

Czech Republic

Contributing firm
Čermák Hořejš Matějka a spol



Authors

Martin Holy and **Jakub Vypel**

Legal framework

The following laws apply in the Czech Republic with regard to counterfeiting:

- the Criminal Act (140/1961 Coll);
- the Consumer Protection Act (634/1992 Coll);
- the EU Customs Regulation (1383/2003);
- the Act on Measures concerning the Import, Export and Re-export of Goods (191/1999 Coll);
- the Civil Code Act (40/1964 Coll);
- the Commercial Code Act (513/1991 Coll);
- the Civil Procedure Code Act (99/1963 Coll); and
- the IP Rights Enforcement Act (221/2006 Coll).

In today's competitive global marketplace rules are effective only if they are enforced. When a party's competitors infringe its IP rights or engage in unfair

trade practices, that party's ability to compete effectively is undermined.

Under the Czech legal framework, three methods of fighting counterfeit goods are available to the police and Customs.

Proceedings under the Criminal Act

Section 150 of the Criminal Act states that the infringement of a trademark right or the right to a trade name or designation of origin are criminal offences. Under Section 150 anyone who imports, exports or markets goods or services bearing a trademark owned by or similar to that of another party shall be subject to imprisonment of up to two years, a monetary fine or seizure of their property.

The police and Customs can target these crimes *ex officio*. The request for an investigation can originate from any party, including the rights owner. In case of a seizure of goods suspected of infringing IP rights, the IP rights owner is asked to provide a statement as to the authenticity of the seized goods. Where the goods are claimed to be counterfeit, the rights owner is

also asked to evaluate the damage caused by the counterfeit goods and to decide whether it wants to join the criminal proceedings and demand damages. Such declarations are the only legal obligation of the rights owner in cases of seizures under the Criminal Act.

Criminal proceedings are held *ex officio* – that is, the public prosecutor brings proceedings against the infringer. Where the rights owner does not join the criminal proceedings and the infringer is found guilty, the rights owner can then demand damages in separate civil proceedings. Even if the rights owner joins the criminal proceedings, the court can rule that it will not consider the question of damages and instead instruct the rights owner to file a separate claim in civil law.

Proceedings under the Consumer Protection Act

Customs can also act *ex officio* against counterfeit goods under the Consumer Protection Act. This act regulates the sale of goods and the provision of services where the activity takes place in the Czech

“ Even if the IP rights holder succeeds in its claims and obtains an enforceable judgment, it is sometimes difficult to enforce such a judgment against the defendant ”

Republic. The act covers other cases only if they relate to a business activity carried out in the Czech Republic. Any third party, including the rights owner, can file a motion with Customs to act against counterfeit goods. In such cases, Customs may demand from the petitioner a monetary deposit, which is returned if the motion proves to be justified (ie, the product is seized).

The Consumer Protection Act defines ‘counterfeits’ as products or goods, including packaging, which feature a trademark or a confusingly similar sign without the consent of the trademark owner.

In accordance with Section 8a of the Consumer Protection Act, the rights owner is required to provide Customs with sufficient documentation to assess the authenticity of the seized goods. Customs must receive the necessary documentation within 15 working days. No further legal obligations are placed on the rights owner other than providing the documentation and paying the bond.

Other proceedings

The EU Customs Regulation sets down common rules preventing the import of counterfeit goods. The regulation was implemented into Czech law by the Act on Measures concerning the Import, Export and Re-export of Goods. According to this act, Customs controls the import of goods into the Czech Republic and the issuing of customs actions. The act protects all IP rights, and even addresses the issue of parallel imports.

The act creates two kinds of procedure to be used in case of a seizure of goods infringing IP rights:

- Customs destroys the seized goods where it receives, within 10 working days, consent to such destruction signed by the owner of the seized goods. The 10-day time limit can be extended for another 10

days. In addition, consent can be substituted by proving to Customs that the owner of the seized goods received a letter informing it of the situation and asking for consent to the destruction. If the owner of the goods does not oppose destruction of the goods in the given time period, Customs may destroy the goods. Destruction of the goods is carried out by Customs but the owner of the seized goods bears the cost of destruction. The rights owner bears the cost only where the importer is not known.

