcement system is a prerequisite for the maintenance and development of this system. The contribution of the individual systems creating the outer interface of intellectual property rights enforcement system to the creation of objectives and values will be analysed further in the text.

### **3.1.2.2 Inner interface**

Similarly, taken into account must be also the connection of the intellectual property rights enforcement system with systems placed as if on the inner interface on the level of its individual basic elements. Also on those levels a significant exchange of information of mostly concrete nature is realized, which however is not rigid towards certain forms of generalization which can contribute to the processes ensuring the system coherency. These systems connected with intellectual property rights enforcement system by inner interface on the level of its individual basic elements are as a rule not genetically dependant on this system, but their connection with the evaluated system is given mostly by their gradual absorption into the system as its structural element as the result of reinterpretation of their position in the light of the objectives and values peculiar to the evaluated system.

On this inner interface of intellectual property rights enforcement system are placed in particular

- individual economic subjects, i.e. individuals especially in positions of applicants, holders and infringers of the intellectual property rights;
- institutions with personal substrate operating in the area or intellectual property rights enforcement;
- particular individuals creating the personal substrate of such institutions;
- economic entities engaged exclusively or mostly in the intellectual property rights protection as their business activity (lawyers, patent attorneys, business and other consultants, specialized software producers and providers of other services).

It is necessary to bear in mind that for the successful enforcement of intellectual property rights, also certain level of knowledge is indispensable of the internal relations, capacities, values and objectives of these subjects ensuring “from the inside” the operation of intellectual property rights enforcement system. Also these subjects, or systems, add indispensable and highly valuable information to the intellectual property rights enforcement system, whose ability of generalization within it creates one of the criteria of the effectiveness of the functioning of the evaluated system.

While the tendency towards autopoietic operations on the level of the wholes system of intellectual property rights enforcement under ordinary circumstances does not need to be harmful for the functioning and development of the system as a unit, when such autopoietization fails to lead to the suppressing of the links of this system with systems placed on its outer interface (the essence of such benign autopoietization is the forming of

own objectives and values within the system of intellectual property rights enforcement adoptable by outer systems) the autopoietic functioning of the systems placed on the inner interface of the evaluated system can have in the long run malign impacts on the functioning and development of the system to which these systems are connected as its basic structural elements. The objectives and values of those “inner systems” and their tendency to autopoietization (for instance, the abuse of intellectual property rights enforcement and its results) will be pointed out in more details especially in the case study under point 3.4.

Further in the text we will focus especially on the links of intellectual property rights enforcement system to the systems placed on its outer interface, which are crucial for the determination of the value framework and objectives of this system. In regard of the fact that the first, extensive introductory part of this study dealt with the link of intellectual property rights enforcement system and the legal framework of substantive law regulation of intellectual property rights in the national, European and international law, the following chapters focus on the assessment of the links of the system to the outer systems listed in the above enumeration.

### **3.1.3 Public interest**

#### **3.1.3.1 Public interest concept**

The concept of public interest creates a basis for discerning between public and private law, which remains in operation even at the present time, at least in the environment of continental legislations between which the Czech Republic belongs. Under the theory of interests, legal norms or legal relations (law) split into public and private law according to whether they observe public matter interest or the interest of an individual. As public interest, such interest is considered which is enforced by public authority and which should coincide with the interest of the whole society. This interest should also correspond with the particular interests of individuals, or, under the liberal doctrine, the pursuing of particular interests of individuals should be even beneficial for the society as a whole. Nevertheless, an individual can in particular cases find oneself in conflict with the public interest. What is essential in terms of intellectual property rights enforcement is the fact that the protection of the rights of individuals, i.e. also of their particular interests, falls into the competency of courts, whereas administrative authorities support through their activities chiefly public interest.

However, both public and private interests are closely connected in many other ways, for instance by the fact that it is in public interest that the legitimate private interests and rights in particular were duly and timely protected. This is what is meant by public interest when discussing the necessity to ensure right observance, right enforcement and such likes. Also the interest to observe (respect, enforce) intellectual property rights falls under this category.

#### **3.1.3.2 Public interest in intellectual property rights enforcement**

Public interest in relation to intellectual property rights enforcement can therefore have dual meaning. First, there exists public interest in a due protection of intellectual property rights, which is as a rule realized by means of judicial authority in civil proceedings. However, also a public interest in intellectual property rights enforcement in a narrower meaning exists, which is more than a mere reflection of private interests of individual property right holders in the

effective protection of their rights. This public interest in intellectual property rights in its literal (narrower) meaning is a reflection of the recognition that the advanced level of intellectual property rights protection and the effective enforcement of intellectual property rights contribute to economic growth and prosperity, or are economic prosperity accompaniments.

The intellectual property rights enforcement thus became one of the political goals on national, European and international levels. This reflects for instance the decree of the government of the Czech Republic No. 330, of 14. April 1999, on the Conception of the Fight against Criminal Acts related to Intellectual Property.

### **3.1.3.3 Public interest and private law versus public law**

Discussing the issues of public interest, it is necessary, because of the frequent usage of the terms private and public law not only within this study but especially in connection with the activities of state administrative bodies related to the enforcement of intellectual property rights, to remark on the basis of the distinction between the private and public law.

The difference between public and private law is often explained by various theories. The most significant of such theories is the theory of interests based on classic Ulpian's definition *publicum ius est quod ad statum rei publicae spectat, privatum quod ad singulorum utilitatem* (as was implied at the beginning of this chapter), theory of power and organic theory. Under the theory of power, public and private law are distinguished according to whether the participants in the legal relations are superior or inferior to each other or whether they are equal. The sphere of public law is characterized by superiority and inferiority, whereas the private law sphere is characterized by equal relations. Under the organic theory it is decisive whether the legal subject participates in legal relationship through its membership in a public corporation or not. In the first case the relation falls under public law, in the second under private law. Under material organic theory, the public law is a sum of legal norms, where at least one of the subjects of legal relations is a bearer of public authority. Each of the three theories provide a different view of private and public law distinction, which is more a matter of intuition than exact definitions for experienced lawyers. Every of the three basic theories defining private and public law however contains certain elements which can help this intuitive approach in particular cases.

In common consciousness of lawyers and state administration officers, the courts "take care" of private law in civil procedures when providing the protection of private rights, while the sphere of public law is "in charge of" administrative authorities and courts in criminal proceedings. Although it is possible to challenge this opinion with innumerable cases to the contrary, it is still basically correct, as it reflects especially the differences between the nature of court activities on one hand and that of administrative bodies on the other hand.

### **3.1.3.4 Public interest and the activities of courts and administrative authorities**

#### **3.1.3.4.1 Position and role of courts**

The courts are authorized to provide protection to rights in a defined manner. The judge is in his decision bound only by law, i.e. is bound neither by subordinate legislation which could

conflict with the law nor by instructions of his superiors, political bodies or similar. The courts and judges are required to be independent and neutral; this requirement reflects the rule of the judge being bound only by law, and results in the fact that the court in its decision made in civil court proceedings must not observe or apply any specific private or even public interest, with the exception of those which are reflected in rights through which the court provides protection, or in laws that the court applies in its decisions.

The Civil Code requires that the courts proceed in civil proceedings in such a way that the just protection of rights and rightful interests of the participants is ensured, together with educational activities focused on law observance, honest performance of duties and respect for rights of other persons. At the same time, the Code reminds that civil court proceedings are one of the guaranties of legality serving to the guaranty consolidation and extension, while every person has a right to seek at the court the protection of a right which has been infringed or endangered. The courts in civil proceedings should prevent the infringement of rights and interests of both individuals and legal entities protected by law as well as the abuse of rights to the detriment of such persons. These objectives and values fully apply in the enforcement of intellectual property rights by civil court proceedings. What is most significant here is not the public interest in the narrow meaning, such as the interest in economic prosperity, economic growth, high level of employment, healthy environment, national economy development or similar, but the interest in the protection of private rights of the proceedings participants. The court is required to protect such laws, even if the providing of such protection in the particular case was to the detriment of a specific public interest. For instance, the court must satisfy the justified claims of intellectual property owner even when doing so will result in the bankruptcy of the defendant, discharging of his employees and increase of unemployment, the increase of a price of a medicament as a result of respecting patent rights to a certain substance, environmental damage through using of patent technology or similar. It is not possible to legitimize court decision in civil court proceedings by deliberations on the specific public interests listed in the previous instances, unless the relevance of such criteria for court decisions were defined directly by law. Here it should be noted that the undesirable results of intellectual property rights protection from the public point of view as listed above must in fact become secondary to the stronger public interest in intellectual property rights protection even at the expense of short term prejudicing of these interests, as under hitherto experience of humankind the long term observance of intellectual property rights leads in its long term results to the developing of technologies and to economic behaviour favourable to economic growth, the maintaining of high level of employment and environment protection.

However, the independence and neutrality of courts must reflect itself also in a scenario to the contrary. In their decisions, the courts must take into consideration neither the public interest in the intellectual property rights enforcement in itself that should ensure the above stated objectives. The courts must consistently consider all circumstances in favour of the supposed infringer of these rights and settle claims from intellectual property rights infringement only when the claimant really owns such rights under the law and when there is no substantial impediment of such rights execution, as might be the existence of rights of previous user, the absence of the probability of confusion of the designation used by the infringer and the trademark, differences between the technological solution used by the assumed infringer and the claimant's patent, and so on.

#### **3.1.3.4.2 The position and role of administration authorities**

As for the activities of the administrative bodies and their officers, the requirement of independence and neutrality is not defined. The administrative bodies are, indeed, also obliged to observe the effective legislation in their activities and can use their powers only in cases and in a way defined by law. It is nevertheless legitimate to require that the administrative authorities will observe certain specific public interests which can even be political, such as the interest in extended protection against the import of unauthorized fake products from third countries, interest in the support of innovations made by Czech entrepreneurs subjects, interest in the maintaining and increasing of employment in a certain region and similar. It is necessary to keep in view that administrative authorities observe these specific public interests also within their activities related to intellectual property rights enforcement, which can in particular cases lead to different approaches and even to different decisions in intellectual property rights enforcement. As the public interest in intellectual property rights enforcement is based on liberal doctrine according to which the observance of particular private interests of individual economic subjects including the interest in the enforcement of their intellectual property rights eventually results in general welfare, the role of administrative authorities in intellectual property rights enforcement should be more of an auxiliary nature, as opposed to the central role which in the decisions of disputes necessarily resulting from intellectual property rights enforcement should still be maintained by courts. It is the independency and neutrality of the court decisions what gives the greatest guaranties that not only the particular private interests of individual participants (rights holders and infringers) will be observed, but also the public interest in intellectual property rights enforcement, which is in reality reduced to the interest in effective protection of private intellectual property rights. With this central public interest related to intellectual property rights enforcement, some other specific kinds of public interest (such as the interest in healthy environment, low prices of medicaments, high level of employment) can conflict.

#### **3.1.3.4.3 Procedural guaranties in civil court proceedings**

Civil proceeding is conceived with a view to enabling it to provide within its framework maximum possible measure of the protection of rights, including those to intellectual property. In civil procedures, especially such disputes are decided where the participants' interests contradict, where the participants claim incongruous rights or rights which they do not necessarily held and which on the contrary can be hindered by the existence of other rights of the other participant. The aim of civil proceedings is to ascertain such rights and make and authoritative decision in order to definitely remove the source of the conflict between the participants regarding the given subject matter of the proceedings.

The achieving of these aims facilitates a whole range of principles on which the civil proceedings is built. These are, among others, the principal of the equality of participants, disposition principle, principle to hear, the institute of burden of proving as well as the principle of rightful process, which are listed in more details in the practice of the European Court of Human Rights and the Constitutional Court of the Czech Republic.

These principles are reflected in the fact that the civil proceedings in the matters of intellectual property rights is instigated only on the basis of a proposal, with the claimant as a dominus litis, who through his/her procedural acts defines the subject matter of the proceedings, and basically can through unilateral acts terminate the proceeding at any time or change its subject matter. Each of the participants is obliged to declare the facts relevant in relation to their proposals, in which way the court shall decide in the subject matter and

designate the proofs supporting their statements, while the failure to bear the burden of proving and burden of statement causes the failure of the participant of the dispute. Each participant has a right to express his/her opinion to the facts and proofs of the other party, has a right consisting in the fact that a decision in the matter is made after oral proceedings, that the evidence is presented in this proceedings, that the proceedings is open to public and a many other partial entitlements within the right to rightful process.

These guaranties are usually not granted in the proceedings before state administration authorities (administrative proceedings). These proceedings can often be commenced at officio (without a motion of the participants). Also in the administrative proceeding the position of the participants is equal, however, the principle of contradictory proceedings, the institute of burden of statement and burden of proving as well as the principles of direct, oral and public proceedings do not apply to the full extent. Because of the possibility to start proceedings on the basis of official duty, the principle of disposition as a rule does not apply, as well as a whole range of the rightful process components. The law implicitly makes the administrative bodies liable to ensure that the resolution is in compliance with public interest. Thus, the same attention is paid to public interest as to the protection of the rights of the proceedings participants.

Even in regard of the differences in the nature of civil court proceedings and administrative proceedings, for the deciding of disputes resulting from private law which include also intellectual property rights, civil courts proceedings before the courts appear to be more suitable than administrative proceedings before the state administration authorities

#### **3.1.3.4.4 Specific role of state administration authorities in the enforcement of intellectual property rights**

Intellectual property rights form a part of private law. It regulates the property or personal property relations of individuals and legal entities. These persons are in equal position and none of them is in the position of public power bearer in the relations. The exercising of rights in these relations aims at the protection of private interests of individual persons, not primarily at the protection of public interest. As obvious from this very superficial test, rights to intellectual property appear to be a part of private law in terms of all the three dominant theories of discerning between private and public law.

From the above described reasoning the question emerges whether at all and why such acute attention should be paid to the intellectual property rights enforcement by a whole range of state administration authorities which received powers in this area, and what is the purpose of such powers. Is the enforcing of intellectual property rights by public law bodies possibly in conflict with their private law nature? Are there systemic defects in the system of intellectual property rights enforcement, which is to a considerable extent based on the exercise of powers of administrative bodies, not courts?

The answer to these “heretic” questions must be “no”. There is an inevitable meaning and purpose for the enforcing of intellectual property rights using public law means. The role of state administration authorities in the enforcement of intellectual property rights results from public interest in their observing. As repeatedly stated earlier in the text, the existence of public interest is justified by reasoning that long term observance and effective enforcement

of intellectual property rights go hand in hand with economic prosperity, whose attainment and maintenance is essential for reaching other partial public interests, for instance in the social, environmental or cultural area. What is more, neither the fact must be omitted that intellectual property rights are as a part of proprietary rights under the direct constitutional protection and under the protection of international treaties on human rights. This way, rights to the results of creative intellectual activities are under special protection within the constitutional order of the Czech Republic. As long as the public convenience of the protection, observance and enforcement of intellectual property rights is empirically attestable by human experience only for the last several centuries, the institute of property right creates an institutional base of all civilisations hitherto successfully built by mankind. Without the effective protection of property rights, it is impossible to guarantee not only long term economic prosperity, but also elementary freedom of and individual and the satisfaction of basic necessities of life of a human being. Longtime positive experience of mankind with the institute of possession is another cogent argument for the protection of all kinds of property which in the course of social development became qualified subject matter of property rights, intangible assets including.

Likewise, legal institute of property is in its essence of private law nature. Nevertheless, on a long-term basis, extended protection of property rights by public law means proved not only favourable, but also necessary. The protection of property rights is covered not only by courts in civil proceedings, but also by a number of state administration authorities and public armed corpses. The observation of property rights is guaranteed by private law regulations as well as regulations of public, especially criminal, law. These legal norms and institutions provide extended and more effective protection of property rights than merely courts in civil proceedings could provide.

Similar extended legal protection is desirable also in the protection of intellectual property rights. Intellectual property rights holders alone are often unable to ensure consistent protection and observance of these rights through their dispositional acts in civil courts proceedings, and often they lack economic motivation (as in cases of these rights infringement in a limited scope). In spite of this, detriment is caused to society and economy as a whole as a result of these rights violence. According to the estimates of economic experts, intellectual property rights violations lead to really measurable decrease in economic growth, both regarding the decrease in investment activity of intellectual rights holders and with regard to the fact that the economic activity shifts into the realm of grey and black economy.

Public interest in intellectual property rights enforcement is thus not a mere array of private interests of these rights holders, but overreaches these interest in a certain way, as it exists also where the private interest in intellectual property rights of a particular owner is absent or minimal. On the other hand, it should be appreciated that public interest in intellectual property rights enforcement is genetically derived from the interests of individual owners of these rights. It is therefore impossible to envisage that it could turn against the interests of individual owners of these rights, as in such a way designed specific public interest would lose its legitimatization in respect of the fundamental idea that the enforcement of intellectual property rights of the individual holders results in the prosperity of the society as a whole.

In intellectual property rights enforcement, it is also necessary to keep in mind that public interest in these rights protection is reflected primarily in the way in which these rights are designed and defined by the individual legal regulations of intellectual property protection.



Any protection overreaching this legal framework could therefore come to conflict not only with the interests of particular participating persons, but also with specific public interest in these rights enforcement. For instance, the granting of excessive patent protection, or patent protection to solutions not eligible for such protection under the law, could result not in the stimulating of the economy, but in its hindering. Again, is it essential to stress the necessity of sound knowledge of substantive law regulations protecting the particular rights of intellectual property, which as a rule already contain the desired level of balance of the interests of economic subjects owing these rights, other economic subjects and the society as a whole.

### **3.1.4 International obligations of the Czech Republic**

In relation to intellectual property rights, the Czech Republic is bound by a whole range of international treaties, especially multilateral, which are enumerated previously in the text in chapter 1.1.4. These international treaties concern almost all kinds of intellectual property, i.e. industrial property, copyright and rights related to copyright, rights of both creative and non-creative nature, rights to results of creative activity and rights to designation.

In addition, related to the area of intellectual property are a number of bilateral international treaties by which the Czech Republic is bound. These are bilateral treaties concerning solely the protection of certain kinds of intellectual property as well as treaties concerning intellectual property no more than marginally, such as agreements on the protection and support of investments. Among these bilateral treaties, the most significant are bilateral international treaties on the protection of appellation of origin and geographical designation concluded between the former Czechoslovakia and Switzerland (Decree No. 13/1976 Coll.) and Austria (Decree No. 19/1971 Coll.).

Not all liabilities resulting from international treaties binding for the Czech Republic related to intellectual property concern the intellectual property rights enforcement. It could be even said that especially in older international legal documents, the attention paid to intellectual property rights enforcement is rather marginal, while the emphasis of international legislation lays on the process of applications for the registering of particular kinds of industrial rights, or more precisely, in extending of the protection resulting from international legislation to the territory of contractual country as well as to persons from other member countries of the respective international treaty (assimilation principle). In the past decades, however, this proportion started to shift towards the liabilities concerning rights enforcement as such. Exemplary representative of international treaty focused primarily on intellectual property rights enforcement is the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS).

In connection with liabilities resulting *stricto sensu* from international treaties, documents of international soft law should be mentioned, such as recommendations of World Intellectual Property Organization – for instance, common recommendation of World Intellectual Property Organization concerning the provision on the protection of generally known trademarks or common recommendation of World Intellectual Property Organization concerning the provision on the protection of trademarks and other rights to designation on the Internet.

From multilateral international treaties binding the Czech Republic and resulting in liabilities related to intellectual property rights enforcement in its broader meaning, especially the following should be mentioned:

**3.1.4.1 Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967 (Decree No. 64/1975 Coll.)**

*Basic principles*

The Paris Convention establishes in the first place the assimilation principle, according to which the nationals of any country of the Union enjoy, as regards industrial property rights, in all other countries of the Union equal advantages as those granted to nationals without prejudice to the rights specifically stipulated by the Convention. This applies not only to the rights to apply for industrial property registration and attain the registration of such rights, but also to the right to fight against their violation. In relation to this, the Convention implicitly states that the nationals of any country of the Union shall enjoy equal protection and equal remedy against any infringement as the nationals of the respective country provided that the requirements and formalities imposed by the country regulations are complied with (Article 2 paragraph of the Convention).

The countries of the Union can nevertheless define their own legislative measures concerning court and administrative proceedings and jurisdiction as well as the choice of address or appointing of a representative which could be required by industrial property legislation. This reservation is used by a number of countries of the Union including the Czech Republic, for instance in the form of the requirement that foreign persons must be legally represented by an attorney at law or patent attorney in the proceedings before the Industrial Property Office. This representative is then as a rule registered in the relevant industrial rights register (such as patent register or register of trademarks), which makes the communication of Czech persons and authorities with the owner (holder, applicant) of the relevant industrial right easier. Through the mediation of these representatives also the communication with the industrial property right owner (holder) proceeds in case of the right actual or assumed infringement, until the holder appoints another representative in the Czech Republic.

*Direct Union Convention*

From the Convention, certain direct Union rights result (*iura ex conventionione*).

In the broader meaning of this term, to intellectual property rights enforcement applies also the provision stating that an inventor has a right to be mentioned as such at the patent. Also important is the rule that it must not be required for the recognition of a right that the product is designated by any trademark or notice of a utility model, registration of a factory mark or a trademark or a registration of a design or a model. As far as patents are concerned, the Convention states that it is not considered as infringements of the rights of a patentee when devices forming the subject of a patent are used on board of vessels of other countries of the Union in the body of the vessel, in the machinery, tackle, gear and other accessories if

such vessels temporarily or accidentally enter the waters of the respective country, provided that such devices are used there exclusively for the needs of the vessel, or when devices forming the subject of a patent are used in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories of such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the respective country. As for process patents, it is accepted that if a product is imported into a country of the Union where there exists a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent, with respect to products manufactured in that country.

### *Well-known trademarks protection*

As concerns trademarks, the Paris Union Convention stipulates a significant provision aiming at trademark piracy prevention (Article 6bis). The protection consist in the fact that the countries of the Union are bound , ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the trademark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the trademark constitutes a reproduction of any such well-known trademark or an imitation liable to create confusion therewith. This protection applies to well-known trademarks, i.e. those trademarks which are not registered in the respective country (for example, in the Czech Republic), which are nevertheless generally known in the country as being already the trademark of a person entitled to the benefits of this Convention and used for identical or similar goods. These generally known trademarks are protected regardless of whether they are formally registered in the respective country of the Union, not only in terms of registration, (proceedings before the Industrial Property Office related to applications, or rather registrations of trademarks infringing rights to well-known trademark), but also in terms of their actual use in the market. This result in the obligation of the authorities competent in intellectual property rights enforcement to exercise relevant legal instruments with the purpose to prohibit the use of designation infringing the rights to a known trademark, either by the reproducing of a well-known trademark or reproducing its significant part, or by imitating it in a manner liable to create a confusion with such mark.

