

# Domain Name Transfer before Slovak and Czech Courts

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**Abstract:** In Europe, a disagreement persists in the courts about the possibility of plaintiffs to request a domain name transfer in domain name disputes. In the last ten years, Slovak and Czech courts also produced some jurisprudence on this issue. Interestingly, the BGH's influential opinion in the *shell.de* decision, which denied domain name transfer as an available remedy under German law back in 2002,

wasn't initially followed. To the contrary, several Slovak and Czech decisions of lower courts allowed a domain name transfer using two different legal bases. This seemingly settled case law was rejected a few months ago by the *globtour.cz* decision of the Czech Supreme Court, which refused domain name transfers for the time being.

**Keywords:** Trademarks, Domain names, Domain transfer, Slovakia, Czech Republic, Case law, Remedies

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Recommended citation: Martin Husovec, Domain Name Transfer before Slovak and Czech Courts, 3 (2012) JIPITEC 148, para. 1.

## A. General introduction

- 1 Domain name transfer is a quick remedy stipulated in various narrowly tailored Alternative Dispute Resolution systems, such as WIPO's well-known UDRP or the European Union's ADR for .eu domain names.<sup>1</sup> It became popular following the success of the UDRP-based ADR systems. Influenced by UDRP, the plaintiffs soon also started to demand this remedy before the ordinary courts. Various European courts responded to this demand differently. While the courts in the UK, Belgium, Denmark, Finland, France, Ireland, Italy, Latvia, Netherlands, Portugal, Sweden and Spain were reported to allow domain name transfers, courts in Germany, Switzerland, Austria and Hungary resisted granting it.<sup>2</sup> The most well-known decision rejecting domain name transfer is perhaps the decision of the German Federal Supreme Court (*Bundesgerichtshof*, BGH) in the *shell.de* case.<sup>3</sup>
- 2 Because most European countries have no tailor-made legislation dealing with domain name disputes, the possibility of domain name transfers in a lot of countries depends on whether it can be seen as a part of currently available *ex delicto* remedies (claims based on torts). Therefore, the discussions in most

of the countries usually try to answer whether the domain name transfer

- i) could be seen as a part of the claim for removal (*Beseitigungsanspruch*) or the claim for cease and desist (*Unterlassungsanspruch*); or
  - ii) could be constructed by analogy from some existing parts of the legislation that stipulates some kind of a claim for transfer (*Übertragungsanspruch*).<sup>4</sup>
- 3 From the specific jurisdictions, German and Swiss literature and jurisprudence quite soon rejected that the claims for removal and for cease and desist could serve as a legal basis for domain name transfers.<sup>5</sup> On the other hand, the UK jurisdiction quickly accepted transfer as a part of the claim for cease and desist.<sup>6</sup> In 2002, the German BGH also rejected any construction of the domain name transfer by analogy in its *shell.de* decision.<sup>7</sup> Slovak and Czech courts, usually strongly influenced by German doctrine, initially took a different route.

