

legalNEWS

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New Regulation of IP Right Enforcement in the Slovak Republic

Effective from March 1, 2007, the new Act No 84/2007 Coll., (the "Act") has amended several existing laws in the area of intellectual property. This legislation implements EC Directive No 2004/48/EC on the enforcement of intellectual property rights. The legislative changes cover both procedural and substantive aspects of intellectual property law, including a new definition of the scope of protection and new formulation of the right-holder's claims and entitlements as well as the procedural tools for enforcement.

A New Preliminary Injunction

A key amendment under the Act concerns the Slovak regulation of preliminary injunctions, which has been completed updated. Based on the Act, the Slovak Civil Procedure Code, i.e. the main national law on procedure, now includes a new type of preliminary injunction designed to procure evidence before the commencement of the first instance proceedings. Under the new Section 78b of the Civil Procedure Code, an IP right-owner whose rights have been infringed, or who has plausibly established that such infringement is immediately pending, may request that before these proceedings begin, the court procure the infringing or potentially infringing goods, their samples, or the materials and tools used to produce or disseminate such goods. The court may also demand the handover of technical and/or other documentation related to such infringing or potentially infringing goods. Significantly, this order may be directed at either the infringing party or another person holding the relevant evidence, irrespective of whether that person will be involved in the proceedings.

If circumstances so demand, the court may require the right-holder to make a security payment to the court before the procurement of any evidence. This financial security will be used to cover any potential claims for damages brought by the person from whom the evidence is sought. The amount of this security will remain entirely at the discretion of the court, however, the applicant will presumably have the opportunity to submit relevant information which can be used to determine the amount. The court may also demand an advance payment from the applicant to cover any costs related to the procurement.

Once all conditions have been met, the court shall:

- (a) issue a decision ordering the person(s) in possession of the concerned items to deliver them into the custody of the court,

and, at the same time,

- (b) instruct the applicant (i.e. the IP right-owner) to file a lawsuit in the case.

It is worth noting that the decision under (a) will be served on the person concerned only during the procurement of the evidence.

We expect that the availability of this new preliminary injunction will improve the position of intellectual property owners in the Slovak Republic. This overall improvement will, however, bring with it an increase in the legal responsibility of these persons, who will now be liable *ex lege* not only to the defendant in the case at hand, but to any person suffering damage based on the wrongful procurement of evidence, including, for example, businesses further along the distribution channels, etc.

Other Procedural Changes

In another more minor change, the Act introduces a slight variation to the procedural rules covering standard preliminary injunctions. According to the new wording of Section 76 para 1 letter h) of the Civil Procedure Code, the court may now issue a preliminary injunction ordering any third person to refrain from acts infringing or threatening to infringe any intellectual property right. The previous version of this provision did not extend to third parties. While preliminary injunction proceedings will remain basically *ex parte*, the court will now also have the option of hearing the defendant in certain cases under Section 75 para 8 of the Code.

New Slovak Consumer Protection Act

On July 1, 2007, the new Consumer Protection Act (Act No 250/2007 Coll.) (the "Act") came into effect in the Slovak Republic. We would like to highlight several new principles under the Act which are based on EC regulations as well as the initiatives of the Slovak legislator. To a large extent, the Act implements the EC Directive on General Product Safety, which introduced important new rules regarding the duties of traders and rights of consumers. Special executive legislation to the Act sets out detailed product safety requirements. In addition, the new Slovak regulation reflects national legislators' efforts to define certain basic terms and principles in this area, including the prohibitions on consumer deception and intimidation, and "aggressive commercial practices."

Key Changes

In terms of the duties imposed on traders, the Act prohibits "unfair commercial practices" in accordance with the EC Unfair Commercial Practices Directive. In this context, "unfair commercial practices" are understood as any practices that contravene the requirements of due professional diligence, or which substantially distort or are likely to substantially distort economic behaviour related to the product with respect to either (a) the average consumer whom it reaches or targets, or (b) the average member of a particular group of consumers if the practices target a particular consumer group. This broad definition provides state authorities with extensive scope for the enforcement of their powers and the strict control of product sales. As a general principle, the Act aims to curtail commercial practices that might mislead or coerce the consumer, or exploit his/her incautiousness or lack of experience; the potential for such abuses applies even where the trader provides information that is true and correct.