For requesting the cancellation of a trademark infringing rights to well-known trademark, the Convention sets a period of at least five years form the date of registration. In respect of the prohibition (factual) of use, the countries of the Union can provide for their own period. This was used by the Czech legislator when stipulating in the provision of section 12 paragraph 1 of Act No. 441/2003 Coll., on Trade Marks, that the owner of an earlier trademark (including well-known trademark) is not entitled to prevent further use of a later identical or similar trademark if the owner tolerated such use for a period of five years from the date when the owner learned of such use. This however does not apply when the application for a later trademark was not filed in *bona fide*. In that case, the owner of a well-known trademark is entitled to claim the rights against the later identical or similar trademark without any time limitation. This is after all in compliance with Article 6bis, paragraph 3 of the Paris Union Convention, which states that no time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

### *Armorial bearings, flags, emblems*

The Paris Union Convention further bound the countries of the Union to prohibit by appropriate measures the use, without authorization by the competent authorities, either as factory marks or trademarks or as elements of such marks of armorial bearings, flags and other state emblems of the countries of the Union, official signs and hallmarks indicating control and warranty adopted by them, as well as any imitation from a heraldic point of view. The same applies to armorial bearings, flags, other emblems, abbreviations, and names, of international intergovernmental organizations of which one or more countries of the Union are members, with the exception of armorial bearings, flags, other emblems, abbreviations, and names, that are already the subject of international agreements in force, intended to ensure their protection. For the application of these provisions, the countries of the Union agreed to communicate and publish reciprocally the lists of state emblems, official signs and hallmarks indicating control and warranty, which are to be protected under this provision. Nevertheless, such communication is not obligatory in respect of flags of States.

### *Telle – Quelle protection*

Also worth mentioning is the provision of Article 6quinquies of the Convention which establishes the *telle quelle* marks. This institute consist in the fact that every factory or trade mark duly registered in the country of origin shall be) accepted for filing and protected as is (*tel quel* in the other countries of the Union, subject only to reservations enumerated in the Convention. Factory of trade marks protected under this institute can be denied registration or invalidated only in cases, when

- they could infringe rights of third parties in the country where protection is claimed;
- are devoid of any distinctive character or consist exclusively of signs or indications which could serve in trade to designate the kind, quality, quantity, intended purpose, value, place of origin of the goods the date of production, or became customary in the current language or in the bona fide and established practice of the trade of the country where protection is claimed;
- are contrary to morality or public order, particularly when of such nature as to deceive the public; the fact in itself that the mark fails to conform with certain provision of the Act on Marks does not necessarily result in the mark being considered contrary to public order, unless such provision itself relates to public order; however, the provision on the protection against unfair competitions remains unaffected.

### *Protection against unfaithful agents*

Another significant provision of the Paris Union Convention is the provision on so-called unfaithful agents (Article 6septies). This provision aims at the establishing of the protection of actual trademarks owners against formal rights which, as a result of trademark registration, a person can acquire originally authorized to protect the business interests of the owner in the territory of the Czech Republic (so-called unfaithful agent).

In reality, such circumstances occur rather often. Usually, it is a case of a foreign company entering in the Czech Republic into business co-operation with a trade representative or another person authorized to protect business interest of the company, without registering its trademark for protection in the Czech Republic. Then, the representative, in the absence of formal protection of the trademark which is owned by the foreign subject in the name of which the representative acts in the Czech territory, registers for formal protection in his own name. Subsequently, on the basis of such formal registration, the representative attempts to prevent the actual foreign owner of the trademark from using it, claiming the trademark registered in his own name.

In this respect, the Convention stipulates that if the agent or representative of the owner of a mark in one of the countries of the Union applies for the registration of the mark in his own name in one or more countries of the Union, the owner is entitled to oppose the registration applied for and demand its cancellation or, if the law of the country allows so, the assignment in his favour of such registration, unless such agent or representative justifies his action. With this provision of the Convention, the provisions of section 7 paragraph 1 letter g) and section 16 of Act No. 441/2003 Coll., On Trademarks, connect, which in these cases enable the actual owner of the trademark to oppose or apply for the cancellation of the trademark registered by the unfaithful agent. At the same time, the owner is under these provisions entitled to file an action for the ascertainment of a right to the registration of the change of the trademark owner, if the trademark was registered under the name of the agent (unfaithful agent). Following a final and conclusive decision of a court, the Office then at request registers the change of the trademark owner in the register and makes this fact public in the Official Journal of the Industrial Property Office.

#### *Trade name protection*

Another significant component of protection *ex conventione* (directly from the contract) is the protection of a trade name under Article 8 of the Convention. The trade name is protected in all the countries of the Union without the obligation of filing of registration, whether or not it forms a part of a factory mark or a trademark. In the Czech Republic thus enjoy the legal protection trade companies, trade names and parallel institutes of foreign legislation of nationals of the countries of the Union, regardless whether these nationals own in the Czech Republic a subsidiary company, a branch or a company, and whether this trade name is formally protected in the Czech Republic (such as by registration of the subsidiaries or branches in the Commercial Register or the registration of a trademark). Decisive will be only the date of the formation of the relevant rights to the trade name and the liability to create confusion of the colliding trade names.

#### *Seizure of goods*

Also Article 9 of the Convention applies implicitly to intellectual property rights enforcement. The Article states that every product unlawfully bearing a factory mark, trademark or a trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection. Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported. The seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal

entity, in conformity with the domestic legislation of each country. This highly progressive rule which was embedded already in the original wording of the Paris Union Convention came into practical life only recently, in relation to the weakening of the provision of the Paris Union Convention stipulating that if the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country.

The above mentioned provisions on seizure apply also to the direct or indirect using of false appellation of origin of the product or false identification of producer, manufacturer or trader.

#### *Protection against unfair competition*

The Paris Union Convention further stipulates the obligation of the countries of the Union to assure to nationals of such countries effective protection against unfair competition (Article 10bis). Under the Convention, unfair competition is constituted by any act of competition contrary to honest practices in industrial or commercial matters; in particular, the following is prohibited:

- any acts which could create any confusion with the establishment, the product or the industrial activities of a competitor;
- false allegations in the course of trade which could discredit the establishment, product or industrial or commercial activities of a competitor;
- indications or allegations, the use of which is in the course of trade liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for their purpose or the quantity of the goods.

As far as the unlawful designation of products by trademark or trade name, allegation of origin of identification of producer, manufacturer or trader, or acts of unfair competition, the countries of the Union are bound to assure to nationals of the other countries of the Union appropriate legal remedies effective to repress such acts. Federations and associations representing interested industrialists, producers or merchants from other countries of the Union are entitled to take actions in the courts or before administrative authorities in the same extent as the law of the country in which protection is claimed allows to federations or associations of that country.

#### **3.1.4.2 Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of April 14, 1891, revised at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, and at Lisbon on October 31, 1958 (Decree No. 64/1963 Coll.)**

This international agreement applies specifically to intellectual property rights enforcement. It is probably the oldest document of public international law dealing exclusively with intellectual property rights enforcement. The agreement binds its member countries to seize on importation every product bearing a false or deceptive indication by which one of the countries to which the agreement applies, or a place situated in one of such countries, is directly or indirectly indicated as the country or place of origin. The obligation

to seize such goods also should also be effected in the country where the false or deceptive indication of origin has been applied, or into which such product have been imported. If the laws of a country do not permit seizure upon importation, such seizure can be replaced by prohibition of importation. Nevertheless, Madrid agreement comprises further significant impairment similar to that of Article 9 of Paris Union Convention: if the laws of a country permit neither seizure upon importation nor prohibition of importation nor seizure within the country, those measures can be replaced by actions and remedies available in such cases to nationals under laws of such country. Thus, the final outcome of the Madrid Agreement is basically limited to the establishment of the principle of assimilation of the position of nationals of other countries of the Agreement to the position of the relevant country in the territory of which the measures are to be taken.

Also significant is the provision stating that in the absence of any special sanctions ensuring repression of false or deceptive indications of origin, the sanction provided by the corresponding provisions of the laws relating to marks or trade names shall be applicable. Therefore, in the enforcement of rights to the indications of origin, the provisions of the Act on Trademarks can applied, in the absence of specific sanctions set by special law on indications of origin, geographical indication or similar institutes.

The Madrid Agreement contains also specific rules defining the way in which the seizure should be conducted. The agreement assumes that the seizure shall take place at the instance of the customs authorities, who shall immediately inform the interested party, either an individual or a legal entity, in order that such party could, if he so desires, take appropriate steps against such seizure. However, the prosecuting attorney or any other competent authority can demand seizure either at the request of the injured party or ex officio.

With regard to the above stated, the seller shall at all times keep the right to indicate his name or address upon the products coming from a country other than in which the sale takes place. In such a case, however, the address or the name must be accompanied by an exact indication in clear writing of the country or place of manufacture or production, or by some other indication sufficient to avoid any error as to the true origin of the goods.

Furthermore, the Madrid Agreement prohibits the use of deceptive indications in advertising. The member countries of the Agreement are bound to prohibit the use, in connection with the sale, display of offering to sale of any products, of al indications in the nature of publicity capable of deceiving the public as to the origin of such products by being stated in signs, invoices, wine lists, business letters or papers or any other commercial notes.

The protection under the Madrid Agreement does not apply to appellations of generic character, with the decision which appellations are of generic character being left to the decision of the courts of each member country, regional appellations of origin of vine products however being excluded from this category.

**3.1.4.3 Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967 (Decree No. 65/1975 Coll.)**

This Madrid Agreement together with the related Protocol signed in Madrid on 27 June 1969 (Ministry of Foreign Affairs Notification No. 238/1996 Coll.) establishes the international system of trademarks filing and registration. Most of the provisions of the Agreement and Protocol concern the filing and registration of industrial rights, not their enforcement.

In respect of intellectual property rights enforcement, Article 4 of the Madrid Agreement is significant, stipulating that from the date of the registration of a mark at the International Bureau, the mark will be protected in each of the participant countries in the same way as if the mark had been filed directly there. In this way, the international trademarks are as far as the effects are concerned equal to national trademarks.

Also important is the provision of the dependence of the international registration of a trademark on the national trademark registered previously in the country of origin. This dependence lasts only for the first five years from the date of international registration. If within this five year period the national mark previously registered in the country of origin ceased to enjoy entirely or partially the legal protection (for instance, through final and conclusive decision of the Industrial Property Office on the trademark cancellation), it is not possible to claim the protection resulting from the international registration, regardless of whether or not the transfer of the international trademark took place in the meantime. The same applies when legal protection of national trademark ceased later as the result of an action filed before the expiration of the five year period from the international registration. It is therefore necessary when enforcing rights to international trademarks valid in the Czech Republic to pay attention to whether the concerned international trademark became independent of the (foreign) national trademark on the basis of which the registration was made, or whether it is still depending, in which case it is necessary to ascertain whether the relevant (foreign) national trademark is still valid.

In addition, it should be noticed that the countries of the Agreement are entitled to refuse to grant protection to an international trademark which is being registered in these countries if the international trademark fails to comply with the requirements for registration set by national legislations of the countries. This preliminary right to refuse protection (*avis de refus*) must be issued by the relevant country of the Agreement within one year from the date of international registration of international trademark. The owner or the international trademark then can employ the same legal instruments as the applicants for the registration of Czech national trademarks. Above all, it means that the owner is entitled to express his opinion through his legal representative in the Czech Republic (attorney at law or patent advocate) and to file a remonstrance against the possible decision of the Industrial Property Office on the refusal of protection. If these remedies are successful, *avis de refus* is cancelled and the international trademark remains valid in the territory of the Czech Republic, if not, the refusal of protection becomes definite. The preliminary as well as definite refusal of protection is then registered in the Register of International Trademarks.

**3.1.4.4 Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, completed in Paris on May 4, 1896, revised in Berlin on November 13, 1908, completed in Berne on March 20, 1914, and revised in Rome on June 2, 1928, in Brussels on June 26, 1938, in Stockholm on July 14, 1967 and in Paris on July 24, 1971 (Decree No. 133/1980 Coll.)**



The Berne Convention is based on the combination of the assimilation principle and establishing of specific rights directly in the agreement (*iura ex conventione*), see point 1.2.8 above. It is just certain provisions of the Convention relating to *ex conventione* rights what is essential from the intellectual property enforcement point of view.

### *Right of Authorship*

The right of an author results directly from the Convention to exercise his authorship and to object to any distortion, mutilation or any other modification of his work which would be prejudicial to his honour or reputation. These rights are maintained at least until the expiry of the economic rights even after the death of the author. The judicial remedies for copyright protection under the Convention are governed by the legislation of the country in which the right to protection is claimed, i.e. by Czech legislation in the Czech Republic.

### *Right of Translation*

Furthermore, the Convention establishes as *ius ex conventione* the right of authors of literary and artistic works protected by the Convention to translation; these authors enjoy the exclusive right of making or of authorizing the translations of their works throughout the whole term of the protection of their rights to the original works.

### *Right of Reproduction*

Authors of literary and artistic works protected by Berne Convention further have the exclusive right to authorize the reproduction of these works in any manner of form (right of reproduction). However, the legislations of the countries of the Convention can permit the reproduction of such works in certain specific cases, on condition that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. Under the Berne Convention, any sound or visual recording of a work is considered as a reproduction.

### *Rights of authors of dramatic, dramatico-musical and musical works*

The authors of dramatic, dramatico-musical and musical works enjoy directly from the Convention the exclusive right to authorize the public performance of their works regardless of the ways or means of the performance, further to any public communication or performance of their works, regardless of the ways or means or such communication or performance. The same exclusive right is enjoyed by authors of dramatic or dramatico-musical works in relation to the translations of such works.

### *Rights of authors of literary and artistic works*

Authors of literary and artistic works enjoy directly from the Berne Convention the exclusive rights to authorize

1. the radio or television broadcasting of their works or their public communication by any other means of wireless disseminating of signs, sounds or images;
2. any communication to public either wireless or by wire of the work broadcasted by radio or television if this communication is made by an organization other than the original one;
3. the public communication of work broadcasted by radio or television by loudspeaker or any other analogous instrument for the transmitting of signs, sounds or images.

The Convention grants to authors of literary works the exclusive right to authorize

1. the public recitation of their works regardless of ways and means of such public communication
2. any communication to the public of the recitation of their works by any means;

The same applies in relation to literary works translations.

Authors of literary or artistic works further enjoy the exclusive right to arrangement, i.e. right to authorize arrangements, adaptations or other alterations of their works.

The Berne Convention also grants to authors of literary or artistic works the exclusive right to authorize

1. the cinematographic adaptation and reproduction of these works and the distributions of the works thus adapted or reproduced;
2. the public performance, rendition and transmission by wire to the public of thus adapted and reproduced works.

#### *Cinematographic work protection*

Moreover, the Berne Convention establishes the principle that a cinematographic work is protected as original work without prejudice to the copyright in any other work, even adapted or reproduced. The owner of copyright in a cinematographic work enjoys the same rights as the author of an original work; the ascertaining of the right holder is left by the Convention to the discretion of the legislation of the country where the protection is claimed. Under the Czech legislation, the right holder is the director.

#### *Droit de suite*

Similarly, the Berne Convention establishes the droit de suite. This right entitles the author, or after his death the person or institutes authorized by national legislation to claim the interest in any earnings of original artistic works and original manuscripts of writers and composers on the sale of these works (of their material substrata) following the first transfer by the author of the work. This protection can however be claimed only on condition that the legislation of the country to which the author belongs permits so, and to the extent permitted by the legislation of the country where this protection is claimed, with the national legislation defining also the way of levying of charges and the amount of the interests.

### *Establishing of authorship*

Another significant provision of the Berne Convention concerns the establishing of authorship. The Convention stipulates that, in the absence of proof to the contrary, such person whose name appears on the work in the usual manner must be regarded as the author of literary or artistic work, even in terms of being entitled to institute infringement proceedings. As the author of cinematographic work, such person or body corporate is considered whose name appears on the cinematographic work in the usual manner. In case of anonymous and pseudonymous works where the pseudonym adopted by the author leaves doubts as to his identity the publisher whose name appears on the work is, in the absence of proof to the contrary, considered to represent the author.

### *Seizure of goods*

Already in the Berne Convention a provision is included which enables the seizure of infringing copies of a work. The Convention states that each infringing copy of a work is liable to seizure in any country of the Convention where the work enjoys legal protection. The same applies also to reproductions coming from a country where the work is not protected or has ceased to be protected. The seizure shall take place in accordance with the respective national legislation.

### **3.1.4.5 Universal Copyright Convention of 6 September 1952, as revised in Paris on 24 July 1971**

This Convention binds all contracting countries to take measures necessary to the provision of adequate and effective protection of the rights of authors and other copyright holders in literary, scientific and artistic works such as writings, musical, dramatic and cinematographic works, paintings, engravings and sculpture. This general liability can be considered as relating to intellectual property rights enforcement as well, as it mentions “adequate and effective protection”.

Similarly to Berne Convention, the Universal Copyright Convention is also based on assimilation principle. Published works of nationals of any contracting country as well as works published for the first time in such country enjoy in any other contracting country the same protection as that which the other country grants to works of its nationals first published within its own territory. In addition, the Convention extends the assimilation principle also to unpublished works of each contracting country nationals; it means that also unpublished works of nationals of each contracting country enjoy protection in any other contracting country, but only to such extent as the protection is granted by such other country to unpublished works of its nationals.

These rights are supplemented by a catalogue of rights resulting directly from the Convention (*iura ex conventione*).

As far as intellectual property rights enforcement is concerned, it should be mentioned that the rights of authors and other copyright owners protected under the Convention include also proprietary rights, i.e. basic rights providing protection of the property interests of

authors. These are in particular the exclusive right of an author to authorize reproduction by any means as well as public performance and broadcasting, which applies both to works in their original form and in any form recognizably derived from the original. These rights can be limited by the domestic legislation of individual contracting countries; however, to each right such limited a reasonable degree of effective protection must be accorded. The rights protected by the Convention further include the exclusive right to make and publish translations as well as to authorize the making and the publication of translations of works protected under the Convention.

#### **3.1.4.6 Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of October 31, 1958, as revised at Stockholm on July 14, 1967 (Decree No. 67/1975 Coll.)**

The Lisbon Agreement establishes the system of international registration of appellations of origin and binds the member countries of Special Union, which constitutes, to protect on their territories the appellations of origin of products of other countries on two conditions: first, this appellation of origin must be recognized and protected as such in the country of origin and second, it must be registered at the International Bureau of Intellectual Property in the register of international appellations of origin.

In the Agreement, the appellation of origin means the geographical name of a country, region or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.

The obligation results from Lisbon Agreement of the member countries to provide protection against any usurpation or imitation, even if the true origin of the product is indicated or if the appellation is used in translation or is accompanied by terms such as “kind”, “type”, “manner”, “imitation” or such like. The Lisbon Agreement as such however fails to specify the remedies (for instance, in terms of rights, interests, process instruments and similar) for ensuring of such protection in the member countries. The Lisbon Agreement excludes the already effective protection accorded by individual member countries of Special Union on the basis of other international treaties.

The member countries of the Agreement can declare that they cannot ensure the protection of an appellation of origin of whose registration they were notified within the period of one year from the receipt of the notification of registration at the International Bureau.

The Lisbon Agreement stipulates in a certain weakened form, the right of a previous user. The protection granted to a certain appellation of origin pursuant to its international registration in one of the countries of the Union does not prejudice the right of a third party to continue using such appellation, on condition that the said third party used the appellation in the time prior to the notification of the international registration; however, this right is granted only for a period of two years, provided that the Office of the relevant country allows so.

### **3.1.4.7 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (Notification No. 191/1995 Coll.)**

#### **3.1.4.7.1 Genesis, general principles, objectives**

In contrast to the majority of other multilateral international treaties related to intellectual property rights, the Agreement on Trade-Related Aspects of Intellectual Property Rights (the Agreement hereinafter) was not made on the grounds of the World Intellectual Property Organization (WIPO), but on the grounds of World Trade Organization (WTO). Moreover, in comparison with most of the essential international multilateral treaties forming the base of the system of intellectual property rights on international level, this Agreement is approximately one hundred years younger. Correspondent with this is the emphasis on the trade aspects of intellectual property rights and their practical enforcement.

The Agreement applies to almost all categories of intellectual property rights - industrial rights as well as copyright and rights related to copyright. The agreement relates to copyright, rights related to copyright, trademarks, geographical designations, industrial models, patents, topographies of integrated circuits and, finally, to the protection of trade secret rights.

From the provision of the Agreement, we shall excerpt those principally pertaining to intellectual property rights enforcement. The Agreement is closely related with other multilateral international treaties concerning the protection of intellectual property rights, particularly with the Paris Convention for the Protection of Industrial Property, Berne Convention for the Protection of Literary and Artistic Works, Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and others. The Agreement refers to these treaties in terms of the establishing of eligibility criteria for the protection of nationals, both individuals and legal entities, of other TRIPS member countries. The TRIPS member countries further undertook to comply with the most significant provisions of the Paris Convention, and the provisions of the Agreement do not prejudice obligations resulting for the member countries from the Paris Convention, Berne Convention, Rome Convention and the Treaty on Intellectual property in Respect of Integrated Circuits.

The Agreement declares as its objectives to contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the of mutual advantage of producers and users of technological knowledge and in a manner facilitating social and economic welfare and the balance of rights and obligations. Furthermore, the Agreement acknowledges the right of the member countries to adopt in formulating or amending their national legislation measures necessary to protect public health and nutrition and to promote the public interest in the areas of vital importance of their socio-economic and technological development, provided that such measures are consistent with the provisions of the Agreement. Such necessary appropriate measures can include also measures preventing the abusing of intellectual property rights by right holders or resorting to practices which unreasonably restrain trade or have an adverse affect on the international transfer of technology.

#### **3.1.4.7.2 Copyright**

In relation to copyright the Agreement bounds the member countries to protect as literary works under the Berne Convention computer programs either in source or object code. The Agreement further bounds the member countries to provide protection to database: the compilations of data or other material as such, either in machine readable or in other form, must be protected, which by reason of the selection or arrangement of their contents constitute intellectual creations. However, all such protection does not apply to the data or material itself and does not prejudice the copyright to these data or materials as such.

The Agreement bounds the member countries to grant, at least in respect of computer programs and cinematographic works, to authors and their successors in title the rights to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works (rental rights).