## B. Czech Republic

- 4 In 2003, the first Czech domain name transfer was granted by the Regional Court in Brno in the *tina.cz* case.<sup>8</sup> The case was soon followed by a better known and more often-quoted decision of the Higher Court in Prague, the *ceskapojistovna.cz* case (2004).<sup>9</sup> A few years later, similar decisions were rendered in *ostrava.cz* (2005), *cad.cz* (2006), *tpca.cz* (2007), *kaufland.cz* (2007), *ibico.cz* (2007) and other cases.<sup>10</sup> The Czech literature at that time was also generally in favour of domain name transfers.<sup>11</sup>
- 5 Although most of the decisions based domain name transfer on the claims based on tort, removal (most frequently) or cease and desist, one court surprisingly used the contractual basis.<sup>12</sup> Most of the transfers were directed against domain squatters, but a few were also granted against the domain name authority – CZ.NIC. The courts usually tried to legitimize their decision by stating that ‘it is the only effective way of stopping the infringements’ (*nutrici-adeva.cz* case). This might have been caused because the CZ.NIC registration rules have no equivalent to the German ‘dispute registration’ (*Dispute-Eintrag*), which BGH ‘relied’ on in *shell.de* in terms of effectiveness of domain name transfers in Germany. The Czech courts did not really elaborate on the problems of associating this interpretation with the doctrinal understanding of the claims based on tort. The claim for removal under Czech and Slovak law typically aims to recover the past situation that existed before the infringement took a place. In its practical effects, it is very similar to natural restitution, which can also be claimed as a form of claim for damages (§ 442(2) Civil Code).<sup>13</sup> The main inconsistency with the traditional doctrine is that the domain name transfer actually puts the plaintiff in a better position than before the infringement.<sup>14</sup> The claim for cease and desist, on the other hand, directs its effects to the future. It aims at preventing any future infringements and threatened infringements. If the court were to allow a measure preventing anybody other than the plaintiff from possessing the disputed domain name, it would mean that infringing is already the mere status of open registration, not its registration and subsequent use by a certain person. Such an interpretation is far-fetched as it would in fact presume only illegal conduct, not to mention that this interpretation counts on the presumably infringing conduct of somebody other than defendant. Czech lower courts, though recognizing some preventive effects of domain name transfers, did not see the above arguments as a great obstacle that would force them to reject it because of falling outside the claim for removal or cease and desist.
- 6 From the practical experience with CZ.NIC, however, it is questionable what the court was actually ordering when it obliged the ‘transfer of the domain name to the plaintiff’. In practice, both the transfers granted directly against the domain name authority – CZ.NIC – and also against the infringers were in fact treated by CZ.NIC as domain name cancellations connected with an exclusive open registration period for the plaintiff. To have a disputed domain name registered, the plaintiff always had to enter into a new domain name contract. From the common meaning of ‘transfer’, however, one would expect it to mean that an unsuccessful defendant has to assign the contract to the respective domain name to the successful plaintiff. Ordering ‘domain name transfers’ thus proved to be quite unclear in its consequences.
- 7 Until April 2012, only one case ended up before the Czech Supreme Court. The *systemy.cz* case did not concern typical cybersquatting, but an act of a frustrated employee *ultra vires* assigning his employer’s domain name to himself. The Supreme Court confirmed here that a domain name transfer can be based on a claim for removal arising from an unfair competition delict. It has to be noted, however, that in this case, transfer undoubtedly aimed at re-instituting the former position of the plaintiff before the infringement. As such, therefore, it wasn’t non-compliant with the doctrinal view on the claim for removal. Swiss literature<sup>15</sup> also came to similar conclusions in its interpretation of local laws when it accepted domain name transfers as a part of the claim for damages in the form of natural restitution (*Schadensersatz in Form der Naturalrestitution*).
- 8 In 2004 Czech registration rules included an arbitration clause, which also enabled<sup>16</sup> plaintiffs to sue before one designed arbitration court – the Czech Arbitration Court.<sup>17</sup> Unlike other systems, this arbitration is not limited only to cybersquatting cases such as UDRP or .eu ADR, and it uses ‘ordinary’ Czech law as the source of law. Discussion about domain name transfer thus continued predominantly at this court. In the available case law of the arbitration court, all the arbitrators basically agreed that domain name transfer is an available remedy under Czech substantial law. However, there are two different ways the arbitrators reasoned this remedy:
  - i) the first bases domain name transfer on the claim for removal or the claim for cease and desist;<sup>18</sup>
  - ii) the second bases domain name transfer on the *per analogiam* application of Regulation No. 874/2004 of 28 April 2004 laying down public policy rules concerning the implementation and functions of .eu.<sup>19</sup>
- 9 The first group of arbitrators (i) thus follows the jurisprudence started by Czech ‘ordinary’ lower courts, while the second group of arbitrators (ii) recognized that domain name transfer cannot be considered a part of the claims for removal and cease and desist and subsequently constructed the claim for transfer by *per analogiam* applying Article 22(11) of Regulation

874/2004. It is argued that a transfer of the domain name was not anticipated by the law, and thus the so-called ‘gap in the law’ (*Gesetzeslücke*) exists. The latter approach is quite new and is represented by only two decisions from June and September 2011.