- Where the rights owner does not obtain and deliver to Customs the owner’s consent to the destruction of the goods within the given time limit, the rights owner must file a court action for a declaratory judgment within the same timeframe and inform Customs. The court must then rule on whether the seized goods are counterfeit. After the court delivers its decision, Customs either destroys or releases the seized goods. The costs of the court proceedings are awarded to the rights owner – the costs award for such proceedings is set by law at CZK15,000 (approximately €600).

Border measures

The conditions for the issuing of customs actions are set by the Act on Measures concerning the Import, Export and Re-export of Goods.

The rights owner or its representative files an application for customs action. It is possible to demand customs action either solely within the territory of the Czech Republic or for other EU member states. In the latter case it is necessary to designate the respective states. For each state a contact person who will communicate with Customs in case of seizure must be specified.

The customs action is valid for one year and can be renewed indefinitely for further one-year periods. The application for customs action is not subject to any official fee.

Criminal prosecution

Suspected infringing goods are held during criminal proceedings. Once such proceedings are concluded, the goods are released or destroyed, depending on the outcome.

The rights owner may demand damages in the criminal proceedings. Alternatively, it can demand damages in a civil court. The general practice of the criminal courts is to instruct the rights owner to claim for damages before the civil courts, as criminal courts are reluctant to prolong the criminal proceedings any longer than is necessary.

Damages in criminal proceedings

Where goods are seized under the Criminal Act, a claim for damages is made in writing to the authority that informed the rights owner about the seizure of the counterfeit goods. The claim must be made prior to the first court hearing regarding the merit of the claim. It must include the amount of damages sought and evidence proving that the damage was caused by the infringement at issue.

If the rights owner lodges a claim for damages during the criminal proceedings the court must prove the damage *ex officio*. The rights owner may appeal against the judgment in the criminal proceedings only in relation to the decision concerning damages.

The advantage of this procedure is that the rights owner may receive the damages in the criminal proceedings. Further, all necessary evidence is obtained by the court *ex officio* at no expense to the right owner.

Civil enforcement

Although customs measures and criminal prosecution are more effective weapons against counterfeiting, civil court actions are still the most common instrument for the protection of IP rights. In certain cases, civil litigation is the only means of compensating for damages and lost profit. The IP rights holder can seek judicial assistance against infringers by seeking a judgment prohibiting the infringing activities and future infringement. The rights holder can sue the person infringing its rights for both damages (ie, actual damages and lost profits) and non-economic detriment (ie, intangible harm).

Relevant courts

As part of the implementation of the EU IP Rights Enforcement Directive (2004/48/EC) the Prague City Court became the sole first instance court with jurisdiction to decide on IP infringement cases. Judgments delivered by this court may be appealed to the Prague High Court. In certain cases, a further appeal may be allowed to the Supreme Court.

Preliminary injunctions

A preliminary injunction may be requested and imposed rapidly. If the application contains all the necessary information and the plaintiff has deposited a bond of CZK100,000 as security for potential damages caused to the defendant in the event that the preliminary injunction is later rejected, the court must deliver the ruling on the preliminary injunction within seven days of the filing of the application. If a preliminary injunction order is made the court shall request the plaintiff to file the claim in the infringement action itself within a specified time limit (usually 30 days). Should such claim not be filed or be abandoned before the final decision is delivered, the preliminary injunction is void. The court shall order a preliminary injunction where there is a need to regulate temporarily the relations between the parties to the proceeding; if such a need is not established, the application is refused.

Remedies

Czech law does not contain a comprehensive list of remedies available to rights holders for the protection of IP rights. Nevertheless, the following remedies are commonly used by IP rights owners to enforce their claims:

- Injunctions are the most common remedy used and are designed to stop infringing activity and future infringement.
- The removal of an improper state of affairs requires the defendant to remove

all the consequences caused by the illegal conduct – this usually results in a recall of the product.