The Agreement also provides the protection of rights of performers, producers of phonograms and broadcasting organization. To performers, the Agreement grants rights to prevent the fixation of their unfixed performance and the reproduction of such fixation. Performers also have the possibility to prohibit or authorize the direct or indirect reproduction of their phonograms. To broadcasting organizations, the Agreement grants the right to prohibit the fixation, the reproduction of fixations and the rebroadcasting by wireless means of radio broadcast as well the communication of their television broadcast to the public.

#### **3.1.4.7.3 Trademarks**

As regards trademarks, the Agreement introduces above all the obligatory definition of which designation is eligible for protection as a trademark: eligible for registration as a trademark is any sign or any combinations of signs capable of distinguishing the goods or services of one enterprise from those of other enterprises, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combinations of such signs. The member countries can condition the eligibility for registration of marks inherently incapable of distinguishing by their acquiring of distinctiveness through use. The agreement accords to the member countries the right to make registrability dependent on use; however, the actual use of a trademark must not form a condition for filing an application for registration (the principle of the priority of the application is confirmed). Also the nature of goods or services to which a trademark is to be used must not form an obstacle for the trademark registration.

The agreement further obliges the member countries to publish each trademark either before it is registered or promptly after the registration and accord reasonable opportunity for filing a request to cancel the registration, or even protest (which under the Czech legislation means the institute of objections, motion to cancellation and motion to annulment of a trademark).

The Agreement also defines some rights of the owner of a trademark. One of these rights is the exclusive right to prevent all third parties which fail to have the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those for which the trademark was registered if such use could result in liability to confusion. In case of the use of an identical sign for identical goods or services, such liability is presumed.

The provision of Article 6bis of the Paris Convention, relating to the protection of well-known trademarks, is extended by the Agreement also to services. The Agreement further specifies the criteria which should be taken into account in determining whether the trademark is well-known: the member countries are obliged to take into consideration whether such trademark is known in the relevant sector of the public, including the knowledge in the concerned Member obtained as a result of the promotion of the trademark. Moreover, the Agreement extends the protection of well-known trademarks under the Paris Union Convention in relation to goods and services which are not similar to those for which a trademark was registered, provided that the use of such trademark in relation to those goods or services would indicate a connection between those goods and services and the owner of the registered trademark and provided that the interests of the owner of the trademark are likely to be injured by such use. This is a significant breakthrough in terms of the principle of trademark protection specialty, under which a trademark basically protects only those kinds of products and services for which it has been registered, or products and services similar to those. In terms of Czech legislation, the principle of trademark protection specialty is broken not only in relation to well-known trademarks, but also in relation to goodwill trademarks.

The Agreement brings a significant unification of substantive law regulations of law of trademarks, which directly effect also the enforcement of rights to trademarks, also in the sphere of trademarks usage. The Agreement enables the member countries to make the sustantation of the registration depending on a trademark use. However, the registration can be cancelled only when the trademark is not used for an uninterrupted period of at least three years, on condition that the owner of such trademark fails to give sound reasons, supported by the existence of the hindrance, of such use. As sound reasons for nonusage, especially circumstances shall be considered which arose independently of the trademark owner's will, which constitute an impediment to the using of the trademark such as import restriction or other requirements of a country related to goods and services protected by the trademark. The Agreement further introduces a rule that also considered as the use of a trademark shall be the use of the trademark by a person other than its owner, provided that the owner authorized such use.

Furthermore, the Agreement warrants the right of a trademark owner to transfer the trademark also without the transferring of the business to which the trademark belongs (so-called bare transfer), and prohibits the granting of compulsory licensing of trademarks.

#### **3.1.4.7.4 Geographical indications**

Some of the significant provisions of the Agreement apply to geographical indications. As geographical indications are under the Agreement considered indications which identify goods as originating in the territory of a Member, or a region or place on that territory, if a given quality, reputation or other characteristics of the goods is attributable to its geographical origin. The Agreement binds the member countries to provide the legal means to interested parties which would prevent

1. the use of any means in the designation or presentation of goods that indicates or suggests that the goods in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the goods;

2. any use which constitutes an act of unfair competition under Article 10bis of the Paris Convention.

Next, the Agreement further binds the member countries to refuse or invalidate either at request of an injured party or ex officio the registration of a trademark which contains or consists of a geographical indication for goods not originating in the territory indicated, on condition that the use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

While the above mentioned rules apply to any geographical indications, the Agreement provides specific protection to geographical indications for wines and spirits. The member countries are obliged to provide the legal means for interested parties to prevent use of geographical indications identifying wines, or spirits, for wine or spirits not originating in the place indicated by the geographical indication in question, even if the true origin of the goods is indicated or the geographical indication used in translation or accompanied by such expressions as “kind”, “type”, “style”, “imitation” and the like.

#### **3.1.4.7.5 Industrial designs**

The agreement binds the member countries to grant protection to independently created industrial designs which are new and original. The owner of a protected industrial design is granted a right to prevent third parties which do not have the owner’s consent from making, selling or importing products containing or embodying a design which is a copy, or substantially a copy, of the protected design, if such acts are conducted for commercial purposes.

#### **3.1.4.7.6 Patents**

In respect of patents, the Agreement binds the member countries to grant protection by means of patents to products as well as processes in all fields of technology, provided that they are new, involve a creative activity and are capable of industrial application, on condition they are not excluded from patentability by reasons stated directly in the Agreement. The Agreement obliges the member countries to grant to the patent owners at least the following exclusive rights:

1. if a subject matter of a patent is a product, to prevent third parties from making, using, offering for sale or importing for these purposes such product without a consent of the patent owner;
2. if a subject matter of a patent is a process, to prevent third parties from using, offering for sale, selling or importing for these purposes at least the product obtained directly by that process without a consent of the patent owner.

The Agreement also gives to patent owners guarantee that the patent can become a subject of assignment or transfer by succession, as well as the right to enter into licensing contracts.

In addition, the Agreement affords a right that any decision on revoking or forfeiture of a patent can be reviewed by court. In conditions of Czech legislation it means that final and



conclusive decisions of the Industrial Property Office on revoking of a patent must be re-examinable in administrative justice.

The Agreement introduces an important institute of the reversing of the burden of proof in disputes resulting from the infringement of a process patent. In these disputes, the judicial bodies shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Any identical product produced without the consent of the patent owner shall be considered to have been obtained by the patented process, if the product obtained by the patented process is new and if there is a substantial probability that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used, in the absence of a proof to the contrary. These rules significantly facilitate the position of the patent owners and the process in patents proceedings, as the ascertaining of the process actually used by the defendant for the producing of a certain product is generally beyond practical possibilities of the claimant.

#### **3.1.4.7.7 Topographies**

The Agreement also binds the member countries to consider as unlawful certain activities infringing the rights to topographies of integrated circuits (topographies of semiconductor products): as unlawful shall be considered in particular the importing, selling or otherwise distributing for commercial purposes of a protected topography of integrated circuit, an integrated circuit in which a protected topography is incorporated, or an article incorporating such and integrated circuit only if it continues to contain an unlawfully reproduced topographies. However, such acts shall not be considered unlawful where the person performing or ordering such acts did not know or had no reasonable ground to know, when acquiring the integrated circuit or article incorporating such an integrated circuit, that it incorporated an unlawfully reproduced topography. After the time that such person has received sufficient notice that the topography was unlawfully reproduced, the person can perform any of the acts with respect to the stock on hand or ordered before such time, but shall be liable to pay to the right holder a sum equivalent to a reasonable licence fee.

#### **3.1.4.7.8 Know-how**

Finally, the Agreement provides protection to undisclosed information within the framework of effective protection against unfair competition under Article 10bis of the Paris Convention. This is a protection of so-called know-how consisting, which means that individuals and legal entities shall have means to prevent information lawfully within their control from being disclosed to, acquired by, or used by third persons, if such information is secret, i.e. it is not as a body or in the precise configuration and assembly of its components generally known among or readily accessible to person within the circles that normally deal with such kind of information, has commercial value because of it being secret, and the persons lawfully in control of the information took steps reasonable under the circumstances to keep it secret. The Agreement further binds the member countries which require within the approving of the marketing of pharmaceutical or agricultural chemical products the submission of undisclosed test or other data, the formation of which involves a considerable effort, to protect such data against unfair commercial use, as well as against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair

commercial use. This protection covers among others also the registration data of pharmaceutical products which are under Czech legislation protected particularly by the provision of section 24 of Act No. 79/1997 Coll., on Medicaments and the Amendments of Certain Related Acts, as amended.

#### **3.1.4.7.9 Specific means of rights enforcement**

In a special part the Agreement summaries the obligations of member countries specifically concerning the observance of intellectual property rights. The member countries are obliged to ensure that their legislations comprise proceedings concerning intellectual rights observance in a manner which permits to take effective steps against any act of infringement of intellectual property rights including expeditious remedies to prevent infringements and remedies constituting a deterrent to further infringements. Proceedings concerning intellectual rights observance (enforcement) must be fair and equitable, must not be unnecessarily complicated or costly, entail unreasonable time limits or induce unwarranted delays. The decisions in these matters must be in preference in writing and be reasoned. The participant of the proceedings must be notified of the decisions without undue delay and the decision as such must be based solely on evidence in respect of which the parties were offered the opportunity to be heard (adversarial principle of the proceedings). The Agreements further establishes the obligation of the member countries to provide for an opportunity for review by a judicial authority of final administrative decisions as well as at least the legal aspects of initial judicial decisions of the subject matter of a case. In other words, this means that it must be possible to review any final and conclusive administrative decisions in those matters of intellectual property rights enforcement to which the Agreement applies and that the court proceedings must be in principle of at least two instances. Nevertheless, these rules cannot be interpreted in such a way as if it constituted an obligation of the member countries to adjust their judicial system of intellectual property rights enforcing in a different way than general administrative regulations.

#### *Protection under civil court proceedings*

In respect of intellectual property rights enforcement regulated by the Agreement, the member countries are obliged to ensure that the holders of these rights can claim their rights in civil proceedings. Defendants are entitled to a timely notification in written with sufficient details about the claimed titles and facts concerning the titles. The parties are entitled to be represented by independent legal counsel and the proceedings must not impose overly cumbersome requirements concerning personal appearances. All parties to such proceedings are entitled to substantiate their claims and to present all relevant evidence, while the proceedings must at the same time provide protection of confidential information.

A significant provision of the Agreement concerns the burden of proof in the civil proceedings. If one party has presented reasonably available evidence to support its claims and has simultaneously stated the evidence which is in the control of the opposing party, the judicial bodies shall have the authority to order that this evidence is produced by the opposing party, unless this is prevented by the regulations providing the protection of confidential information. This represents a somewhat weakened form of discovery proceedings known from Anglo-Saxon law. In conditions of Czech legislative, the procedure is theoretically enabled by the provision of section 129, paragraph 2, or of section 127, paragraph 3 of Civil

Procedure Code. The courts, however, employ these provisions within their practice very rarely, despite it often being very difficult for the claimant to obtain and produce at the court all evidence necessary to substantiate their claimed titles, for considerable amount of such evidence is often in the control of the opposing party (such as the accounting books of the opposing party, technical manuals of the opposing party or contracts entered into by the opposing party). With respect to the insufficient transposition of these provisions of the Agreement in Czech legislation, direct applicability of Article 43 of the Agreement in the proceedings before Czech courts can also be considered, especially in view of Article 10 of the Constitution of the Czech Republic in the wording of Constitutional Act No. 395/2001 Coll.

The Agreement further establishes the institute of injunctions. The judicial bodies of the member countries shall have the authority to order the infringers to refrain from intellectual property rights infringements, i. a. by preventing of imported goods from entering trade network immediately on customs clearance of the goods. Furthermore, the judicial bodies of the member countries shall have the authority to order the infringer to pay damages to compensate for the injury that a right holder has suffered due to the infringement by an infringer who acted knowingly or had reasonable grounds to know that he infringes intellectual property rights. The judicial bodies shall also have the authority to order the infringer to pay the right holder expenses related to the enforcement of the rights including relevant attorney's fees. The judicial bodies shall further have the authority to order that goods which were found to be infringing intellectual property rights is removed without any compensation from the trade network in such a manner as to prevent any detriment to the right holder, or were destroyed.

The same applies to materials and implements which were predominantly used in the creation of the infringing goods. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties should be taken into account. As regards the violation of a trademark rights, the Agreement considers as basically insufficient the simple removal of the trademark unlawfully affixed from the goods in order that such goods could be released into the trade network. Optionally, the member countries can institute the right of intellectual rights holders to information on the identity of third persons involved in the production and distribution of the infringing goods or services. The Agreement further establishes the right to adequate compensation of a party wrongfully ordered to act or refrain from acting in relation to industrial property rights enforcement; for instance, when a provisional measure relating to intellectual property rights protection was issued though the activity prohibited by the provisional measure was not in fact the violation of intellectual property rights.

These provisions are mostly implemented into Czech legislation by Act No. 221/2006 Coll., on the Enforcement of Intellectual Property Rights, and in the provisions of sections 74, 78b and the following of Civil Procedure Code.

### *Provisional measures*

Special attention is paid by the Agreement to provisional measures (preliminary measures, rulings). The judicial bodies shall have the authority to order prompt and effective measures in order to:

1. prevent the occurring of an infringement of any intellectual property right, in particular the entry of goods including the goods imported immediately after customs clearance into the market network;
2. secure relevant evidence of the alleged infringement.

The Agreement anticipates that the provisional measures are adopted *ex parte* (i.e. without the hearing of the other party), especially where any delay would be likely to cause irreparable harm to the right holder, or where there is a demonstrable risk that the evidence could be destroyed. However, the judicial bodies shall have the authority to require that the person applying for provisional measure presents reasonably available evidence providing a sufficient degree of certainty that the applicant is a right holder and that the applicant's right is being infringed or that such infringement is imminent, and, at the same time, shall have the authority to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.

If a provisional measure has been adopted *ex parte* (without the hearing of the other party), the party affected shall be notified without delay, at the latest after the execution of the measure. A right to hear must be granted within a review, on the request of the defendant. In this review, the measures adopted can be amended, revoked or confirmed. The Agreement further assumes that the provisional (preliminary) measures will be at the request of the defendant revoked or cease to have effect if proceedings in the subject matter as such are not initiated within a defined period; in the absence of such definition, the period is 20 working days or 31 calendar days, whichever is the longer.

When the provisional measure is revoked or where it ceases to have effect from reasons on the part of the applicant (claimant, plaintiff), or when it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial bodies shall have the authority to order at the request of the defendant that the applicant provides the defendant appropriate compensation for any injury caused by such measures. The same rules apply also for the provisional measures adopted in the administrative proceedings.

### *Border measures*

The Agreement introduced also special rules applying to border measures.

The member countries are obliged to adopt procedures to enable a right holder who has valid grounds for suspecting that the importation of goods violating his rights to a trademark or to copyright can occur to lodge an application in writing with competent administrative or judicial authorities for the suspension by customs authorities of the release of the goods into free circulation. The member countries can extend the applicability of these measures also to the violation of other intellectual property rights. The right holder initiating the procedures for the releasing by customs authorities can be required to present adequate evidence that his intellectual property rights were probably infringed and to provide a sufficiently detailed description of the goods to make them instantly recognizable by the customs authorities. The competent authorities then shall inform the applicant within a reasonable period of time whether his application has been accepted and about the period for which the authorities will take the actions. In this respect, the competent authorities can require that the applicant provides an equivalent assurance or security which, if necessary, provides for sufficient protection of the defendant and prevents the abuse of the customs measures. This security or

equivalent assurance, however, shall not unreasonably deter the utilization of these procedures.

After the applicant has been served notice of a proceeding suspension, proceedings leading to a decision in the subject matter must be initiated by a party other than the defendant, or a duly empowered authority must issue provisional measures to prolong the suspension of the release of the goods, otherwise the goods has to be released provided that all other conditions for import or export are met. Specific rules apply to goods involving industrial designs, patents, topographies of integrated circuits or undisclosed information, i.e. goods other than those infringing trademarks or copyright. In these cases, the decisions whether intellectual property rights have been infringed are as a rule more complex and require expert opinion from the legal and sometimes also technical point of view. With respect to this, when possible proceedings for releasing of such goods into free circulation on the basis of a decision of other than judicial body or other independent authority has been suspended, and after a period has expired of ten working days after the notification of the applicant on the proceedings suspension, the owner, importer or consignee of such goods is entitled to the release of the goods on paying a security in an amount sufficient to protect the right holder against any infringement. In case of wrongful detention of goods or the detention of released goods the competent authorities have a right to order the applicant to pay the importer, consignee and the owner of the goods appropriate damages. The intellectual property right holder has a right to have the goods detained by customs authorities inspected in order to substantiate the right holder's claims.

The Agreement also enables the competent authorities to act on their own initiative (*ex officio*). In such cases, the relevant authorities can require that the right holder submits any information that could assist them in exercising of these powers, and the importer and the right holder must be promptly notified of the proceedings suspension. The competent state authorities and officials carrying out such measures in good faith shall be by the member countries exempted from liability to relevant remedial measures.

Competent authorities are granted the powers to order the destruction or disposal of the goods infringing intellectual property rights while respecting the rule of adequacy and without detriment to other rights of the right holder and the rights of the defendant to a review by judicial authorities.

It is not necessary to apply the above mentioned provisions when small quantities of goods are imported of a non-commercial nature contained in traveller's personal luggage or sent in small consignments (*de minimis* rule).

The Agreement also binds the member countries to provide for criminal liability for wilful trademark counterfeiting of copyright violation on a commercial scale, while enabling to provide for criminal liability also in other cases of intellectual property rights infringements, especially when these occur on a commercial scale.

#### **3.1.4.8 World Intellectual Property Organization Copyright Treaty of December 20, 1996 (Notification of the Minister of Foreign Affairs No. 33/2002 Coll.)**

Finally, it is necessary to mention also the latest of multilateral international treaties concerning copyright, which was adopted in 1996 at the premises of World International

Property Organization in Geneva (WIPO Copyright Treaty, “WCT”). This treaty has a special position in relation to the Berne Convention and amends the provisions of the Berne Convention on the protection of literary and artistic works without removing the hitherto existing liabilities resulting from the Convention.

The Copyright Treaty in the first place specifies certain rights to author’s works resulting directly from this treaty, thus extending the catalogue of *ex conventione* rights.

The Treaty establishes a principle under which computer programs are protected as literary works within the meaning of Article 2 of the Berne Convention, with this protection applying also to computer programs regardless of the mode or the form of their expression. Furthermore, the Treaty establishes the protection of databases (compilations of data), which by reason of the selection or arrangement of their content constitute intellectual creations.

The Treaty grants to the authors of literary and artistic works the exclusive right to authorize the making available to the public of the original and copies of their works through sale or other transfer of ownership (right of distribution). The Treaty further defines the right of rental of the authors of computer programs, cinematographic works and works embodied in phonograms, as determined in national laws of the contracting parties. This right consist in the exclusive entitlement to authorize commercial rental of the originals or copies of the works to the public. This right nevertheless does not apply to computer programs where the program itself is not the essential object of the rental, and to cinematographic works, unless such commercial rental has resulted in widespread copying of such works materially impairing the exclusive right of reproduction.

Without prejudice to the relevant rights stipulated by the Berne Convention, the Treaty further grants to the authors of literary and artistic works the exclusive right to communicate their works to the public by wire or by wireless means, including the making of the works available to the public in such a way that anyone can have access to these works from a place and at a time according to their individual choice (for instance, using the Internet).

The Treaty binds the contracting parties to define adequate legal protection and effective legal remedies against the circumvention of effective technological measures used by authors in relation to the exercising of their rights and restricting such acts in respect of the works which are not authorized by the authors or which are not permitted by law.

In addition, the Treaty comprises liabilities concerning the information on rights identification. Such information means and information which identifies the work, the author of the work, the owner of any right to the work, or information on the terms and conditions of the use of the work, and any numbers or codes that represents such information, if any of these items of information is attached to a copy of a work or appears in connection with the communication of the work to the public. The contracting parties are obliged to define adequate effective legal remedies against persons who knowingly (or at least in the form of indirect neglect) removed or altered any electronic information without authority, or distributed, imported for distributing, broadcasted or communicated to the public without authority works or copies of works knowing that the electronic information on rights identification has been removed or altered without authority.

### **3.1.5 Protection of Rights**

### **3.1.5.1 Protection of a right as a value**

The value framework which contentually defines the system of intellectual property rights enforcement includes, with respect to the internalization of the information exchanged with the outer systems related to this system, to which especially the system of law as such pertains, also the protection of rights as such. In this way, the rights present not only the basic formal element of the system of intellectual property rights enforcement, but create also a part of this system as defined by objectives and values internalized by the system especially on its outer interface. A right as such is in its essence a juristic notion, which cannot be grasped in its complexity merely by metanormative methodical procedures.

The protection of rights as a value is in the system of intellectual property rights protection as a value imprinted also by means of other systems situated on the outer interface of this system, which can be from certain standpoints considered also as metalegal, including international policy and economics. In this respect, it is necessary to point out for example to the fact that the private nature of intellectual property rights is explicitly acknowledged in its preamble also by the Agreement on Trade-Related Aspects of the Intellectual Property Rights. Thus, all these data compilations defining the contentual aspect of the system of intellectual property rights enforcement by means of the setting of its objectives and values directly or indirectly correspond in the common factor which is the reference to a concept, in its final instance normative, of a right, i.e. private right.

While the individual kinds of the rights as defined by the legislation in relation to the individual kinds of intellectual property rights are to be covered by part 3.2.2. further in the text, it should be appropriate within the framework of the contentual analysis of the system of intellectual property rights enforcement to pay a brief attention to the concept of a right as such, especially with regard to the future reasoning on the links of the rights to the execution of the powers of public authorities within the enforcement of these rights.

### **3.1.5.2 Rights as concepts**

A right is usually perceived as an entitlement of a person, either individual or legal entity, to act in a certain way. A right is a matching concept of the concept of law, which includes a complex of legal regulations, defined by pertinence to a certain system of legal regulations the essence of which is generally accepted either on the basis of specific formal rules immanent to this system or on the basis of metalegal reasoning including, among others, also the criteria of value.

A right can be defined as the extent of factual possibility of a conduct of a subject which is protected by law against unauthorized violation by other subjects, including the state itself (Knapp). A right apprehended in this way thus comprises three components: the extent of a possibility of a behaviour, the entitlement to demand certain conduct from other subjects in the meaning that such subject refrains from violating authorized conduct of a right holder, and, finally, entitlement to claim state legal protection against unauthorized violation of the primary right.