- 10 Most recently, the practice of ordering domain name transfers was substantially challenged. In April 2012, the Czech Supreme Court in *globetours.cz*<sup>20</sup> cancelled the decision of the lower court, which granted the plaintiff the transfer of the domain name against the infringer. Although the court recognized that the defendant had engaged in unfair competition and trade mark delict, it was of the opinion that a domain name transfer ‘*entirely exceeds the limits of the claim for removal*’. The main argument was that the claim for removal shall aim only at reinstatement of the former lawful situation. The court, although mentioning Regulation 874/2004, did not discuss any possibility of constructing the domain name transfer on the basis of an analogical application of its Article 22(11).
- 11 Furthermore, the court reiterated that a domain name is just a technical performance of a relative right based on contract. It reasoned that ‘*the claim for removal cannot lead to the imposition of the duty to transfer because the domain name does not provide its holder with any absolute (exclusive) right*’. This seems to be an additional argument. However, it is unclear why only the absolute (*erga omnes*) rights could be subject to such transfers. In § 65(2), for instance, the Czech Commercial Code stipulates two remedies in case of a breach of the non-competition obligation imposed on various members of the companies. It provides that ‘*[a] company may demand that any person in breach of such a ban shall relinquish any profit generated from the business transaction that resulted in the breach, or to transfer the rights ensuing from such a transaction to the company. This shall not affect the right to damages*.’ This delict, which in its foundations is based on general unfair competition law principles, thus provides a special remedy that arguably aims not only to transfer the absolute rights but also the relative (*inter partes*) rights such as obligations. It is therefore perfectly imaginable that a relative right based on tort would give rise to the transfer (assignment) of another relative right based on contract.

## C. Slovakia

- 12 In 2007, the first domain name-related case, *rover.sk*, appeared before the Slovak Supreme Court.<sup>21</sup> It was after the beginning of 2009, however, when the first domain name transfer was granted. The cases of the District Court in Banská Bystrica – *illy.sk* (2009), *spinalis.sk* (2009) and *viagra.sk* (2010) –, the Regional Court in Banská Bystrica in *viagra.sk* (2011), and the decision of the District Court of Košice I. in

*havana-club.sk* (2010) represent the Slovak decision landscape.<sup>22</sup>

- 13 All the courts based the domain name transfer on the claim for removal using the very same reasoning as the Czech courts and the majority of the Czech Arbitration Court. However, Slovak courts were more clear on how the domain transfer should really be executed. The court orders were usually worded to say that ‘*the defendant is obliged to assign the rights from the domain name contract*’, which still allows some criticism for being misleading. This is because when the defendant has to assign the domain name contract, the defendant must not only assign the (rights) receivable (§ 524 of the Civil Code) but must also let the plaintiff assume the debts (§ 531 of the Civil Code). In any case, the Slovak courts recognize that assignment of the contract is left on the subsequent legal act, to which the court only obliges by virtue of the claims based on tort.<sup>23</sup>
- 14 Another interesting aspect of the court orders is directly caused by conditions found in the current domain name registration rules, according to which only a Slovak natural or legal person can register the domain name ‘.sk’ in ccTLD. As several plaintiffs were foreign entities, they were forced to demand the transfer of the domain name not to themselves but to some other persons – usually patent attorneys. Slovak courts thus granted a domain name transfer, ordering the defendant ‘*to assign the rights from the domain name contract to the domain “exampledomain.sk” to the authorized person representing the plaintiff who satisfies the general eligibility criteria set out in the domain name registration rules*’. In the *illy.sk* decision, for instance, this order was issued without specifying the ‘authorized representative’ in the court’s order, while in others (e.g. *spinalis.sk*), this person was explicitly identified.<sup>24</sup>
- 15 Slovakia, unlike the Czech Republic, does not currently use any arbitration clause for domain name disputes. The Slovak domain name authority SK.NIC, however, plans to incorporate an ADR-style dispute resolution system in the next amendment of the registration rules that are expected at the end of 2013. It is still not decided whether the ADR should copy the Czech style of ‘full jurisdiction’ and legally enforceable arbitration, or should rather switch to a more soft-law style of procedure like UDRP.

