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Czechia : Acquiescence causes rejection of trademark owner's claim for recovery of domain name

Michal Havlik (SAK ALO) · Friday, July 8th, 2016

The facts of the case litigated between Gulf Oil Benelux and Milan Vondal before the Prague High Courts prima facie appear to be a typical scenario of a domain name dispute. Yet, the owner of an earlier word mark failed to recover the domain name gulf.cz from his former exclusive distributor despite the domain name was used to sell the plaintiff's goods after termination of the relationship. What were the specific circumstances of the case that resulted in rejection of the trademark owner's claim and what is the lesson to be learnt from the judgment?

The defendant's company MEROL s.r.o. became the exclusive importer and distributor of the plaintiff's products in 2003. In the same year, the defendant registered the domain name with the plaintiff's knowledge. The trademark owner had not raised any objections against the use and registration of domain name gulf.cz by the defendant until 2009, when the plaintiff terminated the relationship with the defendant and demanded free voluntary transfer of the domain name.

The court found that after the termination, the defendant continued to sell the plaintiff's products legally obtained from a different source. The court concluded that the defendant invested substantial funds into introduction and promotion of the plaintiff's products on the Czech market including operating and maintaining the domain name at his own expense. The court held that there was no evidence that the conduct of the defendant would be unfair, speculative or contrary to honest business practices. Therefore, the court did not grant the claim for free transfer of the domain name to the plaintiff.

Under the established case law, the owner of an earlier word mark will likely be successful in recovery of domain name, if action is filed reasonably quickly. However, in this case, the court took into consideration that the plaintiff invited the defendant to become his distributor and the defendant registered and used the domain name with the plaintiff's knowledge for 6 years. In addition, there was no evidence of speculative conduct of the defendant such as an offer for sale of the domain name.

The judgment should serve as a warning to trademark owners of the adverse consequences of tolerating ownership of their domain names by third party agents, distributors or resellers. When the relationship with the third party deteriorates or is terminated, it may be no longer possible to convince the judge of the defendant's bad faith or confusion of the consumer. The lesson to be learnt is that if infringement is found, it is necessary to act promptly or else it may be too late.

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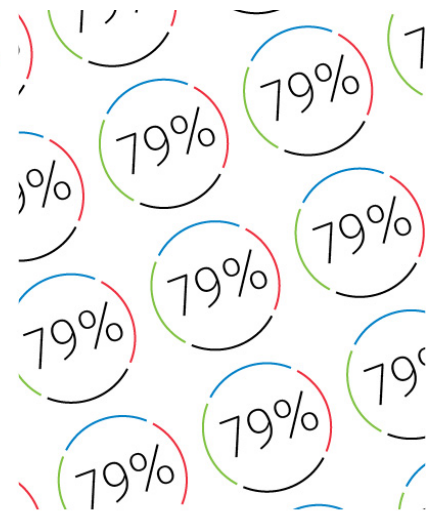
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