Ambiguous from the theoretical point of view is the subjection of rights to law. Normatively free sphere of an individual can be constructed as a complex of the individual's rights, with the result that every person holds infinite number of such rights as a reflection of the absence of the influence of regulations forming certain obligations, prohibitions or orders for an

individual. Under natural law conception, the sphere of rights is even extended and does not originate in a positive way, or even negatively in the system of law, but includes also inborn rights which can exist independently of the law, and, under certain circumstances, even have an adverse effect. According to this conception, there exist on one hand natural rights independent of the law, and rights resulting from the law on the other. This conception is reflected in the Charter of Fundamental Rights and Freedoms, when the second paragraph of its preamble acknowledges explicitly the inviolability of the natural rights of a human as well as the inalienability and infrangibility of the basic rights and freedoms (article 1).

At any rate, the content and extent of the rights is in particular cases modelled by the regulations of law, if such right explicitly or implicitly allows for certain conduct, prohibits other conduct and at the same time sanctions such prohibition. A right is then closely related to the concept of subjective obligation, which can either have a specific form, i.e. consist in the order to act in a certain positively defined manner which can result from the content of the right, or consist in a general *neminem laedere* obligation, i.e. obligation not to violate another person's rights (whichever rights may be concerned).

### **3.1.5.3 Operation of rights, rights and subjective obligations**

From the modalities of the correlation of a right and a subjective obligation then results also the discerning between relative and absolute rights. The relative rights apply in the relation to a certain subject of liability, or possibly to certain subjects of liabilities in the form of individuals or legal entities; for instance, the entitlement of a creditor to demand the payment of a debt applies solely to the relation between the creditor and the debtor, when the creditor can not demand the payment from a person than other the debtor. In relation to intellectual property rights, the means for the protection against unfair competition represent relative rights. Absolute rights, on the other hand, are such rights that apply to indefinite number of subjects of liability, i.e. *erga omnes* (against all). A person entitled from an absolute right is thus authorized to claim the rights from unlimited circle of third persons, or from a concrete person from the unlimited circle of person, which would infringe such right. A typical instance of an absolute right can be the proprietary right, which includes the obligations of undefined circle of third parties not to interfere with the using, enjoyment or disposition of a thing by its owner. Most of the intellectual property rights are such absolute rights, as they constitute the exclusive entitlement of the holder (owner) of certain intangible asset to exclude unlimited circle of persons from the using, enjoying and disposition of such asset.

Nevertheless, it should not be omitted that all rights, absolute as well as relative have to a certain extent absolute effect. It is obvious from the nature of the matter, and with regard to the above stated explicative definitions of the concept of a right, that any right including a relative right results in the forming of a liability of a certain circle of all other persons to respect the given right as long as it expresses itself as an entitlement to act in a certain way; no one can interfere with the executing of the entitlement of the right by the entitled person, nor when this title took in a particular case a form of a relative right, i.e. the conduct guaranteed by the subjective right would primarily consist in the entitlement to require that a certain other person or persons acted in a certain way. For instance, the preventing of a creditor by a third person from claiming a debt from the debtor would be considered as an infringement of a subjective right, naturally on condition that the creditor acts when claiming the debt in compliance with law.



This dual nature of the erga omnes operation of law can also be discerned in connection with law, as long as the law has a positive impact in relation to the entitled person and negative impact in relation to other persons (positive and negative aspects of law). A typical example can be the proprietary right. This includes not only the entitlements of prohibitory (negative) nature consisting in the opportunity sanctioned by law to exclude an unlimited circle of third persons, and in particular cases a particular person, from the use and enjoyment of a thing which is a subject matter of a property, as well as the disposition of such thing, but includes at the same time includes also positive entitlement consisting in a title sanctioned by law of the owner of such thing to use, enjoy and dispose of the thing. This dual positive and negative aspect of the absolute right of an owner to a thing results in the entitlement of the owner to oppose not only such conduct of third persons by which these third persons infringe for their own benefit his privilege to use and enjoy the thing, or the disposition of such thing (the owners absolute authority over the thing), but also other conduct preventing the owner from executing and practical realization of his exclusive entitlements. The right to property thus infringes for instance a person who without authorization occupies certain real property, but also a person preventing the owner from entering his land in order to use his real estate, even if such third person itself did not use the real estate nor had an intention to do so. While in relation to proprietary rights the distinction is rather theoretical with its practical reflection being the institute of prohibitory (negatory) action, in relation to intellectual property the practical meaning of this distinction of positive and negative aspect of absolute right consists in the necessity to discern those kinds of intellectual property rights which include both the positive and the negative (i.e. not only negative, prohibitory) aspect, as well as in the fact that within the protection and enforcement of intellectual property rights it is necessary to provide consistent protection not only where the relevant absolute right includes both positive and negative aspect, and not only to negative, but also to positive aspects of this right.

For instance,

as far as a trademark is concerned, the exclusive right of the trademark owner to use the designation protected as a trademark includes not only the prohibitory authorization consisting in the opportunity sanctioned by law to exclude any third persons and every particular third person from the using of the trademark under the conditions stipulated by law, i.e. prohibit such use, but includes also the positive authorization of the trademark owner to use the designation protected as a trademark, the reflection of which is the opportunity of the trademark owner sanctioned by law to protect this positive right against an infringement by any third person, for instance against activities physically preventing the trademark owner from the placing of the designation protected as a trademark on his products, or (which is more practical) against activities of a third person preventing the trademark owner from the registration of a domain name created by the trademark by registering of such domain name without the consent of the trademark owner, regardless of whether such person uses the registered domain name or not.

#### **3.1.5.4 Right vs. entitlement**

The concept of entitlement varies from the concept of right. However, this concept is closely related to the concept of right and can be considered as a kind of its reflection in procedural law. The entitlement can be understood as a legal opportunity to apply a right, i.e. to demand legal protection by the realization of a right, which means in the narrow sense in the proceedings before a court or other relevant authorities, in the broader sense also non-judicially. From the substantive law point of view, the difference between a right and an entitlement consists especially in the fact that a right can, but need not include an entitlement, while an entitlement always arises from a definite right. As a right without entitlement,

especially a right subject to limitation can be considered, which cannot be accorded in court proceedings when a debtor pleads limitations; on the other hand, this right remains a right and the settlement of the relevant right by the debtor thus does not constitute a right (nor an entitlement) of the debtor to demand the paying back of a performance, for instance by claiming the entitlement to the unjustified enrichment compensation. Similar rules apply for instance to liabilities from games and wagers. In this study, the concepts of a right and an entitlement are used without endeavour after the exact theoretical distinguishing between them; by using the term entitlement we try to stress the procedural law aspect of the relevant right in terms of the applying of the right in the proceedings especially before courts, and possibly also before other relevant authorities competent to protect rights.

### **3.1.5.5 Rights and liabilities in relation to intellectual property**

The rights resulting from intellectual property are predominantly designed as positive authorities resulting from effective legal regulations of law. This definition is not of a strong categorical nature which would eliminate the legitimacy of the construction of intellectual property rights beyond the framework defined by specific regulations of law, especially in view of articles 11 and 34 of the Declaration of Basic Rights and Freedoms. On the other hand, it is however based on the fact that the purpose of this study is not an analysis of the aspects from the constitutional law or natural law point of view or of other legally theoretical aspects of intellectual property rights, but their practical enforcement, which occurs in vast majority of cases exactly within the framework of its positive construction created by the effective regulations of law. This deduction nevertheless does not have any impact on the obligation of all authorities participant in the intellectual property rights enforcement to act in a constitutionally conforming way with regard to both formal and material content (values especially) of the constitutional order of the Czech Republic, which again includes also international obligations of the Czech Republic in relation to basic human rights and freedoms.

All such rights should be considered as rights to intellectual property which are formed to intangible assets protected by specific regulations of intellectual property protection (see chapter 1) by specific acts on intellectual property protection as well as by specific acts related to the enforcement of these rights, which is in conditions of Czech legislation in particular Act No. 221/2006 Coll. The content of all these norms of law shall be interpreted to the greatest possible extent as a means to constitute the rights of individuals and legal entities to the intangible assets even where the relevant regulation fails to explicitly use the term “right”, but uses other terms such as “remedial measure” (section 4 of the Act No. 221/2006 Coll.). It is necessary to take into account that the whole complex of intellectual property rights perceived in this way has all the characteristics of a right, including the authority of its holder to act in a certain way within the law and require that another person acts in a certain way regardless of whether the relevant right is claimed before a court or other authority. The preferred way of to realize intellectual property rights in this entire scope shall remain the realization of such rights on nonforensic (extrajudicial) level including the authority to command the rights for instance through the making of (extrajudicial) settlements, executory accords, alternative dispute resolutions and the acceptability of concluding an arbitration agreement or clause in respect of these rights under Act No. 216/1994 Coll., on Arbitration Proceeding and Enforcement of Arbitration Awards.

As concerns the liabilities resulting from legal regulations in respect of intellectual property, and those concerning their enforcement in particular, it is necessary to discern between

liabilities which are a natural reflection of rights constituted by these legal regulations and other liabilities which are not a direct reflection of these rights and can therefore exist (be effective) somewhat independently of these rights as well as of the extent to which such rights are applied. In this respect, it should be emphasized that the subjective liabilities which are a reflection of rights are as a rule formed objectively, as a result of the conception and effect of a relevant right, regardless of whether the authorized person exerts such right, i.e. demands either in court proceedings or out of court that the right is respected. For instance, a conduct constituting the infringement of a trademark or a patent is an objective fact which occurs regardless of whether the trademark or a patent owner is aware of such wrongful conduct and intends to take or possibly is already taking any legal steps.

On the other hand, the definition of the relevant rights of an owner of intangible assets are to be taken into account in respect of the extent of the respective prohibitory authorities and their limitations, including the fact that the infringement of rights to a respective intangible asset does not in general occur even when the intangible asset is being used with the consent of its owner. However, this is not always true: such consent can not be effectively granted in relation to the appellation of origin and geographical designations (person registered as the owner of an appellation of origin or geographical designation must not give a consent to use such designation by an unauthorized person, and the unauthorized usage of an appellation of origin or a geographical designation would constitute a wrongful act even when all the persons registered in the relevant register as persons authorized to use such appellation of origin or geographical designation agreed with such use by an unauthorized person; this is different for instance for trademarks, where the using of a designation protected as a trademark authorized by the trademark owner is not considered as the trademark violation, regardless of the manner in which the consent was given).

It is therefore possible to make a conclusion that the subjective liabilities resulting from regulations of intellectual property rights protection can be, on one hand, enforced by public administration authorities with competencies in the enforcing of intellectual property rights, even when the holder of the respective right to intellectual property is inactive, as long as it results from the definition of powers and competencies of the relevant authority (this conclusion naturally does not apply to, for instance, civil court proceedings); on the other hand, it is possible to enforce the performance of such liabilities only to such an extent in which these liabilities objectively apply within the effective legislation as a reflection of the rights established by legislation in respect of intellectual property rights. More detailed analysis of these issues in respect of the individual rights to intellectual property will follow under point 3.2.2.

The third significant conclusion resulting from the above considerations is that protection must be granted to the rights to intellectual property in the practice of public administration authorities, in the competencies of which is the enforcement of intellectual property rights, basically regardless of whether rights or entitlements are concerned. The enforcement of these rights thus can not depend on whether the relevant right holders have claimed their rights before court or have the intention to so and it is impossible, provided that all legal requirements have been met, to deny the providing of such protection stating that only courts are competent in the protection of such rights. If a specific act entrusts the providing for the protection of intellectual property rights to public administration authorities other than courts, such intensified legal protection implies the intention of the legislator to provide intensified protection by public authority means basically regardless of whether the holder decides on his own to execute his rights, and if so, by what means. It is to be considered that the primary task

of a relevant public administration authority other than a court in civil proceedings is to arrange for the protection of the respective public interest (see part 3.1.3 above), when such public interest is broader than the sum of private interests of individual intellectual property rights holders, although it must not contradict them.

The execution of relevant powers of public administration authorities other than the courts in relation to the enforcement of intellectual property rights thus encounters the private character of the rights enforcement each time when the owner of such rights decides on his own to exercise his right in a certain manner and to a certain extent. The individual methods of intellectual property rights enforcement by other authorities of public administration should not obstruct such exercise, but, on the contrary, facilitate it. This however does not mean the inadmissibility of the enforcing of the rights to intellectual property concurrently, for example, by courts in civil proceedings, in the proceedings before Czech Commercial Inspection as well as in the proceedings before customs authorities. The only limitation is the effective legislation regulating the powers and competencies of the individual public administration authorities and the definition of the content and extent as such of the enforced intellectual property rights resulting from the relevant substantive law regulations and possibly also from (substantive law) acts of the relevant right holder.

### **3.1.6 Inner and outer value framework**

The value framework of intellectual property rights enforcement is defined by links connecting this system with systems situated on its inner and outer interface. These are in particular the legal systems effective in the territory of the Czech Republic, i. e. Czech legislation including the constitutional order of the Czech Republic, the system of European Community Law and international public law, political systems on the national, international and multinational levels as well as ethics systems functional within the territory of the Czech Republic (see for more details point 3.1.2 above).

The previous chapters were devoted to the values defined on the basis of the exchange of information with the systems of primarily normative character including political systems and international liabilities of the Czech Republic. Before proceeding to the analysis of individual components of the system of intellectual property rights protection in respect of its formal aspect, let's premise yet several notes on the values ensuing for this system from its connections to economic and ethics systems. These connections are strongly related to the connections that the system embodies on its inner interface, which is formed by individual persons and institutions with personal substrate, either defined on the basis of legal, economic or even sociology criteria, which this system absorbs within its operation and possibly also contributes to its completing in a certain way.

#### **3.1.6.1 Values of economic system**

The economic system which defines the system of the enforcing of intellectual property rights from the outside, and which is simultaneously one of the main explicit sources of its legitimacy, is based on the respect for intellectual property rights without any restriction for certain kinds of property right subjects or individual owners (compare article 11 of the Charter of Fundamental Rights and Freedoms), on the freedom of any individual which includes the right to run business or engage in other economic activities (compare article 26 of the Charter of Fundamental Rights and Freedoms), on the binding effect of private, especially contractual obligations and categorial lack of legitimacy to establishment intervening in the

functioning of free market which operates and thrives on the basis of the above mentioned institutes. This system stems from an idea that the free development of market powers within the framework of economic competition leads and will gradually lead to more effective providing for organizational, investment, finance, production, distribution, sales and other activities, which are indispensable to the guaranteeing of the progress of human society and its prosperity from the economic viewpoint. The effectiveness of such activities is primarily ensured also by the creating and economic use of intangible assets as defined above under point 1.1.

The economic system based on the above stated institutions and values functions presently almost all over the world, with the exception of relatively limited number of specific local economies (such as North Korea, Cuba or some countries in Africa); even such economies are however connected to a large extent with the system of global economy and interact (what is worth mentioning in this respect is also the fact that a legal protection of intangible assets exists in these economies, in a form which is considerably different from the regulation of this kind of rights in most of other countries of the world, which is nevertheless at least comparable; the protection of rights to intangible assets after all existed also in the countries of the former Soviet block, in conditions of so called real socialisms).

Within the global economic system, the production of economic assets (products, i.e. goods and services) is realized by participants in economy which are mainly private players at least in respect of economy (even though from the legal point of view these could be for example companies controlled by the state, national enterprises and such likes) with regard to the indispensability of their participation in global economic competition in respect of their economic existence as such, or rather in respect of the meeting of the objectives which are inherent to them as participants in economy. Thus, in conditions of this global, or rather globalized economy, economic competition takes place, though often in its somewhat modified, weakened or regulated form, to a varied extent on global level between all these participants in economy. One of the essential criteria of the success in such economic competition is the making of a profit, which enables the individual participants in economy to effectively allocate economic resources administrated or rather controlled by them as well as regulate their activities especially in respect of investments and, closely related to this, financing.

One of the criteria influencing the profit-making by these participants in economy is necessarily also the sales of their products within free economic competing which is governed by certain specific structuring of aggregate demand for certain kinds of products existing within national economies as well as within multinational economic entities, i. e. also on the global level.

The structuring of aggregate demand can be to a certain extent influenced by the economic participants themselves in respect of offer through the employing of specific procedures through which these economic participants offer and promote their products in the market. One of the instruments of the promoting of the offered products within the globalized economy is just, among others, the intangible assets as the bearers of both direct and indirect information on the desirability (advantageousness) of the respective products in terms of their technical, sales, functional, esthetical but also other, especially social (such as prestige, charity, cultural or symbolic value from the status point of view and similar) parameters.

Within the framework of this general informative function, the value of individual kinds of intangible assets then splits into separate partial values, which were already mentioned in the preview under point 1.1, as well as in connection with the intangible assets classification in the first chapter. These are in particular in terms of intangible assets of creative nature the demandingness of the creation of such assets (as for instance inventions, author's works or similar) from the financial and human resources viewpoints and the related need for motivation of the participants in economy in order to develop the relevant demanding activities by means of time-limited monopoly to the economic usage of the assets created in this manner. As concerns rights to designations, the advancement of the informative function of intangible assets in the stricter sense of the word, when a certain designation is to guarantee that the product such designated originates either from a certain participant in economy (an enterprise; this economic concept does not necessarily need to coincide and does not coincide with the legal term of a person, as for the ascertaining of the identity of an enterprise it is necessary to apply criteria different from solely juristic criteria of the ascertaining of the identity of a person), or from a certain place, location or country. The application of this informative function in the stricter sense then indirectly results in the fact that the relevant participants in economy are motivated to supply the market with products whose qualities can be in terms of the structured relevant part of aggregate demand referred to the extent of concrete demand for such designated products. In other words, the using of these intangible assets causes the participants in economy to compete in the market in the first place by the quality of the offered products and services in proportion to their price, and not by other means, which might not be desirable in terms of the functioning of the economic system defined by the above mentioned characteristics.

### **3.1.6.2 Political values**

Likewise, it should not be forget that the free advancement of market powers within thus defined economic system should on the level of common market of the European Union facilitate the achieving of the objectives of the European Union, which include the harmonious, balanced and sustainable development of economic activities, high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and the improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among the member states (Article 2 of the Treaty establishing the European Community).

### **3.1.6.3 Ethical values**

Within the framework of the economic system defined in terms of its content especially by the above mentioned values and objectives, also a system is formed and cultivated of ethical values of the societies participating in this economic system. Thus, ranking among such ethical values are the respecting of the freedom of an individual, the observance of property rights, the liability for ownership, the respect for obligations including in particular contractual obligations and the liability for their performance, the observance of the rules of discursive ethics including a high level of transparency in the offering and promoting of economic subjects without the prejudice of the capacity of certain kinds of information to be monopolized by a single subject, and, finally, the respect to the observance of the right of the relevant subject to such information.

### **3.1.6.4 Values resulting from the inner system**

What should be stressed is that the above indicated contentual units imprinted in the system of intellectual property rights enforcement through its connection with the outer systems of international economy and social business ethics overlap to a considerable extent with the contentual units defined on the inner interface of the system, especially where the system of intellectual property rights enforcing encounters the individual participants in economy (enterprises), institutions with personal substrate active in connection with intellectual property rights enforcement including the individuals that form the personal substrate of these institutions, as well as with specialized economic subjects dealing solely or primarily with the intellectual property rights enforcement. The key interest of all these inner systems is above all the mutual interest in the coherency and the functioning of the intellectual property rights enforcement system on which these inner systems depend to a considerable extent in terms of their operation (though these are not mere subsystems of the intellectual property rights enforcement system, but independent systems functioning on its inner interface).

A natural part of these systems, as well, is thus formed by the values of intellectual property protection and personal liberties including the economic freedom, the binding effect of obligations, especially of contractual ones and the communication that satisfies the requirements of discursive ethics especially in regard of being transparent and reliable while operable in terms of legitimate expectations and the veracity of the exchanged information. These values can be transmitted also within the framework of specific values inherent in just these individual systems connected to the system of intellectual property rights enforcement on its inner interface, or rather through broader systems, within which these elements operate, including general good manners and just human conduct.

Among these transmitted shared values, such values as the tolerance, honest and conscientious performance of duties, respect to other people, but also the values of success, personal realization and the legitimacy of the seeking of own good (metonymically said "happiness") rank.

These values eligible for the internalization by the system of intellectual property rights enforcement however does not amount to the whole range of values which define these particular systems situating on the inner interface of the given system, let alone other values internalized by these particular systems. What falls under these two more categories is for instance the values of business success, clerical loyalty, lawyer's secrecy, helpfulness within a certain group or profession, or specific ethical values internalized by individual elements of the systems situated on the inner interface of the given system, including for instance ethical values prescribed by certain religious or worldview persuasions. The two lastly stated groups of values need not necessarily rank among the ones eligible to share the values which define the given system in respect of its content. The system then can remove the possible tensions resulting from the clash of the relevant values either by their internalization within the interaction of the systems, or, to the contrary, by creating disjunctive discursive interfaces on the level of relevant language games which occur in the respective systems. Although these two techniques can be considered as basically legitimate, in our opinion, the latter should be preferred in terms of the coherency and the development of intellectual property rights enforcement system, for the internalization of external values without a proper discussion and sufficient degree of participating in the contentual completion can result in malign autopoietization of the system internalizing the external values. Such malign autopoietization then usually results in the system's paralysis and gradual demise, as it becomes dependant on

values incongruous with it which do not need the system as such for their existence and development and which by contrast can better and in the longer term prosper within the systems from which they were adopted (for instance specific social systems, religious systems, tribal communities and such likes).

The specific values of the system of intellectual property rights enforcement resulting from the sharing of values and the benign internalization of the values created within the information exchange with the systems situated on the inner and outer interface of this system will be further dealt with in the concluding part of this chapter.

### **3.1.7 Particular objectives of the system**

It is possible to proceed, with regard to the relatively complex analysis of the content of the inner and outer framework of the system of intellectual property rights enforcing, to the defining of the particular objectives of this system, or rather of the values of this system, without further detailed analyses of the relations of this system with other systems. Only, it should be remarked that the bellow stated objectives and values are on one hand the particular objectives and values of the given system which can within its framework also partially participate in its autopoietic operation, the prerequisite to this however being the mutual coherency of these objectives and values and their capacity to be shared especially with the systems situated on the outer interface of the system of intellectual property rights enforcement.

#### **3.1.7.1 Objectives of the system**

The specific objectives of the intellectual property rights enforcement system are therefore especially as follows:

- the providing for the protection of intellectual property rights enforcement;
- the ensuring of the complying of the conduct of individual participants in economy, but also any other persons with the law related to intellectual property;
- the providing for the practical enforceability of the rights and entitlements of the individual intellectual property rights holders with the purpose of full realization of the economic potential of such rights;
- the preventing of intellectual property rights infringements;
- the providing of information to the public on both intellectual property rights and the law related to intellectual property as well as on the state of such rights enforcement.