## D. Concluding remarks

- 16 Despite the fact that Slovak and Czech lower courts have based domain name transfers on the claims for removal and cease and desist, this practice in most cases<sup>25</sup> conflicted with the local interpretation of these two remedies.<sup>26</sup> Using those two claims based on tort as a vehicle for similarly worded court orders can be compared to Pandora’s box. The courts could

soon be loaded with a plethora of other actions exercising these claims in ways that actually lead to transfers of different economic values.<sup>27</sup> The doctrinal interpretation<sup>28</sup> of the Czech Supreme Court in *globtours.cz*, which rejected domain name transfer as a part of the claim for removal, should therefore also be followed to some extent by the Slovak Supreme Court and the entire Czech Arbitration Court. On the other hand, construction of the domain name transfer by analogical application of Article 22(11) of Regulation 874/2004 should be further explored.<sup>29</sup> Although the *globtours.cz* case non-explicitly dismissed this line of argumentation, it shouldn't be seen as a great obstacle. From a methodological point of view, the absence of a domain name transfer remedy under the current laws can arguably be seen as a value-deficient gap in the law as understood by Prof. Reinhold Zippelius, because this absence of remedy was neither planned nor intended, and material justice sometimes requires this remedy.<sup>30</sup> This was already demonstrated by the European legislator *inter alia*, who stipulated Article 22(11) of Regulation 874/2004 in regard to .eu domain names for this purpose. It would be unfair and infringe on the principle of equal treatment if some specific factual circumstances in regard to the .eu domain name could provide the plaintiff with the claim for the domain name transfer,<sup>31</sup> whereas the very same circumstances in regard to .sk or .cz could not.<sup>32</sup> Moreover, this interpretation of the law would fail to satisfy its purpose in fairly solving the legal problems<sup>33</sup> and in being consistent. For exactly the same reasons, the analogical application of Article 22(11) of Regulation 874/2004 should not be extended beyond the facts (*Tatbestand*) of the 'speculative and abusive registrations'. Otherwise, the interpretation might step out from the realms of justified gap-filling and clash with the rule-of-law principle.<sup>34</sup> Moreover, allowing domain name transfer outside of speculative and abusive registrations would require a careful balance of interests, because too broad interpretation – requiring that even minor infringements of rights give rise to a domain name transfer – could lead to non-proportional interference with the right to the property.<sup>35</sup> This is because the domain name transfer represents a separate and quite strong remedy against the infringers, which arguably should not be granted in every single infringement case.<sup>36</sup> Moreover, extending this claim for transfer outside of the scope of speculative and abusive registrations would most likely go far beyond mere gap-filling.

1 The latter is based on Regulation No. 874/2004 of 28 April 2004 laying down public policy rules concerning the implementation and functions of the .eu and Regulation No. 733/2002 of 22 April 2002 on the implementation of the .eu Top Level Domain.

