

Legal Update

March 2018

Weinhold Legal

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The information in this newsletter is correct to the best of our knowledge and belief at the time of going to press. Specific advice should be sought, however, before investment and other decisions are made.

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Legislative amendments

Amendment of the Trade Mark Act and the Enforcement of Industrial Property Rights Act

On 14 February 2018, the Government received a petition to include a bill amending, inter alia, Act No. 441/2003 Coll. on trade marks, as amended (the "TMA") and Act No. 221/2006 Coll. on the enforcement of industrial property rights, as amended ("EIPRA"), in the Government agenda.

The amendment is designed to transpose into Czech law the Directive of the European Parliament and of the Council (EU) 2015/2436 of 16 December 2015 to approximate the laws of the Member States relating to trade marks (the "Directive"), its aim being to create a more efficient, faster and simpler trade mark system giving rise to support for a well-functioning internal market and more efficient trade mark protection and the limitation of inconsistencies in systems of protection at the EU Member State level. The amendment applies to both the substantive and procedural provisions of the TMA.

If the amendment is approved, the TMA will, based on the model of Regulation of the European Parliament and of the Council (EU) 2017/1001 of 14 June 2017 on the European Union trade mark, which entered into effect on 1 October 2017, drop the obligatory requirement for a graphic representation of a trade mark, and it will now be possible to register what are known as non-traditional trade marks such as verbal, pictorial, spatial and positional trade marks; trade marks with a model or identified solely by colour, sound or movement; multimedia or holographic trade marks and so on.

Other intended changes include more closely defined rules for situations in which there is a clash between the identification of a legal entity or business company and the identification of goods by trade mark, introduction of the institute of what's known as a certification trade mark into Czech law, or introduction of an Industrial Property Office obligation to inform a trade mark owner of the day on which the registration will cease to be valid at least six months before such date.

According to the bill, when the TMA amendment enters into effect, Decree No. 97/2004 Coll. implementing the Trade Mark Act should be repealed and its provisions newly included in Annex No. 1 of the TMA.

The bill also envisages an amendment of the EIPRA, chiefly for the purpose of transposing Directive of the European Parliament and of the Council (EU) 2016/943 of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) before their unlawful acquisition, use and disclosure; provisions affording protection of authorised persons in the case of a violation of their business secrets should be expressly established in the EIPRA. Consequently, the name of the Act should also change.

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The proposed effective date of the Act is 1 January 2019, with the exception of the provisions amending the EIPRA, which should enter into effect on 1 June 2018.

Recent case law

Termination of the participation of only one of the co-owners of a business share in an LLC

(Supreme Court Resolution no. 29 Cdo 1763/2016 of 27 November 2017)

The Supreme Court dealt with a petition to cancel a participation in a company pursuant to § 116(2) of Act No. 513/1991 Coll., the Commercial Code (the "ComCo").

The appellant lodged her petition after inheriting one third of a business share, i.e. becoming one of three co-owners, totalling 50% of a limited liability company ("company"), while she justified the petition, inter alia, by the fact that relations had become extremely tense between her, the other two co-owners and the owner of the second share in the company (who was, at the same time, the company executive).

Although the company defended itself by claiming the appellant could not seek to terminate her participation as the share is co-owned by three individuals and the appertaining rights may only be exercised by the co-owners via their representative, the lower instance courts vindicated the appellant, stating the right to terminate participation in a company is an individual right of every co-owner and may be exercised irrespective of the will of the other co-owners. Animosity between co-owners is sufficient grounds for a co-owner to cancel her participation.

The company sought an appellate review, and refuted the arguments of the courts of lower instance primarily by citing the provision of § 114(3) of the ComCo and the fact that the treatment of concurrent estates found in Act No. 40/1964 Coll., the Civil Code (the "CivCo") must be applied *mutatis mutandis* to the given case.

The Supreme Court agreed with the arguments of the company. It pointed out that multiple co-owners of a single business share constitute a single member from the company's perspective, while a change in the number of co-owners does not mean a change in the number of company members. Thus, the participation of only one co-owner of a business share in a limited liability company cannot be terminated by means of a procedure pursuant to § 116(2) or § 148(1) of the ComCo. If a share co-owner wishes to terminate her co-participation in a company, she must agree with the other co-owners on the termination of her co-ownership. Where no agreement is reached, a court may decide on termination of co-ownership.

Person authorised to enforce intellectual property rights

(Czech Supreme Court Judgment No. 23 Cdo 1780/2017 of 6 December 2017)

Here, the Supreme Court dealt with a case in which the defendants had included a product in their product portfolio whose designation was subject to international trade mark protection for the benefit of the claimant. The trade mark owner

provided a license for its use under German law.

The defendants tried to challenge the claimant's active legitimacy to conduct the dispute in question. They stressed that pursuant to the provision of § 2(1) of Act No. 221/2006 Coll. on the enforcement of intellectual property rights (the "EIPRA"), intellectual property rights may be enforced, inter alia, by their user as a "person authorised pursuant to special legislation", where such special legislation may only be one of the Czech legal regulations cited in a footnote to the respective provision.

The Supreme Court disagreed with the defendants' interpretation. It stated that by their nature, footnotes merely constitute legislative aids that cannot stipulate binding rules of conduct or rules for interpreting the respective provision. The EIPRA incorporated into Czech law Directive of the Parliament and of the Council No. 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights ("Directive"), on whose basis the individual Member States should adopt such provisions as would enable all national courts to provide equal protection to intellectual property rights, no matter in what EU Member State their owners or users acquired them. Thus, the sense of the given EIPRA provision is to afford protection to all owners or users of intellectual property rights that are enforceable in the Czech Republic, inclusive of rights incurred under European regulations or international treaties.

The Supreme Court concluded that any foreign entity may be the owner or user of such right and it is customary for the disposition of these rights to be subject to the law of their home country, and they cannot be denied the possibility of enforcing these rights in the Czech Republic just because the authorization to use the intellectual property right was provided in compliance with the law of their home country. The term "special legislation" in the provision in question must therefore apply not only to the legislation addressing individual intellectual property rights, but also to the legislation governing the license agreement as a contractual type.

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We hope you will find *Legal Update* to be a useful source of information. We are always interested in your opinion about our newsletter and any comments you may have regarding its content, format and frequency.

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