These individual objectives are related to each other, it is however impossible to prioritise any one of them or subordinate some of them to an objective more general, more essential in terms of finality or to a complex of such basic objectives. The protection of the individual private intellectual property rights goes hand in hand with the ensuring of the law observance in relation to intellectual property protection. The observance of the law related to intellectual property simultaneously requires and assumes the conscientious exertion of all legal instruments of the protection of private rights to the subject of intellectual property including the realization of individual entitlements of authorized persons out of court as well as in the proceedings before courts and other competent authorities. The essential part of intellectual property rights enforcement is also formed by the prevention of the undesirable state when such rights are infringed, with the means of such prevention being above all the providing of information to the public on the relevant legal regulation and about the existence



of individual rights to intellectual property in order to maintain and enhance the legal consciousness of the public in this sphere. To keep the public informed is not, however, just the means, but also the objective of the system, as the providing of information is one of the conditions necessary not only for the observing, but also for the existence as such of the individual intellectual property rights, and, at the same time, one of the criteria of the legitimacy of the operation of the system of intellectual property rights enforcement as such.

### **3.1.7.2 Particular values**

The specific values of the system of intellectual property rights participate in the contentual definition of this system where the definition of only objectives, and even of the particular objectives of the system, is not sufficient to describe the system's contentual basis in its existence and development. These values are the most general and simultaneously the most specific characteristics of the system as a specific coherent system and, at the same time, both the measure and warranty of the perennality of the creative force (supertemporal stability) of the system, as well as its capacity (benign) to autopoietization. These are in particular:

- the values of the binding effect and observance of law and the respect for the law as concerns the intangible assets;
- the value of the protection of intangible assets protected by the right to the intellectual property;
- the values of legal certainty, the possibility to anticipate legal status and the protection of acquired rights related to intellectual property;
- the values of effectiveness, transparency and continuity (coherency) of the functioning of the institutional elements of the system.

## **3.2 Analysis of the basic components of the system**

When the system of intellectual property rights enforcement has been defined in terms of the aspect of its content through the analysis of its objectives and values shared by the system or inherent to it, it is possible to proceed with the analysis of the individual basic components of the system which make it possible to define the system in terms of the formal aspect. With regard to the formal nature of this analysis, we will proceed in this chapter using mostly juristic methodical procedures. The analysis will be based on the definition, or rather, on the regulation of individual components of this system by the regulations of law effective and valid on the territory of the Czech Republic.

### **3.2.1 Persons**

We have encountered the definition of the system of personal rights to intellectual property in respect of the subjects which are a part of this system, or rather, which enter the system, already when analysing the objectives and values of this system in part 3.1. Then, we did not mention only persons in respect of the juristic sense and meaning of the term, but we used also other terms, mentioning for instance participants in economy, enterprises or personal substrate of certain institutions.

#### **3.2.1.1 Person as a concept**

As regards the formal analysis of the system defined especially by the legal institutional framework of its functioning, it is however necessary to use the specific term person, i.e. a person in the legal sense. The concept of a person is one of the central elements of legislation and legal theory. Persons are within the system of regulations the addressees of these regulations, i.e. subjects which the legal regulation directly addresses and whose conduct can also be practically influenced by the regulation.

From another angle, the persons are in a legal sense also the only subjects competent to acquire subjective rights and liabilities. In this respect, it is possible to mention persons as the points of countability of the rights or liabilities. The legal concept of a person is thus in this respect exclusive and the subjective rights and liabilities can not be therefore attributed to anyone else than to a person in a legal sense. Other social units than persons (units without legal subjectivity) are in terms of the countability of the concrete subjective rights or liabilities in this respect irrelevant.

The persons in a legal sense thus include both individuals (into which category presently fall all people) and legal entities, i.e. the associations of people or even intentional poolings of property (foundations) to which the legislation grants subjectivity.

#### **3.2.1.2 Persons participant in the system of intellectual property rights enforcement**

Within the account of persons as the elements of the system of intellectual property rights enforcement, we will not mention (physical) persons taking part in the operation of the institutions ensuring the intellectual property rights enforcement (such as individual government employees, judges and the likes), as these persons fail to enter the system from

the formal (juristic) point of view directly, but only as a part of such institution (courts, administrative authorities, legal entities or similar). Neither will the individual authorities will be mentioned, as these were dealt with in a separate analysis under chapter 2.

### **3.2.1.2.1 Persons as right holders**

The system thus in the position of persons, either physical (individuals) or legal (legal entities) enter above all the participants in economy, which are the applicants, owners and even infringers of the rights to intellectual property. The important fact is that these persons are mostly, however not exclusively the legal reflection of the participants in economy. Also those persons can become applicants, owners and infringers of intellectual property rights that fail to participate directly in the economic system and that from the legal point of view are neither entrepreneurs, nor contestants (compare section 2 paragraph 2 and section 41 of the Commercial Code).

From the legal point of view, the applicants or owners of the intellectual property rights thus can in principle be any other persons, which means also physical persons (individuals) who are neither entrepreneurs nor participants in any economic competition as competitors. This is obvious in relation to creative intellectual property rights, where the author of the relevant intangible asset and thus the subject primarily authorized from the rights to this intangible asset can only be an individual who has created the intangible asset by his own creative intellectual activity.

#### *The role of individuals in the creation and protection of intangible assets*

The creating of an intangible asset is not considered as a legal act, but as another legal fact which occurs regardless of the state of consciousness and will of the person who has created the intangible asset. Already from this it is obvious that the forming of rights to such intangible asset by the asset's creation can not be due to the character of the matter bind to the existence of the licence of such person to undertake business activities, or on the intentions of such person in terms of economic competition.

The primary right to an invention, utility model, industrial design, author's work or similar thus belongs to the individual who has created the relevant intangible asset, while the individual does not necessarily need to be (and usually is not) an entrepreneur or a contestant.

Until recently, it could be disputable whether an individual that is not an entrepreneur or a contestant can become an applicant and, consequently, owner of a trademark, because of the specific basic function of a trademark, which is to designate the goods and services of various enterprises within their economic competition in the market. This issue was resolved within the framework of Czech legislation by Act No. 441/2003 Coll., On Trademarks. This act, as opposed to the previously effective regulations related to trademarks, allows that any person can become the owner of a trademark (section 1 of the act). From the legal point of view thus nothing can prevent an individual – non-entrepreneur, or possibly a legal entity – non-entrepreneur (for instance, a foundation or an unincorporated association), as well as an structural state unit from becoming an owner of a trademark (at least of a national trademark registered by the Industrial Property Office of the Czech Republic).

Under the legislation previously effective, an applicant for a trademark registration could not be any individual or legal entity, but only an entrepreneur in certain sorts of goods or services or a relevant enterprise. Under the provision of section 4 paragraph 2 of Act No. 137/1995 Coll., On Trademarks (abolished by Act No. 441/2003 Coll.), an application for registration could be submitted only by an individual or legal entity for such products and services which formed the object of business activity on the date of the submitting of the application. Yet older Act No. 174/1988 Coll., on Trademarks, stated in the provision of section 2 that a trademark is a designation which can differentiate goods or services originating from different producers or providers of services and is registered in the register of trademarks, which means that the act at least implicitly assumed that only a certain producer or a provider of services (originally especially state owned companies and other state business organizations as well as foreign legal entities or individuals) can become an applicant for registration and the owner of a trademark. The application for a trademark registration could be submitted with the Office only by a legal entity or an individual conducting permitted business activity, and only for those goods or services which formed the objects of such persons's business activities (section 8 paragraph 1 of Act No. 174/1988 Coll.)

Presently effective Act No. 441/2003 Coll., on Trademarks, does not contain such limitations. Basically any individual or legal entity, regardless of whether such person is or is not an entrepreneur of a contestant, can file an application for a trademark registration. Likewise, the basic function of a trademark is defined by the Act (section 1) by stating that a designation eligible for registration as a trademark has to make it possible to distinguish the goods or services of one person from the goods or services of another; the Act thus does not mention entrepreneurs, enterprises or contestants, but any persons. The Act also fails to comprise any limitations in terms of the authorization of the applicant to any specific business activity in the provisions related to the filing of applications for a trademark registration. This can be considered as a certain difference from the provisions of the First Directive of the Council, to Approximate the Laws of the Member States Relating to Trade Marks (89/104/EEC), which in its article 2 defines a trademark as a designation capable of distinguishing the goods or services of one undertaking from those of other undertakings. Also article 4 of Council Regulation 40/94 (EEC) on the Community trade mark is conceived in a similar way.

The determination of the circle of persons eligible to acquire the relevant rights exists only in relation to the protected appellations of origin and geographical designations. Under Act No. 452/2001 Coll., On Protection of Designations of Origin and Geographical Indications and on Amendments to the Act on Consumer Protection, as amended, the registration of designation of origin (as well as of geographical designation) may be filed only by the association of producers or processors for goods produced, processed or prepared in the territory and under conditions defined by law; by an individual (physical) person or legal entity only on condition that at the time of the filing of the application it is the only person that produces, processes and prepares the goods in the territory and under conditions defined by law. The lastly stated act on the contrary allows that also an association without legal personality can apply for the registration. In such a case, however, the association has to authorize one of its members to act in the proceedings in compliance with the relevant law.

### **3.2.1.2.2 Persons asserting their rights against infringements**

The legal status and legal nature of the subjects entitled from intellectual property rights (holders of such rights, whether they are applicants or owners) is, provided that these persons

are capable of becoming applicants and possibly owners of such rights, in terms of the enforcement of these rights irrelevant. However, it is necessary to bear in mind that the primary means, either implicitly expressed or explicitly defined by law, of the realization of such rights is their application in economic activities. This applies especially to industrial rights. These rights are assumed to be used by their owners especially within the economic competition in the market. Consequently, it is also within this competition where these rights are usually infringed. In some cases it even cannot be otherwise, which means that because of the character of the matter any other infringement than the infringement within economic competition can not occur, even when the holder of the right is a non-entrepreneur.

### *Copyright*

The issue of the legal nature of the activity within which a right is infringed is not relevant in relation to copyright. Almost any person who uses an author's work or another intangible asset in the course of their activity can infringe these rights, regardless of whether or not such person is an entrepreneur or a contestant and whether his activities are aimed at the achieving of economic success. However, it should be noted that the Copyright Act defines a whole range of statutory exceptions related to the use of a work; the using of a work in compliance with such exceptions then does not constitute the infringement of copyright (compare especially sections 29 and following of the Copyright Act, more details can be seen under point 1.2.4 above). The exclusive right of an author to his work as such is however not limited solely to the using of the work in commerce, with which corresponds the fact that the subject of copyright can be any person regardless of whether or not such person is an entrepreneur or a contestant.

### *Patents*

Similarly, any legal entity or individual, whether an entrepreneur or contestant or not, can become an applicant and owner of a patent on an invention. In a vast majority of cases, a patent application is however filed by a person different from the original inventor to whom the inventor transferred the right to file a patent application, for an inventor as an individual is more often than not incapable of bearing the high financial costs that the gaining of a patent protection in the significant world territories entails. However, this does not change the fact that patent rights (as well as utility model rights) can essentially be exerted by any patent owner, whether such person is an entrepreneur or a contestant or not. As regards the infringements of patent rights, the exclusive rights of the patent owner are not limited to the use within business, or economic, activity, but relate to any use of the invention; the law however stipulates significant limitations of the patent effect i.a. in terms of any activities for uncommercial purposes. Patent rights can not be essentially exercised against persons who use the patented invention only for personal purposes, not in trade. On the other hand, it is not decisive for the assessment of whether a certain activity is carried out for uncommercial purposes under the provision of section 18, letter d) of Act No. 527/1990 Coll., as amended, if such activity is of business nature, or economic competition under the Commercial Code. Especially unauthorized trading should be classified as the infringement of a patent, when for instance a certain individual without a relevant business licence in the territory of the Czech Republic produces products protected under patent, or supplies such products to the Czech Republic within black market. The same applies to utility models.

### *Industrial designs*

Also, the owner of industrial design can be any individual or legal entity, whether an entrepreneur or a contestant or not. An industrial design application can be filed by a person owning rights to the design, i.e. either its originator or his successor at law. Similarly to patents on inventions, the exclusive right of the industrial design owner relates to any use of the industrial design, either for business or other purposes. The rights resulting from a registered industrial design are however limited i.a. as regards the activities of third persons for uncommercial purposes (section 23 paragraph 1 letter a) of Act No. 207/2000 Coll., on the Protection of Industrial Designs, as amended).

### *Trademarks*

The interpretation of the issues concerning the circle of persons entitled to file an application and become the owner of a trademark was both in the Czech Republic and abroad always rather benevolent, and even under the previously effective legislation the Industrial Property Office of the Czech Republic as a rule did not investigate whether the trademark registration applicant held the relevant business licence, and the absence of such licence at the time of filing of was not considered as a reason for the cancellation of a trademark already registered in the register or trademarks. Similarly benevolent is the practice of most of the EU member countries, despite the above stated legal regulation which is less liberal than the presently effective Czech legislation. Therefore, the trademarks owners are typically also for instance foundations, unincorporated associations, international non-governmental organizations (from the legal point of view usually legal entities – non-entrepreneurs, established and operating under the respective foreign legislations, for instance under Sweden legislation), but also individuals – non-entrepreneurs.

On the other hand, it should be stressed that the exclusive trademark rights can be in reality applied only in relation to the using of certain designations in the course of trade (section 8 paragraph 2 of Act No. 441/2003 Coll.; compare also article 5 paragraph 1 of Directive 89/104/EEC). This way, the so-called negative, or prohibitory, aspect of the exclusive right of a trademark owner to a trademark is limited.

It is therefore not possible to intervene in a trademark right in this prohibitory aspect due to the character of the matter otherwise than by using of a certain designation in the course of trade, even when the trademark has been registered by a non-entrepreneur. The concept of using in the course of trade should however be interpreted in broader terms than as simple use within business activity or in competition. Decisive will be the factual, not legal nature of the relevant activity; as a business activity should be considered also the preparation for business, the promotion, advertising and, in general, any activity aiming directly or indirectly at the commercial realization of goods or services. Under the judicature of European Court of Justice, also such use is considered as the use in the course of trade which occurs in the context of commercial activity with a view to economic advantage and not as a private matter (the ECJ Judgement C-206/01 Arsenal Football Club).

### *Appellations of origin and geographical designations*

As for appellations of origin and geographical designations, it has been already mentioned that the applicant for the registration of these denominations can basically be only association of producers of the relevant goods, or an individual or legal entity producing, processing or preparing such goods. Contrary to other kinds of intellectual property rights, the circle of persons qualified to become the holders of registered appellations of origin or geographical designations is thus restricted by operation of law.

On the other hand, not only a person using the designations in the course of trade either directly or indirectly can infringe a right to a registered appellation of origin or geographical designation, but anyone who such designation in any way abuses, plagiarizes or evokes, or otherwise states false or deceiving information on geographical origin, nature or elementary characteristics of the goods, or otherwise acts in a manner which can lead to deceiving presumptions of the real origin of the goods. Therefore, any person in principle can infringe rights to appellations of origin or geographical designations, whether an individual or a legal entity, either acting in the course of trade or not, naturally regardless of whether such person is an entrepreneur or a contestant or not, even when the relevant activity did not occur in the course of trade (for instance, it would be possible to exercise a relevant right directly against a person who offers goods designated without authorization with the appellation of origin or geographical designation to another person). In this respect, it should be noted that not only the person registered as the applicant for the registration of the appellation of origin has an active capacity to exercise rights to appellations of origin or geographical designation, but such capacity belongs to any person (section 24 of Act No. 452/2001 Coll., as amended).

### **3.2.1.2.3 Possibility to assert a right by an applicant**

As regards the assertion of intellectual property rights by individual authorized persons, the distinction between the applicant and the right holder is significant. This distinction exists for most of industrial rights, does not however apply to copyright, as a copyright to a work is formed on the creation of such work in its objectively perceivable form (the same applies to rights related to copyright). In respect of the industrial rights, by contrast, which are subject to registration, the exclusive right of the right holder is formed as a rule after the registration of such right in the relevant register, which is why the circle of exclusive rights resulting from a right to a respective intangible asset is acquired in principle only by the holder of such right, not by the applicant. These rights thus can not be enforced until the moment when the relevant right is registered in the register, which means they can not be enforced in the course of the registration proceedings.

Therefore, industrial property rights can be enforced as a rule only the rights owners (proprietors), i.e. persons registered as owners (proprietors, holders) in the relevant register. There are however certain exceptions.

The patent applicant is entitled to appropriate remuneration from a person who uses the subject matter of the invention application after the application has been published (section 11 paragraph 3 of Act No. 527/1990 Coll.). In case of international application requesting grant of a patent in the Czech Republic which has been published in compliance with international treaty, the right to appropriate remuneration is due only after the translation of the application into the Czech language has been published. The right is thus granted by the act already to the patent applicant, however only on condition that the patent is granted, as the right to an appropriate remuneration can be asserted only from the date on which the patent has effect.

These effects start with the date of the publication of the publication of its grant in the Official Bulletin of the Industrial Property Office in case of national patents, or, in case of European patents, the date on which the publication of the grant of an European patent in the European Patent Bulletin on condition that the owner of the patent submits to the Industrial Property Office of the Czech Republic within three months from this date the translation of the patent registration in the Czech language and pays an administration fee for the patent publication under specific legal regulation.

As concerns other kinds of industrial property rights, the effects of the right in terms of the forming of the exclusive authority of the respective right owner to the subject of such right arise in principle only after the registration, which means that the only person authorized to assert these rights against the use of the relevant intangible asset in the market is always their owner (proprietor, holder). Nevertheless, the applicant for industrial rights registration can assert his rights on the level of their registration, i.e. prevent the registration of industrial rights infringing his rights to the relevant industrial right application (more to this issue under 3.3.2. below).

#### **3.2.1.2.4 Possibility to assert a right by a person other than owner**

Moreover, it should be noted that under Act No. 221/2006 Coll., besides the owner, or a holder of such rights, also a person authorized under the legal regulation to use such rights can assert industrial property rights. Such person could be in particular a licensee or a professional organization for the protection of rights duly recognized in the country of its origin as an organization authorized to represent the owners or holders of industrial property rights. Considering the fact that the effects of licence agreements on subject matters of industrial property rights towards third persons start only after the registration of the licence in the register, it is necessary to insist that the licensee is authorized to assert the relevant industrial rights only on condition that he is registered in the register of the relevant industrial right as the licensee. At any rate, the right of the licensee to assert rights is derived from the original right of the owner (holder) of this right, which means that the licensee can assert the rights only with the agreement of their owner or holder. The agreement is not required when the owner or holder himself remains inactive in connection with the infringement: if within one month on the receiving of the announcement of the licensee about the infringement or endangerment of such right the right owner or holder fails to instigate proceedings, the licensee can assert the rights on his own without the owner's consent.

#### **3.2.1.2.5 Origin of the person of the holder**

Finally, some space should be devoted to the issue of the effect that the fact can have on the enforcement of intellectual property rights whether a certain person in the position of the owner (holder) or applicant for intellectual property right, or even an infringer, comes from the Czech Republic or from abroad. In case of individuals it can be a matter of nationality, in case of legal entities the concept of nationality is theoretically disputable (though considerable part of the literature tends to the opinion that the using of the term "nationality" is relevant also in connection with legal entities); from the practical point of view, it is however decisive where the person in question lives (as concerns an individual) or resides (as concerns legal entity).



The relevant regulation of Czech national legislation concerning the protection of intellectual property rights usually do not discern between Czech citizens, or persons living or residing in the Czech Republic, and other persons, but grant the relevant rights to any persons regardless of their nationality or the territory from which they come. This conclusion however is not a matter of course, and decisive for the proceedings of the relevant authorities are the international liabilities of the Czech Republic resulting especially from the Paris Convention for the Protection of Industrial Property, Agreement on the Establishing of World Trade Organization (WTO) (Notification No. 191/1995 Coll.) and other international multilateral treaties as listed under point 1.1.4. above).

The protection under the Copyright Act is to be granted to of performers who are the citizens of the Czech Republic, and to works and performances of foreign nationals and persons with absent nationality on the basis of international treaties binding for the Czech Republic which were published in the Collection, or, in the absence of those, if the reciprocity is guaranteed. Even though these conditions are not met, the copyright applies to the works of authors and performances of performers who are not the citizens of the Czech Republic, on condition that such works were published for the first time in the Czech Republic or that the author or performer lives in the Czech Republic.

As far as industrial rights are concerned, persons living or residing in the territory of a state that is a party to the Paris Union Convention or a member of the World Trade Organization, or persons who own an enterprise in or are nationals of such a country (compare the provisions of section 76 paragraph 1 of Act No. 527/1990 Coll., as amended, and the provision of section 46, paragraph 1 of Act 441/2003 Coll., as amended) enjoy the same rights as the citizens of the Czech Republic. This definition is rather broad, with the result that in reality, legal protection is to be granted under the same conditions as to Czech nationals to a vast majority of foreign persons, either individuals or legal entities connected in any way with the member countries of either Paris Union Convention or World Trade Organization, whether by the location of their enterprise, their residence, permanent address or nationality.

What should also be mentioned is the fact that before the Industrial Property Office, the foreign persons must be as a rule represented by an representative under special regulations, either by an attorney at law or patent attorney (compare section 70 of Act No. 527/1990 Coll., as amended, section 46 paragraph 2 of Act 441/2003, as amended, and section 45 of Act No. 207/2000 Coll., as amended).

As for foreigners, some complications may arise in connection with the determination of competencies of Czech courts to decide in matters where the defendant is a foreign person. This issue is to be deliberated with a view to the regulation under Act No. 97/1963 Coll., on International Private and Procedural Law, as amended, and Council Regulation (EC) No. 44/2001 of 22 December 2000, on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters. However, these issues are in principle not relevant when the foreign person challenges by administrative action a final and conclusive decision of a Czech state administration authority in this matter, or claims other legal remedies in compliance with Act No. 150/2002 Coll., Code of Administrative Justice, as in these cases, the alleged infringer is in the position of a claimant, not a defendant (see for more details point 3.2.3 bellow).

#### **3.2.1.2.6 Infringers**

Neither the specific issue of the infringers of intellectual property rights should be neglected.

Also these persons are mostly participants in economy, as they in principle (see the text above) participate in the industrial property rights infringements which occur in the course of trade. However, any persons can be the infringers of intellectual property rights, whether entrepreneurs or contestants or not, both individuals and legal entities, Czech citizens or foreigners. It should be kept in mind that a whole range of such infringers can be at the same time in the position of intellectual rights holders or applicants, when it is often possible for them to claim their own rights when defending their positions in the process of the enforcing of intellectual property rights of another person.