- 2 S. Weckbach, *Der Anspruch auf Löschung und Übertragung von Domains* (Baden-Baden: Nomos, 2010), 134 et seq.
- 3 BGH, CR 02, 525 – shell.de.
- 4 K. Weis, *Der immaterialgüterrechtliche Übertragungsanspruch zugleich ein Beitrag zum Kennzeichen- und Domainrecht in Deutschland, Frankreich und der Schweiz* (Konstanz: Dissertation, 2004).
- 5 See K. Weis, *Der immaterialgüterrechtliche Übertragungsanspruch*, p. 159, and the works and decisions quoted there: S. Stein, *Schutz von Name und Kennzeichen gegen eine Verwendung als Domain-Name durch Dritte* (Frankfurt a.M.: Lang Peter, 2002), p. 111; A. Kur, *Internet und Kennzeichenrecht, Praxis des Online-Rechts* (München: Ulrich Loewenheim/Frank A. Koch, 2001), p. 325; Decision of OLG Hamburg, CR 1998, 243 – krupp.de; BGH, CR 02, 525 – shell.de.
- 6 Decision of the High Court of Justice, Chancery Division, WIPR 1998, 32, 35: 'I accept that an order in the form of paragraph 2 (which requires the Defendants to take steps to have the disputed names assigned to the Plaintiffs) goes rather further than the negative form of injunctions normally appropriate quia timet. But it seems to me to be the most completely effective remedy, and one which does no injustice to the Defendants, for these names are of no value to them otherwise than as a means of threatening unlawful acts. It is the equivalent, in this rather arcane context, of the delivery up of infringing goods'.
- 7 Despite this early decision, even today domain name transfers provoke very interesting works in the German literature which try to analyse the content of the claim for transfer. See e.g. Weckbach, *Der Anspruch auf Löschung und Übertragung von Domains*; K. Weis, *Der immaterialgüterrechtliche Übertragungsanspruch*.
- 8 Regional Court Brno, 7 May 2003, 11 Cm 8/2003, tina.cz.
- 9 Higher Court in Prague, 10 August 2004, 2 Cm 290/2001, ceskajistovna.cz.
- 10 Higher Court in Prague, 13 September 2006, 3 Cmo 114/2006, cad.cz; Higher Court in Prague, 15 January 2007, tcpa.cz; Higher Court in Prague, 25 April 2007, kaufland.cz; Higher Court in Prague, 4 June 2007, ibico.cz; Regional Court in Ostrava, 1 October 2005, 5 Cm 85/2001, ostrava.cz.
- 11 See I. Telec, *Cybersquatting formou neoprávněného útoku na název obce prostřednictvím doménového označení. Časopis pro právní vědu a praxi*, 2000, p. 314 – 324; R. Polčák, *Nekalosoútežňní agrese na internetu. iPravnik.cz*, 2005; R. Pelikánová, K. Čermák, *Právní aspekty doménových jmen* (Praha: Linde, 2000), p. 191. V. Smejkal, *První rozsudek ohledně doménového jména ve věci samé. Inside*, 2003, p. 11. Against: J. Aujezdský, *Rozsudek ohledně domény ceskajistovna.cz. Co je špatně? Itpravo.cz*, 2005.
- 12 See criticism in M. Husovec, *Is it possible to claim the domain name transfer?*, *Revue pro právo a technologie* 2011, Vol. 3.
- 13 Natural restitution under § 442(2) of the Civil Code, however, is more limited than a claim for removal.
- 14 More in M. Husovec, *Is it possible to claim the domain name transfer?*, pp. 32 et seq.
- 15 K. Weis, *Der immaterialgüterrechtliche Übertragungsanspruch*, p. 159.
- 16 The construction of the public offer of the arbitration clause was recently upheld by the decision of the Higher Court in Prague, 27 April 2011, 3 Cmo 367/2010.
- 17 It is the very same arbitration court as the one designated for .eu domain names.
- 18 Opinion of the arbitrators: Švorčík (Decision No. 00087), Hostaš (Decision No. 00013), Čermák (Decision No. 00024), Chamrád (Decision No. 00077), Olík (Decision No. 00129) and Loelb (Decision No. 00047).