- The destruction of counterfeit goods can be sought once the goods are recalled or seized.
- Damages for actual loss and lost profit are available, as well as the recovery of unjust enrichment. The plaintiff must prove the existence and amount of damages, as well as the causal relationship to the defendant's conduct, which can be difficult. The plaintiff can also claim compensation for intangible harm caused.
- The right of information seeks to provide the IP rights holder with an overview of the origin of the counterfeit goods, their quantity and the trade channels used. The IP Rights Enforcement Act (221/2006) regulates the methods of obtaining the wide range of information listed in the act, thus strengthening this type of claim and the position of IP rights owners. This act implemented the EU IP Rights Enforcement Directive in the Czech Republic.
- A claim for court declaration that the relevant goods are counterfeit is used by IP rights owners as the first step towards the destruction of counterfeit goods in cases where Customs cannot destroy them due to the absence of consent from the owner of the counterfeit goods.

Civil actions for unfair competition are vital to the protection of IP rights. The Commercial Code sets out several situations that constitute acts of unfair competition (eg, the misleading marking of goods and services, the use of a competitor's reputation). Unfair competition legislation and case law acts as a supplemental legal tool to combat counterfeiting.

Even if the IP rights holder succeeds in its claims and obtains an enforceable judgment, it is sometimes difficult to enforce such a judgment against the defendant. Enforcement can take several months and by that time may have become ineffective.

The Civil Procedure Code governs civil proceedings, including those for damages. The principle of equality of the parties is important in civil proceedings. Thus, in such cases the burden of proof falls on the rights owner, which must prove the amount of damages and the fact that the damage was caused by the defendant.

Anti-counterfeiting online

Ordering counterfeit goods over the Internet from foreign jurisdictions, particularly

China and India, is increasingly common. In such cases the goods are delivered through the post or by messenger service. These services are subject to control by Customs.

In case of the seizure of suspected counterfeit goods, the EU Customs Regulation applies. Customs informs the owner of the seizure and the procedure set out above begins.

The disadvantage of this procedure is that the sender of the goods is identifiable only by the information stated on the package. Customs has no broader legal powers to investigate the origin of the goods.

Where counterfeit goods are sold online by a party based in the Czech Republic, it is possible to inform Customs of this. Customs will then act in accordance with the Consumer Protection Act or the Criminal Act, as described above.

Preventive measures/strategies

The most effective preventive measure is the ongoing legal protection of IP rights as provided by local counsel. A thorough knowledge of the local environment brings more focused and effective protection. A simple rule should be followed: do not distribute products in countries where one has not yet formally secured the relevant IP rights. The services of private investigators are also available in the Czech Republic. They are mostly used to uncover distribution channels in cases where counterfeit goods are put on the market on a large scale and the cost of investigation would not exceed the possible damage caused.

The key factor in prevention is immediate and close cooperation with the competent administrative bodies, particularly the police and Customs. The quicker parties respond to a customs or police request, the better.

Businesses sometimes underestimate the need for IP rights protection in the Czech Republic. It is often viewed as unimportant. However, such an approach can lead to legal disputes in the future, which could have been easily avoided through a careful approach to contract drafting and rights protection. [WTR](#)

Biographies Čermák Hořejš Matějka a spol

Čermák Hořejš Matějka a spol

Národní 32,
110 00 Prague,
Czech Republic

Tel +420 296 167 111

Fax +420 224 946 724

Web www.cermakhorejsmatejka.cz



Martin Holy
Junior lawyer
mholy@apk.cz

Martin Holy studied at the Faculty of Law at Charles University in Prague, gaining a master's degree in 2005. He worked in the legal department of the Industrial Property Office of the Czech Republic, and after two years left to join Čermák Hořejš Matějka a spol. His main practice areas are intellectual property (particularly trademark law) and commercial law. He speaks Czech and English and has some knowledge of Russian.



Jakub Vyplel
Attorney at law
jvyplel@apk.cz

Jakub Vyplel joined Čermák Hořejš Matějka a spol as an attorney in 2008. His main practice areas are Czech intellectual property, commercial law, advertising regulation and litigation. He also has experience advising on international private law and unfair competition. He speaks Czech, English and Russian.