In connection with this, it should be noted that in terms of the infringement of rights to a certain subject matter of intellectual property it is in fact irrelevant if the person infringing these rights is also a right holder or applicant of another intellectual property right, either of the same or of a different kind. Even such person who is in the position of an intellectual property right holder can in the course of exercising his or her own intellectual property right infringe the intellectual property rights of another person, while the own right of such person to intellectual property does not provide the person with any “immunity” in this respect.

For instance, unsubstantial and misleading is the customary objection of the persons infringing e.g. the patent rights of a certain person stating that they themselves are the owners of a patent. Their proprietary rights to a patent, even if the patent is based on a similar technical solution, does not automatically mean that these persons do not infringe the patent of a third person. The same principle applies to almost all sorts of industrial or other intellectual property rights (i.e. an author can infringe the copyright of another author by using his own work and so on).

On the other hand, the possible existence of the intellectual property rights which are held by the infringers, or alleged infringers, can not be disregarded. These cases usually lead to complicated legal disputes which are to be solved on several levels, not only on the level of rights enforcement, but, above all, on the level of the elimination of the rights (see point 3.3.2 above). In respect of trademarks, the fact must be taken into account that according to the judicature of High Court in Prague, the rights of the owners of rights to registered trademarks are in principle equal and that the use of a registered trademark by one of the owners can not be challenged by the other owner in terms of trademark law. This however does not mean that the using of a registered trademark can not constitute under certain circumstances unfair competitive behaviour.

As for industrial designs, the fact should be taken into consideration that one of the prerequisites for the registration capacity, or for the capacity of the industrial design to be protected, is the individual character of the design which is defined by the requirement that the overall impression the design produces on an informed user must differ from the overall impression produced on such a user by any industrial design which has been made available to the public prior before the date of the filing of the application or prior to the forming of the right of priority. Even in respect of industrial designs, the coexistence cannot be ruled out of industrial designs some of which do not meet the requirements for the capacity to be registered because of their colliding with an older right to an industrial design. In such a case it is usually desirable to initiate the proceedings on the expungement of the industrial design which fails to meet the conditions for registration.

In addition, it should be stressed that the persons considered as the infringers of intellectual property rights are in principle only alleged infringers until a final and conclusive, usually court, decision is issued stating that the intellectual property right has been infringed by these persons. The proceedings resulting from intellectual property rights infringements fall under civil proceedings and legal matters, or proceedings of criminal nature in accordance with Article 6 of the Convention for the Protection of Human Rights and Fundamental Freedoms (Decree No. 209/1992 Coll.), or Article 36 of the Declaration of Fundamental Rights and Freedoms, which makes it necessary that a court, or a judicial body decides of these matters in full jurisdiction.

### **3.2.2 Rights**

The concept of a (subjective) right and subjective liability has already been analysed under point 3.1.5. This part will deal with the analyses of individual kinds of intellectual property rights which are subject to intellectual property rights enforcement or which are to be observed in connection with the intellectual property rights enforcement. These rights can be divided in a number of ways.

#### **3.2.2.1 Private intellectual property rights vs. other rights**

In the first place, it should be noted that besides the private intellectual property rights as such which are subject to proceedings and legal remedies, the process of the enforcement of intellectual property rights encounters a whole range of rights which deserve protection and which are to be observed within the enforcement. Although these rights are not a component of the system of the enforcement of intellectual property rights in the stricter meaning of the word, they must be taken into account within the framework of the functioning of the system. This concerns rights related to both substantive and procedural law.

##### *Other substantive rights*

One of such substantive rights is above all the property right to tangible substrates in which the individual intangible assets are embodied the rights to which are subject to the enforcement. These property rights can belong either to the infringers or alleged infringers of the intellectual property rights or to third persons. On all accounts, these property rights in principle still enjoy the legal and constitutional protection and it is necessary to proceed within the enforcement of intellectual property rights in a way that these rights are not violated. On the other hand, the existence of such rights must not be a hindrance to any effective enforcement of intellectual property rights. As regards the remedial measures in accordance with the provision of section 4 of Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights, the act postulates that the individual measures (the withdrawal of the products from the market, permanent removal or destruction of the products, the withdrawal, permanent removal or destruction of materials, instruments or equipment) can be applied also in relations to those products, materials, instruments or equipment which are not the property of the right infringer. In such cases, the court has to take into account the interests of third persons, especially of customers and persons acting in good faith.

It is also evident from this legal regulation that both preliminary rulings and the decisions in the matter as such in matters related to intellectual property rights can in the course of the satisfaction of especially holding and removing claims act also against items which are in the ownership of a person different from the sued infringer of the intellectual property rights. The existence of these proprietary rights as such is not to the detriment of the enforceability of the respective court decisions. The contractual, but also noncontractual (delictual) liability for any damage that could be incurred in such cases by the owners of these items (material substrates) is usually borne by the infringer of the right in compliance with the relevant commercial law and civil law regulations on the liability for damage.

### *Procedural rights*

Among the procedural rights which the enforcement of intellectual property rights can encounter is above all the right to court and other protection under Article 36 of the Charter of Fundamental Rights and Freedoms including its components, and the basic procedural rights of the participants in the civil court and administrative proceedings as stipulated in Act No. 99/1963 Coll., Civil Procedure Code, as amended, and Law No. 500/2004 Coll., Administrative Procedure Code.

The standpoint should be strictly maintained that these procedural rights of all participants in proceedings related to the infringements of intellectual property rights remain preserved in the same scope as in any other civil or administrative proceedings, as there is no legal background for the limitation of such rights. The participants, whether intellectual property rights owners or alleged infringers, thus have the right within the framework of civil court proceedings to get the opportunity to give opinion to all the statements of the adverse party and to the evidence presented, that the decisions are made after oral proceedings while maintaining the principle of the directness and publicity of the proceedings, the right of appeal, the power of disposition over the subject matter of the dispute for the claimant, the right to a legal judge, to equality of the participants in the proceedings, the right for a decision made without unnecessary delay in the presence of the participant by an independent and unprejudiced court and so on. These rights are then supplemented by a whole range of other specific procedural rights applied within the criminal proceedings.

### **3.2.2.2 Components of intellectual property rights**

**Therefore, intellectual property rights as such can be divided into**

- specific absolute or even relative (subjective) rights which describe the legal nature of the respective industrial right (e.g. exclusive right to a patent, exclusive right to a trademark, right to protection against particular specific acts of unfair competition defined on the abstract level by the individual qualified facts of the unfair competition and similar);
- individual authorizations and corresponding entitlements included in these elementary rights, or resulting from these rights.

While the elementary absolute or even relative rights to the individual kinds of intellectual property rights are contained in the individual legal regulations concerning these rights, the individual authorizations, or entitlements included in these rights or resulting from them are in respect of copyright and rights related to copyright regulated directly by Copyright Act and in

respect of industrial rights by Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights and on the Amendment of the Act on the Protection of Industrial Rights.

It should be kept in mind that the individual authorizations, or rather entitlements resulting from the infringements of intellectual property rights especially as regulated by Act No. 221/2006 Coll., do not fully and in the legal nature represent the content and scope of especially absolute rights to the subjects of industrial property. It is thus necessary to take into account while enforcing the intellectual property rights also the regulation of the relevant elementary absolute rights to the respective kinds of industrial property which is contained in the individual legal regulations of industrial property protection.

The absolute rights to the subjects of intellectual property include in principle the exclusive positive right of the owner of the given right to use the relevant intangible asset which has both positive and negative aspect (see explanations above under point 3.1.5.). Furthermore, it is usually possible to discern within the framework of this absolute right the three classic prerogatives of the property rights which are *ius utendi*, *ius fruendi* and *ius disponendi* (the right to use a thing, the right to enjoy a thing, i.e. take advantage of fruits and proceeds of a thing, in relation to intellectual property rights the title to authorize the use of the right by third persons and draw licence fees for this, and the right to dispose of the thing, which in relation to intellectual property rights means a right to transfer the title to intellectual property either for a consideration or free of charge, encumber it by e.g. security interests chattel mortgage and similar). The concrete scope of these classic authorizations is with certain modifications defined by individual legal regulations regulating the respective kind of intellectual property rights.

From these elementary rights, individual rights or entitlements are derived which a right holder has in case of the right infringement, as regulated in relation to industrial rights by Act No. 221/2006 Coll. These rights can be divided into:

- rights or entitlements of non-pecuniary nature;
- rights or entitlements of pecuniary nature;
- rights or entitlements of compound nature.

#### *Non-pecuniary authorizations*

The rights, or rather, entitlements, of non-pecuniary nature include in particular the right to demand that an infringer refrains from his unlawful acts through which intellectual property rights are violated or endangered and that he eliminates the consequences of such violation or endangerment of the rights (in respect of procedural law these are the removing and holding claims). These elementary rights are stipulated by Act No. 221/2006 Coll., in relation to industrial rights, and by Act No. 121/2000 Coll., in relation to copyright and rights related to copyright. These specific rights or entitlements are further supplemented by exemplary list of individual authorizations, or entitlements, through which these rights can be realized. These are in particular:

- the withdrawal of the products infringing intellectual property rights from the market;
- the permanent removal or destruction of such products;

- the withdrawal, permanent removal or destruction of materials, instruments and equipment designed or used exclusively or predominantly within activities infringing or endangering a right.

From the procedural point of view, all these are non-pecuniary entitlements, or rights to non-monetary performance; the enforcement of court decisions relating to non-monetary performance is thus regulated by the provisions of sections 339 and following of Act No. 99/1963 Coll., Civil Procedure Code, as amended.

#### *Authorizations of pecuniary nature*

The rights, or entitlements, of pecuniary nature include

- right to damages suffered the right holder or another authorized person as a result of a rights infringement, including lost profit;
- the right to the surrender of unjustified enrichment gained by the infringer by the right infringement;
- the right to reimbursement instead of the settlement of non-pecuniary entitlements when such right is exercised by the right infringer; this applies only to industrial rights.

#### *Authorizations of compound nature*

The compound rights or entitlements include a right to reasonable compensation of a non-proprietary detriment suffered by the right holder due to the interference with his right by the infringer, as well as the right to publish the judgement at the expense of the infringer who failed to succeed in the dispute. Reasonable compensation can consist also in non-monetary performance or be of another form, such as public or non-public apology.

#### *Determining of lump sum pecuniary entitlements*

In relation to industrial rights, the court can on the basis of a motion determine lump sum amount of damages or unjustified enrichment gained by the infringer as a result of the endangerment or infringement of a right, as well as lump sum reasonable payment of lump sum compensation in the amount of at least double the licence fee customary for the gaining of the licence to use the right at the time of the unauthorized interference with the right. Where the infringer was not or even could not be aware that through his activity a right was infringed, these lump sum entitlements can be determined in the amount of at least a licence fee customary for the gaining of the licence to use the right at the time of the unauthorized interference with the right.

The relevant provisions of Act No. 221/2006 do not directly define whether the method of the determination of the above stated individual pecuniary or non-pecuniary performance of settleable entitlements applies to each particular entitlement or to all the entitlements together. The former interpretation is in our opinion the more correct one, as different factual conditions must be met and evidenced for each of the individual pecuniary entitlements, which means that the satisfying of all three different kinds of rights or entitlements by a single

sum of pecuniary performance would obscure the variant legal nature of these individual entitlements and would not correspond with the different definition of the conditions of the formation of these individual entitlements resulting in the fact that in an individual case of infringement such entitlement can be but is not necessarily formed.

In relation to copyright and rights related to copyright, the authorized person can claim instead of the actually lost profit the compensation for lost profit in the amount of the payment customary for the gaining of a licence at the time of the unauthorized disposing of a work. In addition, it is accepted that the sum of unjustified enrichment gained on the part of the person who disposed of a work without authorization, i.e. without having the necessary licence, amounts to double the payment customary for the gaining of such licence at the time of the unauthorized disposing of the work.

In all these cases, the determination of such hypothetical payment for the use of a work is in the court proceedings in principle subject to expert evaluation. Considering the frequency of the cases of intellectual rights infringements, the creating of specific methodology defining the procedures of experts in such cases is desirable.

### **3.2.2.3 Public rights**

Last but not least, it is necessary to state that not only private, but also public rights apply in the enforcement of intellectual property rights, i.e. rights held by persons in relation to the state (as a legal entity) and to other subjects of public administration. These rights are formed by cogent legal regulations enabling and at the same time protecting certain conduct of the administrated (persons subject to the authority of a public administration body) and define respective obligations on the part of the administrating subject. This right is always enforceable by course of law, especially by the court.

These public rights are of both negative and positive nature. Some of these rights prevent the administrative bodies from certain interventions into the freedoms of the administrated persons, others ensure that the administrative bodies act in a certain way in the administrated persons favour, i.a. when protecting their other (private) rights.

Public rights can be in a number of cases inferred from the liability of an administrative body to act in a certain manner in favour (in the interest) of the claimant, in particular when the relevant act obliges the administrative body to act in a certain case (e.g. when the act states that the secured products are to be returned to the inspected person without unnecessary delay, or that it is necessary to monitor agricultural, soap and detergent product with the aim to prevent the deceiving of a customer and others). As evident from the above stated examples, these public rights can be in favour of both the intellectual property rights holders and the infringers, or more precisely, alleged infringers. Also these public rights enjoy court protection, while the relevant procedural processes are regulated by Act No. 150/2002 Coll., Code of Administrative Justice.

### **3.2.3 Authorities and their powers**

The specification of individual authorities in the competencies of which is the enforcement of intellectual property rights is stated above in part two. This part contains also the specification

of powers with which these authorities are empowered in the enforcement of intellectual property rights.

### **3.2.3.1 Concept of power**

The power of the administrative or other authority of public administration (of a court) consist in the authorization of such body to conduct public power, i.e. authoritatively decide on rights and obligations of the subjects which are not in equal position with such body, where the decisions made by such body are independent of the will of the subject to which the decisions are addressed.

The courts in civil court proceedings realize their powers through dealing with and deciding disputes and other legal things resulting from civil law, labour, family or trade relations, including disputes in matters resulting from intellectual property rights. To decide such disputes means for the courts to set authoritatively the individual rights and/or subjective liabilities of the participants in the proceedings in a manner which is binding for the participants; it could be declaratory definition, where the court declares the existence of a certain right which exists independently of such decision, or constitutive, where a certain right is directly formed – constituted – by the court decision.

In the sphere of public administration, the powers are realized especially through the issuing of decrees and similar abstract acts or regulations of general nature, as well as through the issuing of administrative (i.e. concrete) acts, through concluding public law contracts, through the enforcing of decisions (executions) and administrative supervision.

From these individual components or competency, especially the following ones apply in the sphere of intellectual property rights:

- the issuing of administrative (concrete) acts, especially of administrative decisions;
- the enforcement of decisions (executions) through the decisions of both civil courts and administrative authorities;
- administrative supervision including remedies of supervision and the imposing of sanctions.

In respect of the guarantees of the legitimacy of intellectual property rights enforcement, it is necessary to discern between the executing of power as such, i.e. authoritative deciding on the rights and liabilities of the subjects subordinated to the relevant administrative body, and other forms of administrative activities, which within the framework of the carrying out of the tasks of state administration do not directly interfere with the rights of any subject.

### **3.2.3.2 Sectors of powers execution**

In the sphere of intellectual property rights enforcement, the activity of a public administration authority in the executing of both its powers and other activities can be divided particularly into

- the sector of the granting (forming) of intellectual property rights;



- the sector of the enforcing of these rights within the framework of their collisions on the level of their registration/forming, or their effectiveness;
- the sector of the enforcement as such in the actual using of intangible assets protected by these rights.

The first sector is almost exclusively in the competency of the Industrial Property Office which decides on the registration of industrial rights. Also the second sector is mostly in the competency of the Industrial Property Office and partly in the competencies of courts. The third sector is in the competencies of courts and some other public administration authorities, in particular of the Czech Commercial Inspection, the State Agricultural and Food Inspection, customs authorities and the Police of the Czech Republic.

The individual levels of intellectual property rights enforcement, or more precisely, intellectual property rights protection, will be analysed in the following chapter.

### **3.2.3.3 Power vs. competency; conflicts of competencies**

It is necessary to distinguish between the concepts of power and competency of a public administration authority. The term competency denotes the range of defined duties of the respective body.

In relation to the competencies of the individual authorities of public power and administration, conflict of competencies can arise; there can be some discords regarding whether at all or which body should exercise its power or even act otherwise in a certain matter. These conflicts can be either positive, when several bodies claim to have authority to issue a decision in a certain matter or to have other power, or negative, when the administrative bodies deny their having a certain power, which makes it impossible to decide in a certain matter or can result in the impossibility to ensure the executing of a certain administrative activity.

In reality, the conflicts of competencies have not so far arisen in the sphere of intellectual property rights enforcement. It should be taken into account that the individual authorities granted to the individual bodies of public power and administration in this sector are independent of each other in the process of their execution and support each other in order to ensure the most effective protection of intellectual property rights. In relation to this, there is a considerable difference between the courts on one hand and the administrative bodies on the other. The decisions in matters of rights and entitlements resulting from industrial and other intellectual property is within the competency of courts and the execution of powers of the administrative bodies must not interfere with this exclusive competency. The resolving of the competency conflicts in this field is based on the relations of judiciary authority and administration including the supervision of public administration by judiciary authority, which prevents the occurring of competencies conflicts in the stricter sense. As concerns the relations of the individual administrative authorities, such possible conflicts would be decided by the Supreme Administrative Court in compliance with the provisions of sections 97 and following of Act No. 150/2002 Coll, Code of Administrative Justice.

### **3.2.4 Acts**

#### **3.2.4.1 Concept of act**

The execution of the powers of public administrative authorities in the competencies of which is the enforcement of intellectual property rights, is realized primarily through the issuing of administrative acts and court decisions.

The administrative act is a unilateral administrative act (decision), through which an administrative body resolves in a specific case the legal relations of nominally defined persons. The administrative act consists of a unilateral authoritative decision on rights and liabilities of unsubordinated subjects which is directly legally binding and relates to a specific matter as well as to specific subjects to which it is addressed. The administrative act presents a legal-power intervention into the sphere of rights and freedoms of its addressees, or even other persons, and must be based on law.

In the sphere of decision making activities of courts, the administrative act corresponds to the court decision, which can be in the civil court proceedings of the character of either a decision or a resolution, exceptionally even of a payment order. Also these are concrete acts deciding on concrete legal relations of concrete persons presenting authoritative intervention into the sphere of rights and freedoms of such persons, or possibly also of other persons. From the practical point of view, this concerns in terms of the activities of courts in the civil court proceedings only the decisions in the matter itself in relation to intellectual property rights, the ruling on preliminary measures and maybe also the securing of evidence in this field.

#### **3.2.4.2 Powers and competencies to issuing acts**

The authority to issue acts in the field of intellectual rights protection is usually defined by substantive law regulations of intellectual property protection. The only exception is made by civil court proceedings, where the power is granted directly by Civil Procedure Code, i.e. procedural law regulation.

The execution of judicial authority through the issuing of court decisions is realized in relation to intellectual property rights enforcement everywhere where the deciding of disputes resulting from the infringing of intellectual property rights is concerned. The relevant judicial powers results from the provision of section 7 paragraph 1 of Civil Procedure Code as well as from some provisions of legal regulations of intellectual property protection.

##### **3.2.4.2.1 Position of the Municipal Court in Prague**

In particular, the provision of section 6 of Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights, should be mentioned, which defines the jurisdiction of the Municipal Court in Prague in matters of intellectual property rights. According to this provision, the Municipal Court in Prague:

- decides as the court of first instance in the disputes on claims resulting from industrial property, claims resulting from the endangering and infringing of industrial property, claims for the surrender of unjustified enrichment acquired to the prejudice of a

beneficiary of the industrial property rights and entitlements according to part one of the Act;

- decides in the Czech Republic as the court of the first instance for Community trade marks under Article 92 of the Council Regulation (EC) No 40/1994 of 20 December 1993 on the Community Trade Mark;
- decides in the Czech Republic as the court of the first instance for (industrial) designs under the Council Regulation (EC) No 6/2002 of 12 December 2001 on Community (industrial) Designs;
- revises the administrative decisions of the Industrial Property Office under specific regulation, i.e. Act No. 150/2002, Code of Administrative Justice, as amended. In these proceedings, the Municipal Court in Prague shall act and decide before specialized senate consisting of a presiding judge and two judges.

The provision shall come into effect as of 1.1.2008.

The granting of exclusive competency to decide in the matters of intellectual property rights infringements to the Municipal Court in Prague can be considered as unfortunate from many reasons. One of the arguments against such concentration of jurisdiction is particularly the fact that most of the civil court proceedings relating to the infringements of intellectual property rights include both industrial law and other aspects, especially those related to unfair competition. In a number of cases the title of action consists in both the infringement of industrial property rights and the unfair competitive activities of the defendant. In these cases it will be doubtful whether the Municipal Court in Prague should decide in the matter as the court exclusively competent to decide on claims resulting from industrial property, of other regional courts as the courts competent to decide in matters of unfair competition. Similar doubts raises also the fact that the Municipal Court in Prague should be exclusively competent to decide in claims for the surrender of unjustified enrichment acquired to the detriment of a beneficiary of industrial property rights, it is however unclear whether this court is exclusively competent to decide in claims for damages or claims for reasonable compensation (even when this interpretation can be favoured by the mention that the Municipal Court in Prague decides in claims under part one of Act No. 221/2006 Coll., as defined in the provision of section 6 paragraph 1 letter a) of the act in fine); this can be challenged by asking why the lawmaker explicitly mentions in this provision “claims for the surrender of unjustified enrichment”, as also these claims rank under the claims under part one of the act). Furthermore, it should be taken into consideration that disputes on claims resulting from industrial property rights are very frequent and often very trivial, especially in relation to customs actions against the infringers of these rights, where the subject matters of these disputes usually are the decisions on whether intellectual property rights has been infringed as a result of the importing of e.g. very small amount of goods. It is really impractical and unnecessarily costly for the participants to be forced to come to the Municipal Court in Prague from places from all over the Czech Republic. Furthermore, it should be mentioned that a number of judges who in the course of recent years acquired knowledge of and experience with intellectual property rights enforcement and has specialized in this field stay at the level of regional courts, hitherto competent to decide in matters of industrial rights infringements. It would be a pity to lose such knowledge and experience due to the fact that the competency is in the Czech Republic concentrated at a single court. Finally, the fact should be taken into account that not all the disputes resulting from industrial property rights are complicated in respect of its legal or factual aspect to such extent that have to be decided before specialized senate. Usually, these are trivial cases, where it is more or less obvious at the first sight that the relevant rights have been infringed and the decision in the matter does not require specific

legal knowledge and experience; this applies especially to some disputes on trade marks. On the other hand, the deciding in patent disputes requires specialization, specific knowledge and experience and it would be therefore advantageous if one of the judges deciding in the matter had relevant technical background; this is however not ensured by the new legal regulation which it to become effective as of 1.1.2008.