- 19 Opinion of the arbitrators: Telec (Decision No. 00059) and Polčák (Decision No. 00060).
- 20 Czech Supreme Court, 19 April 2012, 23 Cdo 3407/2010, globe-tours.cz.
- 21 Slovak Supreme Court, 12 July 2007, 3 Obo 197/06, rover.sk. More at M. Husovec, The First Supreme Court Decision on Domain Names, Hutko's IT & IP legal blog 2010. Available online at [visited: 14 July 2012] <http://husovec.blogspot.de/2010/10/first-supreme-court-decision-on-domain.html>.
- 22 District Court Banská Bystrica, 27 October 2009, 10 CbPv 4/2009, illy.sk; District Court Banská Bystrica, 22 March 2010, 16 CbPv 10/2009, spinalis.sk; District Court Banská Bystrica, 23 October 2010, 16 CbPv 13/2008, viagra.sk; Regional Court Banská Bystrica, 9 November 2011, 41 Cob 179/2010, viagra.sk; District Court Bratislava I., 3 November 2009, 32 CbPv 4/2006, active24.sk (cancelled due to withdrawal of the plaintiff); District Court Košice I., 15 January 2010, 26 CbPv 2/2009, havanacub.sk.
- 23 It might be argued that this form of court order is more risky for the plaintiff due to its indirect enforceability only.
- 24 More M. Husovec, What is and what already isn't the claim for the removal?, Lexforum 2011. Available online at [visited: 14 July 2012] <http://www.lexforum.cz/306>.
- 25 Except for the natural restitution as explained.
- 26 A similar problem arises when a plaintiff asks for a domain name cancellation based on a claim for removal together with limited exclusive contract period (against the domain name authority) based on a claim for cease and desist. Granting the latter would mean that 'open registration' of the domain name is automatically also infringing somebody's rights.
- 27 Moreover, in some cases it would be more interesting for the right holder, for example, to request the transfer (assignment) of rights under a contract whose fulfilment infringes upon his rights, based on a claim for removal with objective liability, than to claim damages where the subjective (fault) liability principle applies.
- 28 In Germany, for instance, in the *krupp.de* case, OLG Hamm states: 'Der Schutzanspruch aus § 12 BGB gibt der Klägerin allerdings nicht das Recht, wie hauptsächlich von ihr beantragt wird, vom Beklagten die Zustimmung dazu zu verlangen, daß ihr die Domain-Adresse ... übertragen wird (anderer Ansicht LG München CR 1997, 479 = JurPC Web-Dok. 32/1998, Anm. der Redaktion). § 12 BGB räumt dem Verletzten lediglich einen Beseitigungsanspruch und einen Unterlassungsanspruch ein, ggf. auch einen Schadensersatzanspruch (Palandt a.a.O. § 12 BGB Rdn. 32 ff.). Das bedeutet, daß der Verletzer nur den Störungszustand nicht aufrechterhalten darf. Er ist aber nicht verpflichtet, an einer Verbesserung der Rechtsstellung des Verletzten in namensmäßiger Hinsicht mitzuwirken. Das bedeutet für den vorliegenden Fall, daß der Beklagte seine Sperrposition, die er mit der Registrierung und Nutzung seiner Domain-Adresse ... ausübt, zwar aufgeben muß, daß er aber nicht verpflichtet ist, seinerseits dafür zu sorgen, daß nunmehr die Klägerin statt seiner die umstrittene Domain-Adresse erhält.'
- 29 In Hungary, Pécs Regional Court of Appeal in Case No. Pf.I.20.229/2006/28, according to the publication F. Fazekas, M. Varju. European Union law before the Hungarian Constitutional Court and the Hungarian judiciary (Debrecen: Ffa and MVu, 2010), p. 9., argued that on 'appeal the court found that the regulation [Regulation 874/2004, a.a.] is not applicable *ratione material* because it applied only to the registration of .eu top level domains. It added, however, the regulation could be taken into account *per analogiam*.'
- 30 Especially in the cases where there is either no, or no effective dispute registration (Dispute-Eintrag) system.
- 31 Moreover, this claim for transfer, set in Art. 22(11) of the Regulation, is now limited only to the ADR process, so without analogical application it's not available for the actions brought before the national court.
- 32 It is interesting to speculate how the German BGH would have reacted if Regulation 874/2004 had existed in the time of deciding the *shell.de* case.
- 33 R. Zippelius, Introduction to German Legal Methods (Durham: Carolina Academic Press, 2008), p. 89.
- 34 The court could be seen as acting outside of its powers and could breach Art. 2(2) of the Charter of Fundamental Rights and Freedoms (shared by both Slovakia and Czech Republic), which states: 'The power of the State may be asserted only in cases and within the limits set by law and in a manner determined by law'.
- 35 More about the protection of domain names under the right to property in K. Nowrot, *Verfassungsrechtlicher Eigentumsschutz von Internet-Domains* (Halle: Institut für Wirtschaftsrecht, 2002), pp. 13-15.
- 36 See the 'ad-acta.de' decision of the European Court of Human Rights in joint cases No. 25379/04, No. 21688/05, No. 21722/05 and No. 21770/05. See also the decision of the Czech Arbitration Court No. 00047.