#### **3.2.4.2.2 Powers of Industrial Property Office**

It is in particular the Industrial Property Office which is authorized to issue administrative acts in relation to intellectual property rights. These authorities however do not apply to the enforcement of intellectual property rights in the stricter sense, i.e. the enforcement of these rights in relation to the actual use of intangible assets in the market, but to the granting and withdrawal of industrial rights protection. The Industrial Property Office decides on the granting of protection:

- to inventions (by means of patents);
- industrial designs;
- utility models;
- topographies of semiconductor products;
- trade marks;
- appellations of origin and geographical designations.

In relation to these, the Industrial Property Office decides in the first place on the primary formation of the legal protection of these intangible assets by deciding on the registration of the relevant industrial rights in the register, and, through this, on the formation of the relevant industrial protection.

Unlike a number of foreign legal orders in which the exclusive or at least non-exclusive authorities in this field are granted to courts, the Industrial Property Office has under Czech legislation also the exclusive authority to decide on the elimination of already registered industrial rights by the cancellation, expungement or voidance of their record. These authorities can be included in the sphere of the enforcement of intellectual property rights in the broader sense, as the disputes on validity or cancellation of registered industrial rights goes hand in hand with such rights enforcement; these are mostly the first and natural reaction of the (alleged) infringer of the relevant industrial right to legal actions taken by the holder of the registered industrial right against such (alleged) infringer. When the industrial right which is subject to the enforcement is successfully eliminated from the relevant register, the holder of such right is usually unable to successfully exert his rights against this (alleged) infringer. However, also in this respect it is necessary to discern more precisely between the individual situations with regard of, among others, the different time effects of the respective sorts of industrial rights (*ex tunc* versus *ex nunc*).

Thus in respect of inventions patents the Industrial Property Office decides on the patent cancellation, or partial cancellation, under conditions set by the provision of section 23 paragraph 1 of Act No. 527/1990, as amended. The cancellation of a patent has retroactive effect from the day of its coming into force, which means that a patent cancelled is treated as if it has never been granted, which makes it impossible to satisfy the claims resulting from the infringement of such patent, even if the activity qualified as the infringement occurred before the time when the decision on the patent cancellation became final and conclusive. From these

facts it is also obvious that the motion for the cancellation of a patent can be submitted even after the patent expiry, provided that the submitter proves the legal interest in the matter. As concerns the cancellation of European patents, the European Patent Office decides in opposition proceedings against the granted European patent. The notice of opposition must be submitted within nine months from the publication of the mention of the grant of the European patent in the European Patent Bulletin. If the opposition proceedings against an European patent is not commenced within this period, it is not possible to commence the proceedings before the European Patent Office; this however does not mean that the European patent can not be revoked. On publication of the mention of the grant of the patent in the European Patent Bulletin, the European patent becomes a set of national patents for the defined countries of the contract and consequently shares legislation of the defined country including the regulation of the issues of a possible cancellation. This enables the Industrial Property Office to cancel also European patents effective within the territory of the Czech Republic. In our opinion, it is also possible for the Czech courts to cancel the European patents effective in the territory of the Czech Republic in proceeding resulting from the infringements of rights to European patent, as corresponds with the law of the other member countries of the European Patent Convention. Nevertheless, whether the Czech courts are thus authorized is to be clarified by the judicature in concrete cases.

In respect of utility models, the Industrial Property Office decides on the expungement of a utility model according to the provision of section 17 of Act No. 478/1992 Coll. On the expungement of a utility model from the register, the utility model is treated as if it has never been entered into the register. Similarly to patents, the expungement of a utility model can be only partial, when the reasons for the expungement concern only a part of the utility model. The expungement of a utility model can be made also after the utility model expiry, provided that the proposer demonstrates a legal interest.

Furthermore, the Industrial Property Office has the authority to decide on the expungement of a registered industrial design from the register (section 27 of Act No. 207/2000 Coll., as amended). The expungement of a registered industrial design from the register has the same effects as if such design has never been entered into the register. When the proposer proves legal interest, the expungement from the register can be made even after the expiry of the industrial design. This applies to national industrial designs. As for Community industrial designs, the Office for Harmonization in the Internal Market in Alicante decides on the cancellation under the Council Regulation (EC) No 6/2002, while the authority to decide on the validity of an industrial design registration pertains probably also to courts in civil proceedings (not only within the framework of the revisions of final and conclusive administrative decisions).

As concerns trade marks, the Industrial Property Office of the Czech Republic is authorized to decide on a trade mark cancellation as well as on the deeming of a trade mark to be void. Both authorities are exercised by the Industrial Property Office in relation to Czech national trade marks as well as to Czech works of international trade marks. While the effects of a trade mark cancellation start on the coming into force of the relevant decision of the Office, the voidance of a trade mark is effective *ex tunc*, which means that a void trademark is treated as if it has never been registered. A trade mark can be deemed as void even after it has been surrendered by its owner or after its protection ceased by the expiring of its validity period (compare the provisions of sections 31 and 32 of Act No. 441/2003, as amended). The effects of the cancellation of voidance of a trade mark however do not apply to:

- decisions in matters of the infringements of trade mark rights which came into force and were exercised prior to the becoming final and conclusive of a decision on the cancellation or voidance of the trademark;
- contracts concluded prior to the becoming final and conclusive of a decision on the cancellation or voidance of the trademark to the extent of performance realized on the basis of such contracts before the becoming final and conclusive of this decision, while the surrender of the performance realized on the basis of the contract can be claimed.

This however does not prejudice the responsibility of the trade mark owner for damage or unjustified enrichment.

As for Community trade marks, the Office for Harmonization in the Internal Market in Alicante decides on the cancellation under the Council Regulation (EC) No 40/94, while the courts of the member countries are authorized to revise the validity of Community trademark registrations in incidental proceedings within the framework of disputes resulting from the infringements of Community trade mark rights.

The Industrial Property Office further has the authority to cancel the registration of appellation of origin; this decision can be effective either *ex nunc* or *ex tunc*, depending on the reasons why the appellation has been cancelled (section 11 of Act No. 452/2001 Coll., as amended); the same applies to geographical designations. Furthermore, significant authority in relation to protected appellations of origin and geographical designation belongs to the EU Commission: by the refusal of the Commission to register an appellation of origin or a geographical designation into the register of protected appellations of origin or protected geographical origins, also the registration into the register administrated by the Industrial Property Office ceases *eo ipso* to have effect.

On the other hand, the Industrial Property Office has no authorities to issue administrative acts as concerns the enforcement itself of the intellectual property rights in the actual use of intangible assets in the market. In relation to this, the institute of determination proceeding in matters of invention patents and utility models should be mentioned. In this respect, the Industrial Property Office is empowered through the decision issued on the application of a person that demonstrates legal interest to determine whether the subject described in the application falls under the scope of protection by a certain invention patent, or possibly utility model (section 67 of Act No. 527/1990 as amended). This decision concerns only the issue whether the subject of determination as described in the application falls into the scope of protection by a certain patent; this in itself makes a significant indicia whether or not the patent can be infringed by a certain activity.

However, the decision of the Industrial Property Office that a certain subject described in the application falls within the scope of protection by a certain patent does not automatically mean that the patent has really been infringed (for instance, with a view to the issues of the limitations of the patent effect, factual and evidence aspects, the issues of the previous owner's rights and similar). Further, the possibility that a court can decide in the matter of the infringement of a right to a patent in civil proceeding is not conditioned by the decision of the Industrial Property Office, nor has such decision precede the decision of a court on the imposing of preliminary measures in relation to a patent infringement. The issuing of such decision of the Office in the determination proceedings nevertheless represents significant indicia in respect of whether the patent has been infringed, and the issuing of such decision –

even not a final and conclusive one – can create a basis for the court decision on the imposing of a preliminary measure for the protection against a patent violation.

#### **3.2.4.2.3 Powers of customs offices**

The issuing of administrative acts in relation to intellectual property rights enforcement is also in the competency of customs office in their procedures under the provision of section 23c of Act No. 634/1992 Coll., Consumer Protection Act, as amended by Act No. 229/2006 Coll. and subsequent regulations. Under the provision of section 23c of this Act, the director of a customs office decides on the objections of an inspected person against the imposed measure of the detention of goods or products infringing the intellectual property rights. The director of a customs office is further authorized to issue decisions on fines and forfeiture or seizure of goods or products infringing the intellectual property rights (section 23c paragraph 5 of Act No. 634/1992 Coll., as amended). The customs office is also authorized to decide on the obligation to pay for the costs incurred in relation to the storing of detained products and the destruction or seizure of the forfeited goods or products.

Further authorities to the issuing of administrative acts are granted to the customs office by Act No. 191/1999 Coll., on measures concerning entry, export and re-export of goods infringing certain intellectual property rights, as amended. Among such authorities are in particular the deciding of the Customs Office in Hradec Králové on approving or rejecting applications for customs actions according to the provision of section 4 paragraph 1 of this Act, the deciding of customs offices on the detention of goods through the production or modification of which intellectual property rights have been infringed, deciding in the conduct of customs supervision (section 9 paragraph 2 of the Act), the deciding of the customs offices on the destruction of goods through the production or modification of which the rights of an intellectual property right holder has been infringed (section 14 of the Act), the deciding of the Customs Directorate which finally and conclusively forfeited or detained fake products are suitable for humanitarian purposes (section 14 paragraph 6 of the Act) as well as the deciding on administrative delicts and minor offences under this Act including the deciding on the imposing of the sanctions of the goods forfeiture and detention (sections 27 and 28 of the Act). The appeal against such decisions has no suspensive effect, with the exception of appeals against decisions on administrative delicts and minor offences. Proceedings before customs authorities are governed by the Code of Administrative Procedure, in the absence of a provision of Act No. 191/1999 Coll., as amended, to the contrary.

#### **3.2.4.2.4 Powers of Czech Commercial Inspection and Czech Agricultural and Food Inspection**

Also the Czech Commercial Inspection (COI) and the Czech Agricultural and Food Inspection are empowered to issue administrative acts in relation the enforcement of intellectual property rights.

Above all, the Czech Commercial Inspection is authorized to decide through the Inspectorate Director about objections against imposed measures on the detention of goods or products infringing some of intellectual property rights (section 7b paragraph 3 of Act No. 64/1986 Coll., as amended). Next, the decisions of the Inspectorate Director should be mentioned on the imposing of a fine and on the forfeiture or seizure of goods or products infringing such

rights (section 7b paragraph 5 of the same act), as well as the decisions on the imposing of fines according to Act No. 634/1992 Coll., as amended (section 23 paragraph 1 of this act).

The State Agricultural and Food Inspection has similar authorities in relation to agricultural, food and tobacco products. Also the State Agricultural and Food Inspection decides through the Directorate Inspector on the objections against measures imposed in accordance with Act No. 146/2002 Coll., i.a. within inspections whether certain goods infringe some of intellectual property rights (section 5 paragraph 4 of Act No. 136/2002 Coll., as amended), as well as on the destruction of products, foodstuffs or tobacco products detained in such inspection (section 6 paragraph 3 of the same act) and on the imposing of sanctions for the violation of legal obligations ascertained in the course of the inspection.

All the above mentioned actions forming, amending, abolishing or defining rights or liabilities are subject to revision in administrative justice in actions against the decisions of administrative authorities (sections 65 and following of Act No. 150/2002 Coll., Code of Administrative Justice).

### **3.2.5 Activities**

#### **3.2.5.1 Concept**

Besides administrative acts, the activities of public administration authorities relates to a vast range of other factual (non-formal) administrative activities through which the administrative bodies fulfil their duties imposed by law. It is also through such activities that state authority is executed; if this is the case, the principle defined in Article 2 paragraph 2 of the Charter of Fundamental Rights and Freedoms that the state authority can be exercised only in specific cases and in the extent and manner set by law applies also for these activities of administrative bodies.

The actual administrative activities carried out by administrative bodies can be divided into activities which in the concrete cases intervene in the administrative relations of individuals or legal entities, i.e. where the bodies are authorized to intervene in the persons' rights, on one hand, and, on the other hand, into activities or acts which do not directly intervene with any person's right.

#### *Factual instructions and enforcing acts*

The first category consists of factual instructions and enforcing acts. These acts are of non-formal character, are nevertheless at the same time legally binding for persons against which they are directed; these acts consist especially in the imposing of a obligation to act in a certain way, refrain from acting in a certain way or suffering of certain acts. These acts can not be in principle contested within administrative proceedings, it is however possible to oppose them by formal legal remedies, such as objections, as well to claim protection against them at administrative court within the framework of the protection against unlawful interference, direction or enforcement of an administrative authority (sections 82 and following of Act No. 150/2002 Coll., Administrative Justice Code). The legitimacy of such interventions can be assessed also by general court in civil court proceedings in relation to claims for damages incurred in the course of public authority execution by incorrect administration procedure in compliance with Act No. 82/1998 Coll., on Responsibility for



Damage Caused in the course of Executing Public Administration by a Decision or Incorrect Administration Procedure, as amended. These acts include in particular factual instructions, immediate actions, executory and detentive actions.

Factual instructions are administrative actions of persons of authority consisting in the announcing of a prohibition or an order to act in a certain way which the addressee is obliged to respect. These acts however do not result from any formal proceedings, nor are decisions concerning them issued. Factual instructions are bestowed in the course of the actual activity of respective administrative bodies directly “in the field”, for instance in relation to the inspections of goods suspected of the infringing of intellectual property rights; in fact, these instructions need not be made in any specific form (i.e. in written), in certain cases the law nevertheless specifies certain remedies in order to protect the addressees of such factual instructions (for instance, objections against the measures of Czech Commercial Inspection).

#### *Immediate actions*

Immediate actions are administrative activities directed at the averting of imminent danger for interests protected by law. Through these actions, the authorities of public administration intervene physically in the legal relations of persons or even third persons that caused such danger, restricting their rights. The immediate action is conditioned by the existence of special legal authorization, an interest protected by law must be immediately endangered or damaged and the danger must be impossible to be averted by another means. Immediate actions are of secondary nature, which means they can be applied only on condition that it is impossible to defend the endangered interest protected by law in any other way, while the person in authority is obliged to act reasonably in the carrying out of the immediate action. The addressee of such immediate action is then obliged to suffer such action, even if the addressee considered the action unlawful (unless in case of an obvious excess).

#### *Executory actions*

Another category of activities intervening into the administrative relations of individuals and legal entities are executory actions, by which the person liable person is forced to fulfil a previously imposed obligation, usually resulting from an administrative act (decision). These executory actions can in certain cases be of coercive nature, especially where the subject of enforcing is a non-monetary performance, such as the returning of a seized thing. In the carrying out of an execution, the administrative body acts in compliance with the provision of sections 103 and following of Act No. 500/2004 Coll., Administrative Procedure Code, in the absence of a provision to the contrary.

#### *Detentive actions*

Detentive actions are administrative actions which provide for the course or purpose of a formal administrative procedure, typically either within the framework of administrative proceedings or in the procedures within the executing of administrative supervision. These actions as a rule do not consist in direct enforcement and the persons against that are directed are obliged to suffer them. An instance of a detentive action can be the detention of goods suspected of the infringing of intellectual property rights.

### *Actions not interfering with rights*

Besides above stated acts interfering with the rights of subjects subjected to respective administrative bodies, there are number of other acts, through which the public administration authorities carry out their tasks. These acts, or activities, can be either statutory or activities not explicitly regulated by law, but allowed. It is however necessary that these are activities directly connected with the carrying out of tasks imposed on the relevant administrative body by law. Activities like this are the administration of various registers, for instance, in relation to intellectual property rights, the registers administrated by the Industrial Property Office, the issuing of certificates, attestations, expertises, opinions and references, the providing of information and other informatory activities (such as activities in relation to keeping records, making documentation or preparing statistics), activities related to registration and programming (the preparation of conceptions, plans, prognoses, programs), administrative duties (these are in particular special activities through which the public administration takes part in physical processes within society, such as the providing of public services, organizational, technical and service activities, for instance in relation to the creating of the individual administrative authorities' websites, or providing access to industrial rights databases), as well as recommendations and summons and public law agreements.

Also these activities, which do not directly interfere with any person's rights, are significant, as the respective public administration body is usually obliged to perform such activity and the omission to act would constitute an incorrect administration procedure. Also in this area the administrative bodies are under regulation of especially administrative justice, which includes among others the protection against inactivity of administrative authorities (sections 79 and following of Act No. 150/2002 Coll., Code of Administrative Justice).

### *Entering into public law contracts*

One of the activities of public administration authorities is also the concluding of public law contracts. Considered as public law contracts are bilateral or multilateral administrative acts forming, amending or abolishing administrative law relations, where one of the contractual parties is a public administration subject.

#### **3.2.5.2 Activities of Industrial Property Office**

Most of such other activities, either factual instructions or enforcing acts or other acts are in relation to the protection of intellectual property within competencies of the Industrial Property Office. However, these activities are usually connected not directly with the enforcement of the rights, but more with the granting of such rights, their registration and other activities which can be included under the term of keeping the record of such rights. Some of the tasks in this area result for the Industrial Property Office from explicit legal provisions, others are implicitly presumed by the legal regulation or completely omitted.

Under Act No. 14/1993 Coll., on Measures of Industrial Property Protection, as amended, the Office is liable to administrate the central fund of world patent literature.

Furthermore, the Office keeps the patent register, the register of European patents valid in the territory of the Czech Republic, the register of utility models, the register of industrial designs, the register of appellations of origin and geographical designations, the register of trade marks and the register of topographies of semiconductor products. These registers are public and contain a whole range of data of the individual registered kinds of rights, including especially the entry number and the entry date of the record of the industrial right, the date of the application, the name of the industrial right or its image, information on the applicant and owner or his representative as well as information on transfers, licences and possibly on other rights (such as chattel mortgages), the right's expiry or similar.

The Office issues the Official Journal, in which especially information is published concerning the applications to register inventions, granted patents, recorded topographies of semiconductor products, utility models, industrial designs, appellations of origin and geographical designs as well the applications to register a trade mark and trade mark already registered. The data published in both the register and the Official Journal are crucial for the enforcement of intellectual property rights, as they enable all interested persons, including potential infringers, to learn about the state and contents of industrial rights enjoying protection in the Czech Republic, which is one of the prerequisites for the observance of such rights and their enforcement when they have been infringed.

Both the register and the Official Journal have are indispensable also for the applicants and holders of industrial rights, making it possible for them to ascertain which rights they hold and which rights are held by their competitors and other persons, so that they can act accordingly especially within the economic competition and the creation of intangible assets related to industrial property, the registration of such assets and the enforcing of their rights.

Also important from the intellectual rights enforcement point of view are other activities of Industrial Property Office, through which the Office informs the public both abstractly and concretely on the protection by industrial law in the Czech Republic. The Industrial Property Office also ensures the performing of obligations from international treaties related to industrial property binding for the Czech Republic and cooperates with other state administration authorities as well as with international organizations and national offices of foreign countries in the protection and enforcement of industrial rights. The Industrial Property Office however has no particular authorizations to factual and enforcing acts in relation to the enforcement of intellectual property rights in the stricter sense of the term.

### **3.2.5.3 Activities of COI, Czech Agricultural and Food Inspection and customs offices**

In contrast, a number of factual and enforcing acts in relation to intellectual property enforcement are presumed by Act No. 634/1992 Coll., on Consumer Protection, as amended, Act No. 191/1999 Coll., on Measures Relating to Import, Export and Re-Export of Goods Violating some Intellectual Property Rights and on Amendments to Certain Other Acts, as amended, as well as by Act No. 64/1986 Coll., on Czech Commercial Inspection, as amended, and Act No. 146/2002 Coll., on State Agricultural and Food Inspection, as amended.

These are in particular factual instructions, which the Czech Commercial Inspection and State Agricultural and Food Inspection are authorized to issue within the framework of the supervision over the observance of obligations set by the Consumer Protection Act, including

especially the obligations imposed under the provision of section 8 and 8a of this Act. When life, health or property is directly threatened, these authorities are empowered to suspend the selling of a product, the providing of services or close the business premises; if the pressing nature of the situation requires so, this decision can be announced orally and delivered in written without undue delay.

The inspectors of Czech Commercial Inspection and State Agricultural and Food Inspection are further authorized within the supervision in the market under the Consumer Protection Act to carry out detentive actions. On learning that goods or products violating some of the intellectual property rights are offered to sell or sold or stored with the purpose to offer to sell or sell them, and on establishing that these are goods or products subject to customs supervision, the inspectors are authorized to detain such goods and submit them to the relevant customs authority in order to carry out customs operation and further proceedings.

Significant authorities pertain also to customs offices. Customs officers are authorized among others to check that the customer is not deceived by offering to sell, selling or storing with the purpose to offer to sell or to sell goods or products infringing some of the intellectual property rights. On proving that such goods have been offered to sell, sold, stored, distributed, imported or exported to the domestic market or that other similar activities were pursued within the domestic market, custom officers are authorized to impose the detention of such goods or products. The customs office is authorized to store such detained goods or products out of reach of the inspected person. The inspected person is obliged to deliver the detained goods or product over to the customs officer; if the person refuses to do so, these goods or products shall be forfeited. On proving that the goods or products do not infringe intellectual property rights, the customs office director cancels in written the measure of detention, which is done in the form of a decision. In such case, the products or goods shall be returned to the inspected person goods intact and without undue delay, except for the products or goods used in the assessment. The customs authorities further carry out the official destruction of the detained or forfeited goods or products if the customs office director decides finally and conclusively on their destruction.

The customs offices further detain goods by the production or modification of which the intellectual property rights were infringed while carrying out customs supervision under Act No. 191/1999 Coll. On such detention of goods, a decision is issued by the customs office. The person to whom the decision on goods detention has been delivered is obliged to surrender such good; when the goods is not delivered to the customs office following the summons, such goods can be taken away from the person who keeps the goods. The customs office further provides for the destroying of the goods, if such destroying has been decided on by customs office (section 14 of Act No. 191/1999 Coll.).

Also the inspector of Czech Commercial Inspection is authorized to impose the detention on the goods or products infringing intellectual property rights (section 7b paragraph 1 of Act No. 64/1986 Coll.); the Czech Commercial Inspection is authorized to store the detained products out of reach of the checked person and the checked person is obliged to surrender the detained goods or products to the inspector. If the person refuses to do so, the goods or products can be forfeited. The checked person can submit objections in written within three days from the date when the person was informed of the measure, such objections however have no suspensive effects.

Authorities similar to these pertain also to the inspectors of Czech Agricultural and Food Inspection. The inspectors of the Inspection are authorized to detain products, food or tobacco products which fail to comply with the requirements set especially by Act No. 634/1992, on Consumer Protection, in particular with the provision of section 8 of this Act, i.e. goods infringing some of the intellectual property rights. The checked person is obliged to surrender the detained products, food or tobacco products to the inspector; if the person refuses to do so, the inspector forfeits the products. The inspector is then authorized to store the detained products, food or tobacco products in a manner which makes it impossible to dispose of them in any way till the final and conclusive decision of the inspectorate on their forfeiture or seizure has been issued, or until it has been proved that these are not products, food or tobacco products infringing some of intellectual property rights. These measures can be cancelled by a decision of an Inspection inspectorate. The inspectors of the State Agricultural and Food Inspection are further authorized to prohibit the production or putting into circulation of products, food, raw materials or tobacco products which fail to comply with the requirements set (among others) by Act No. 634/1992 Coll., on Consumer Protection, as well as goods infringing some of intellectual property rights (section 5 paragraph 1 letter a) of Act No. 146/2002 Coll., as amended).

#### **3.2.5.4 Activities of the Police of the Czech Republic**

A number of tasks in relation to factual instructions and enforcing actions are carried out also by the Police of the Czech Republic under Act No. 283/1991 Coll., on the Police of the Czech Republic, and Act No. 141/1961 Coll., Criminal Code, as amended. These tasks and respective authorities relate and can be applied also to the enforcement of intellectual property rights, though there are some doubts as to whether the Police are authorized to investigate minor offences resulting from the infringements of intellectual property rights (see part 2.7.2 above).

The analysis of acts and other administrative duties of individual public administration authorities in the enforcement of intellectual property rights including their interaction and collaboration within the activities will be dealt with in the second part of this Methodology.

### **3.3 Experience with the practical functioning of the system**

As already stated above under point 3.2.2., when analysing the rights to intellectual property subjects, the process of intellectual property rights enforcement in the broader sense of the term includes three levels – the level of forming of the rights, the level of the rights elimination and the level of the rights enforcement in the stricter sense. The level of the forming of the rights includes processes and acts by which the rights to intangible assets are formed; only after the forming of these private rights it is possible to ensure the protection of intangible assets. Although this level is not the level where the enforcement of those already formed rights as such is realized, it is however a prerequisite of the intellectual property rights enforcement. As concerns industrial rights, the condition for the forming of these rights is their registration. The experience of economic players who create intangible assets in the course of their business and who are interested in the successful protection of such assets relates to the process itself of the registration of these rights for protection, which, when successful, leads to these rights registration.

This level is followed with the level of the elimination of individual private rights in the stage of their registration. It is often the case that already in the process of industrial rights registration the right which is being registered collides with an older intellectual property right, either of the same or of a different kind, which can inhibit the registration. At the registration stage, it is not automatically ascertained that the registered intellectual property rights can not collide with each other, and that all conditions of the effective registration of the particular rights in the registry were actually met. Conflicts arising from this fact then present a specific area of disputes related to intellectual property rights, where of some of the rights are eliminated already in the stage of their registration by means of the rejecting of the application, or by means of the voidance or nullification of an already granted right. These disputes are closely related to the intellectual property rights enforcement within the utilizing of the relevant intangible assets in the market, for they can lead to the removal of rights which were enjoyed legal protection only presumably and actually failed to meet the conditions of legal protection. When such rights are eliminated, there is no need for their enforcement; the activities related to the elimination of rights on the registration level are thus of key importance for the effectiveness of the measures of state administration authorities for the intellectual property rights enforcement as such, as they should guarantee that within the process of the rights enforcement, the law, the authorities granted to the individual public administration bodies and the budget administered by them are not abused. These proceedings can result in the finding that the respective right which is being enforced is actually not eligible for legal protection, as it fails to meet the legal requirements for the registration.

Jako třetí rovina se pak klade rovina vlastního prosazování práv v rámci užívání jednotlivých nemotných statků chráněných těmito právy na trhu a zajištění, aby nedocházelo v rámci jejich užívání k zásahům do těchto práv.

The third level then consists of the actual enforcing of rights within the framework of the utilizing of intangible assets protected by these rights in the market and of the ensuring that are not intervened through such use.

### **3.3.1 Rights formation level (process of registration)**

Within the system of law of the Czech Republic, the decisive role in this area is played by the Industrial Property Office, at least in relation to industrial rights. Copyright and rights related to copyright are not under Czech legislation subject to registration, which means that the rights formation level is not a separate issue in relation to these rights. Nevertheless, even in this field there are some activities carried out especially by the Ministry of Culture of the Czech Republic in the area of the providing of information on copyright protection to the public and the enhancing of legal awareness of the public.

The Industrial Property Office of the Czech Republic is however not the only authority in the area of industrial rights through which the rights effective in the Czech Republic are formed. Also international and multinational institutions providing for the industrial rights registration, in particular the World Intellectual Property Organization Office in Geneva, the European Patent Office in Munich and the Office of Harmonization for the Internal Market in Alicante, take an important part in the formation of rights effective in the Czech Republic.

As concerns the level of industrial rights formation, there are presently no issues which would be a subject of serious and long time criticism by both Czech and foreign applicants or holders of these rights. The Industrial Property Office guarantees equal treatment to both Czech and foreign applicants for the registration of all kinds of industrial rights, regardless whether they are individuals or legal entities, entrepreneurs or not entrepreneurs, small businesses or global companies. Foreign industrial rights registration applicants including foreign applicants from EU member countries are usually represented in the proceedings before the Industrial Property Office by Czech lawyers or patent attorneys, which further increases the effectiveness of the communication between the applicant and the Office and is considered advantageous both from the point of view of the applicants or holders and for the smooth operation of the Office.

The fees collected by the Industrial Property Office under Act No. 634/2004 Coll., on Administration Fees, as amended, in connection with the registration applications and registration of industrial rights enable all the applicants register industrial rights for protection in a scope corresponding with their economic interests. That these fees do not have any prohibitory or inhibitory effect, as is could be seen also from the statistics of the Industrial Property Office, which document that the number of applications for the registration of industrial rights increases year by year.

In this respect, it should be noted that due to registration places integration on both international and national levels, the registration process shifts more and more from the national offices towards the multinational and international level. As a result of the accession of the Czech Republic to the European Patent Convention, there was a steep decrease in the numbers of patent applications submitted in the Czech Republic through the national channels, i.e. by means of national patent registration applications submitted at the Industrial Property Office, or by the commencing of national stages of international applications on the bases of the Patent Cooperation Treaty. To the contrary, the number of rights effective in the Czech Republic is increasing due to the increase in the nationalizations of European patents effective in the Czech Republic.

Similar, only not so pronounced trend can be observed also in relation to trade marks, where many applicants, mostly foreign, make increasingly greater use of the possibility to submit a

single application for a trade mark registration effective in the whole European Union territory, preferring this over the submitting of the application for trade mark registration by national channel at the Industrial Property Office of the Czech Republic. Similar development can be expected also for industrial designs. These tendencies lead to the continual increase of industrial rights which can potentially be a subject to enforcement in the Czech Republic. As a result, there is also increase in conflicts of rights, which is then reflected in the course of their enforcement.

Also, it should be noted that the coexistence of the system of industrial rights protection on the national and multinational or international levels is strongly justified by the needs of the individual categories of applicants, or holders of these rights. There still is a significant number of applicants interested in having the relevant industrial right registered only in the territory of the Czech Republic or of a small number of other foreign countries. For these applicants, it is easier from financial, logistic, organization and other reasons to submit the application at the Industrial Property Office of the Czech Republic. At the same time, the significance of the Industrial Property Office increases in relation to providing information to the public on industrial rights effective in the Czech Republic about whose protection was often not decided by the Industrial Property Office but by one of multinational or international institutions which are often unknown to Czech entrepreneurs. It is all the more important that the Industrial Property Office carries out informational and educational activities related to these areas, and that the Czech public has access to the information on all industrial rights valid in the Czech Republic in the Czech language. Certain endeavours which can be seen especially in relation to the protection of European patents that the obligation of the nationalization (validation) of these patents in the individual member countries of the European Patent Convention is abolished can not be supposed to contribute to the transparency of intellectual property rights protection and enforcement; such abolishing would in reality lead to the fact that the Czech public lacks information on what patents are valid in the Czech Republic as well as access to information on granted patents in the Czech language. This again would undoubtedly lead to the diminishing of legal certainty not only of such rights holders, but also of all entrepreneurs taking part in economic competition in the Czech Republic, who could unwittingly become the infringers of such rights.

Some doubts could arise from a certain hypertrophy of industrial rights valid and effective in the Czech Republic. This hypertrophy however does not occur only on the Czech national level, it is a reflection of worldwide trend towards the increasing use of industrial property rights as the instruments of economic competition and their more frequent registration for protection. According to the experience of the authors of this Methodology, based on long term observation of particularly foreign applicants for registration and industrial rights holders, the increase in the number of registered and granted industrial rights effective in the Czech Republic did not hitherto have serious impact on the quality of the granted rights in respect of their eligibility for protection. The majority of registered and granted rights still meet the legal requirements of protection; the increasing number of the granted rights thus should not be considered as an expression of the abuse of the system by the applicants, as it rather gives evidence of the increasing economic activity and of the fact that the individual economic contestants attach progressively greater importance to the industrial rights protection both in the national and international scope.

Nevertheless, it should be noted that the number of granted industrial rights especially in the area of patents and trade marks increased unprecedentedly, and that these industrial rights include a great number of rights which are predestinated for elimination from the relevant



registry, either because they collide with older industrial rights or because they fail to meet the legal requirements for protection. This situation can be especially pressing in relation to utility models, which are not subject to a thorough research in the registration proceedings, which means that it is not ascertained during their registration that they do not collide especially with an older industrial right of a third person and that they meet especially the requirement of the novelty of the technical solution which they protect. As for trade marks, also in this area it is necessary in connection with the rights enforcement to take into account that the number of trade marks valid in the Czech Republic amounts to hundred of thousands and that the number of conflicts between them is ever-rising. Also cases when nondistinctive designations or designations which fail to meet the absolute conditions of registration eligibility are registered as trade marks are not infrequent. It is necessary that the authority acting in the enforcement is able to judge throughout the whole process whether the particular right a priori meets the legal requirements for protection and that in case of reasonable doubts such authority awaits till the final and conclusive decision of the Industrial Property Office in the nullification, voidance of expungement proceedings, or that it possibly initiates such proceedings.

### **3.3.2 Rights elimination level**

The above reasoning then shifts our attention from the level of the rights formation (registration proceedings) to the level of rights elimination within the registration stage, i.e. the process of nullification, infringement and expungement of industrial rights.

This level as such is again not applicable in relation copyright and rights related to copyright; however, even in that area there is a certain analogy. Also in relation to intangible assets protected, or capable of protection by copyright, a question often arise whether the particular work or other intangible asset is eligible for copyright protection at all, for instance whether a certain intellectual content designated as a work meets the requirement of a work under Copyright Act. If it is not the case, the enforcement of rights to such assumed intangible asset which in fact fails to meet the legal requirements for the protection is out of question. Only courts are authorized to decide on these issues in relation to rights protected by the Copyright Act, while the courts treat these issues either as preliminary matters when dealing with claims resulting from the infringements of such rights, through which the claimant demands performance (section 80 letter c) of the Civil Procedure Code), or these issues can create a separate matter of civil court proceeding as a part of proceedings towards determination whether it is a legal relation or a right or not (section 80 letter c) of the Civil Procedure Code), but only on condition that there is no pressing legal interest in the determination. In the area of copyright and rights related to copyright, the courts, when ascertaining whether a certain claimed rights actually exists, i.e. whether a certain intangible asset is actually eligible for the protection by the respective legal institute of intellectual property protection therefore play role similar to that of the Industrial Property Office or other bodies authorized in the area of industrial rights.

Practical experience of Czech and foreign applicants and holders of industrial rights with the activities of the Industrial Property Office on the level of these rights elimination can be also seen as predominantly positive. The functioning of the Office in this area is also of rather high standard and follows the trends of the respective international institutions and their decision-making routines; this applies especially to the area of decisions on the invalidity of patents,

where the Industrial Property Office follows the decision-making procedures of the European Patent Office.

Unstable to a certain extent remains the situation in the area of trade marks, where the Industrial Property Office is bound by the judicature of the European Court of Justice on the interpretation of Directive No. 89/104/EEC, to Approximate the Laws of the Member States Relating to Trade Marks. The judicature relates to a great extent also to the issues which the Industrial Property Office deals with within the proceedings on the elimination of trade rights on the level of registration, i.e. especially in the proceedings on objections against the registration application of a trade mark and in the proceedings on a trade mark nullification. These are for instance the criteria for the assessing of the existence of a possibility of the confusion between the trade marks or designations and deciding on a trade mark cancellation on the grounds of its non use.

The European Court of Justice prepared a detailed and extensive judicature with which the Industrial Property Office officials only became gradually familiar, so that a case occurs time to time where the decisions of the Office are in direct contradiction with this judicature.

In these cases, the final and conclusive decision of the Industrial Property Office is usually abolished by the relevant administrative court. Such abolishing however occurs usually a year or more after the challenged decision of the Office became final and conclusive, which can have a negative impact on the legal certainty of all participants. As the reviewing of the final and conclusive administration decisions as such is carried out on two instance level, even if the remedy against the first instance decision of the Municipal Court in Prague is of the nature of extraordinary relief, in reality it results in the fact that the total period of the proceedings on for instance objections against registration application of a trade mark or on the nullification of a trade mark is often unjustifiably long for all participants (for instance, 5 and more years)

There is not simple remedy for this situation. It should be noted that the Industrial Property Office in the recent years improved significantly the effectiveness and speed of all its proceedings, including disputes. On the other hand, the proceedings before administrative courts as a rule take at least one year, or often even more, at one instance. The relatively longer time of these proceedings is however balanced by comparatively high quality of all administrative courts judgements. The most reliable way to increase the legal certainty of all participants as well as the effectiveness and speed of the proceedings in these matters appears to be the enhancing of the legal awareness of the Office, but also of the proceedings participants, on the effective legislation including the content of binding judicature of the European Court of Justice in relation to trade marks.

The length of the proceedings before the Industrial Property Office in relation to industrial rights elimination can have a negative impact on the length and effectiveness of the proceedings in the actual enforcement of these rights. The commencement of the proceedings before the Industrial Property Office on the nullification, cancellation or expungement of an industrial right which is a subject of enforcement in the proceedings before the court or other authority often results in the suspension of the proceedings related to the right enforcement, when the authority awaits the final and conclusive decision of the Industrial Property Office on the elimination of the rights.

This procedure should not occur automatically, but should be applied only in justified cases, where there a priori is at least a reasonable probability that the Industrial Property Office the

challenged right really expunges (nullifies, cancels) from the registry. In such cases, it is really suitable for the authority conducting proceedings on the right infringement to discontinue the proceedings and await the final and conclusive decision of the Industrial Property Office, for if the right in question is nullified *ex tunc*, or expunged, or cancelled, even only *ex nunc*, it can result in the rejection of the relevant claim, or the rejection of the motion or the cessation of the proceedings on the enforcement of the allegedly infringed right.

The relevant court of administrative authority itself can assess whether the allegedly infringed right meets the legal requirements for protection. As concerns courts, the conclusion results from the provision of section 135 paragraph 2 of Civil Procedure Code, which authorizes the court to evaluate issues the decision on which is in the competency of another authority, only with the exception with the evaluations whether a crime, minor offence or administrative delict punishable under specific regulation has been committed, including questions on who committed such offence and the decision on his personal state. Other questions can be evaluated by the court itself in civil court proceedings as preliminary questions. In relation to administration proceedings, the measures are similar and are regulated by the provision of section 57 paragraph 1 letter c) of Act No. 500/2004 Coll., Administrative Procedure Code.

On the other hand, it should be taken into account that a number of industrial rights infringers use the opportunity of the commencement of the proceedings towards the infringed rights before the Industrial Property Office with the aim to avoid punishment for their illegal conduct, or to postpone such punishment. They do not hesitate to submit motions to nullification, cancellation or expungement of industrial rights, which are obviously not justified and can have almost no hope of success. The interruption of the proceedings on the enforcement of infringed right should in such cases have negative impact on the right owner and could eventually frustrate the effective enforcement of the right. This applies especially to time limited rights, such as patents, where the interruption of the proceedings when there are some 2 or 3 years left till the patent protection expiry can in effect result in the fact that it is impossible for the right owner to enforce his right at all, and all he can do is to claim monetary damages for the unauthorized use of the patent prior to its expiry.

The effective satisfaction of such monetary claims is however often rather complicated because of the financial situation and state of property of the infringers, their legal existence and so on. Especially as concerns small infringers it can be anticipated that before the issuing of final and conclusive decision imposing for example to pay damages the infringer can cease his existence as a legal person, can go bankrupt, can transfer his property or similar, so that the owner of the infringed right will be unable to exact his monetary claims. From these reasons, the satisfaction of non-monetary claims should be preferred, especially the claims that the infringer refrains from the unlawful activities and removes the faulty state. The effective protection through the satisfaction of such claims can be however achieved only on condition that the relevant measures are taken in time. From the same reasons it is not advisable to automatically discontinue the proceedings on intellectual property rights enforcement when the enforced right is challenged by a motion for its nullification, cancellation or expungement submitted at the Industrial Property Office.

These issues are the more complex in the area of intellectual property rights enforcement, and the effective and just approach of the respective authorities requires sound knowledge of these authorities of the substantive law regulation of the individual kinds of industrial rights. Also from this reason an extensive introductory part of this Methodology dealt just with such regulation.

This area is further complicated by the fact that in number of cases, it will not be the Industrial Property Office which would primarily decide on the elimination of the enforced rights, but the relevant multinational authority, which decided on the registration of the rights. This is the case especially with Community trade marks and Community industrial designs. As concerns European patent, it should not be omitted that the capacity to ascertain whether the granted European patent meets the patentability requirements pertains after the granting of the patent to the national authorities of the European Patent Convention member countries as well as to their courts, which would decide on the European patents infringement. Also Czech courts should be prepared that they will deal with the issue of European patents validity within the proceedings of these patent infringements as a preliminary issue. Further reasoning related to this theme will follow in the second part of this Methodology.

### **3.3.3 Rights enforcement level**

The level of the actual enforcement of the rights consists of a complex of measures and proceedings deciding on whether intellectual property rights are infringed by a certain actual activity in the market (not just by the submitting of registration application or by the registration of the colliding industrial right) and factual acts aimed at the restoration of the conformity of the actual and legal state in order that such infringement is prevented. These are civil court proceedings as well as criminal proceedings concerning crimes according to sections 149, 150, 151 and 152 of the Criminal Code, as well as the acts and activities (see points 3.2.4 and 3.2.5 above) of other public administration authorities with competencies in the intellectual property rights enforcement, in particular of customs bodies, Czech Commercial Inspection and State Agricultural and Food Inspection.

The experience with the actual intellectual property rights enforcement on this level are hitherto mostly positive, either from the point of view of national or foreign intellectual property rights owners or from the standpoint of the authorities involved. In the last several years the enforceability of the rights in this area significantly increased and the unlawful activities are being repressed. Hand in hand with this there is however the significant increase of intellectual rights infringements (which is undoubtedly connected with the significant increase of the registered rights) and the endeavours of some persons to abuse the system of the enforcement of these rights. As positive are seen also the measures of customs offices, either under Act No. 191/1999 Coll. or Act No. 634/1992 Coll., especially by the foreign owners these rights. These measures often present the only effective way to the preventing of the infringing of direct endangerment of these rights in the Czech Republic.

Also positive is the experience with preliminary rulings issued in relation to intellectual property rights infringements by courts. In the recent years the number of the issued preliminary measures increased significantly, while according first experience it could be confirmed that in the majority of cases the preliminary ruling was proved as justified and was confirmed in the actual proceedings. In this respect, the courts use also the institute of a bail, which the claimant for preliminary ruling has to pay at the court together with the motion to the issuing of preliminary ruling and which serves as a guarantee of the satisfying of possible claims of the defendant in relation with the observance of the preliminary ruling which is followingly abolished, or becomes extinct due to claim being not successful.

The problems remain in particular in the area of monetary claims satisfaction.

In respect of this it is obvious that the court still lack the sufficient experience with decisions on such claims which could be generalized and used for drawing general conclusions for the courts procedures, both in relation to substantive and administrative law.

The deficiencies in this area however relate rather to the practical application of the already effective legislation. The defining of the possibility to determine the amount of monetary claims from the industrial rights infringement by a hypothetical licence fee or its multiple results in the necessity to pay attention also to the activities of the experts in this area, to their training and to the approximation of their methodology.

Special attention should be paid to the fact that such hypothetical licence fee can not be determined simply on the grounds of the provision of section 17 of Act No. 151/1999 Coll, on the Appraisalment of Property and on the Amendment of Certain Acts (Property Appraisalment Act), as amended, as this provision can ascertain only current (static) value of the proprietary rights at a certain moment, not the value of hypothetical sum for the use of the rights for a certain period of their infringement, which can range from several days to several month. When determining a certain hypothetical licence fee it is on the contrary necessary to take into account in compliance with the effective legislation under Act No. 221/2006 Coll. the situation in the market with the rights in question in the period when they were infringed. It would be therefore desirable to focus on the training and education of the experts and to the determination of such fees for the more significant economic areas where the rights are frequently infringed, such as chemistry, machinery, consumer products etc.

As unbalanced can be seen the situation when the state administration bodies often have greater powers in relation to intellectual property rights enforcement than the courts, for instance where the detention and seizure of goods infringing intellectual property rights are concerned. The civil court procedure contemplates the detention of the goods, material or instruments used for such goods production or distribution as well as documentation related to such goods within the framework of the securing of evidence in relation to intellectual property rights, in is however still impossible to claim the goods seizure. It is therefore unclear in what way the goods secured by the court as evidence will be treated when the claim is successful. As the relevant amendment became effective just several months ago, there is so far almost no experience with the application of the relevant provisions (section 78b and following of the Civil Procedure Code).

A more detailed analysis of those and other issues connected with the actual enforcement of intellectual property rights will follow in the second part of the Methodology.