Under the new legislation, three major examples are given of unfair commercial practices: misleading acts, misleading omissions, and aggressive commercial practices. In addition, Appendix No. 1 to the Act sets out a list of 23 misleading and 8 aggressive commercial practices that will be considered unfair in all circumstances. The ban on misleading practices aims to protect consumer rights, including industrial property rights. As such, commercial practices will be considered misleading if they involve any product marketing (including comparative advertising) that creates confusion with any products, trade marks, trade names, or other distinguishing marks of a competitor.

The list of always banned aggressive commercial practices under Appendix No. 1 extends to bait advertising; this is described as any invitation of consumers to purchase products at a specified price where the trader has reasonable grounds to believe that it will not be able to supply, or to ensure that another trader supplies, those or equivalent products at that price for a period and in quantities that are reasonable given the product, the scale of the advertising campaign, and the offered price.

Significantly, the standard of conduct imposed on traders under the Act is that of public decency, and examples are cited of conduct that is *contra bonos mores*. Such conduct is either (i) contrary to widespread conventions, and it deviates from the ethical standards generally accepted for the sale of the product, or (ii) it threatens to harm the consumer through a violation of good faith, honesty, and/or established traditions and practices

based on the exploitation of a mistake, trick, threat, or marked disparity between the contractual parties, and/or through a breach of the consumer's freedom of contract. In order to protect consumers from speculative sales, the trader is not permitted to impose any obligation on the consumer that has no legal basis, or to restrict the sale of one product based on the purchase of another product.

The new legislation also indirectly regulates the practices of traders in the area of media advertising since it prohibits certain promotions as misleading commercial conduct. In this regard, there is a ban on advertorials (i.e. hidden advertisements), which are described as use of editorial media content to promote a product where the trader fails to make its payment for such promotion clear in that content or in images or sounds clearly identifiable to the consumer. Persons other than the trader, producer, importer, or provider who breach this obligation are subject to a maximum fine of SKK 10,000 per breach. The sanctions which may be imposed under the Act are outlined below.

In terms of product pricing information, the new Act carries over the rules from the previous legislation. In particular, it stipulates that the trader's statements to the consumer about product pricing must not create the impression that the delivery of the product, performance, work, or service is included if such items are actually charged separately. In addition, the trader must not create the impression that the price has been, (or will be), increased, dropped, or unchanged if this is not accurate.

The Act aims to achieve more effective consumer protection by empowering the state authority to issue preliminary injunctions for the purpose of excluding dangerous products from the market, prohibiting unfair commercial practices, or reacting to other important findings of supervisory bodies. Given the very broad definition of "unfair commercial practices" under the Act, it is difficult to predict the scope of future uses of such preliminary injunctions. State decisions may be appealed, however the lodging of an appeal will not delay enforcement of the injunction; the public body must decide any appeal within five days of its submission.

As regards sanctions that may be imposed on the trader, the maximum penalty for breach of the Act is generally SKK 2 million, and this may increase up to SKK 5 million in the case of a repeat violation within a 12-month period. Where a defective product has caused damage to life or health, the trader may be fined up to SKK 10 million. In keeping with the Unfair Commercial Practices Directive, the Act encourages traders to maintain self-regulating practices. Where a party adheres to a particular code of conduct established, for example, by the trader itself or a larger group of traders, it may be subject to regulation by that code in addition to any court or administrative proceedings. The Act does not define any other conditions or rules in this regard.

Practical Impact

Broadly speaking, the new Consumer Protection Act appears to be very favourable to consumers. Nevertheless, certain problems may be expected with regard to its interpretation and use, particularly where administrative proceedings are brought by supervisory bodies. Should you require further information on these detailed issues, we would be pleased to clarify any points of interest.

S účinnosťou od 1. júla 2007 bol v Slovenskej republike prijatý zákon č. 250/2007 Zb., o ochrane spotrebiteľa. Zákon priniesol v tejto oblasti niektoré nové prvky a princípy ochrany spotrebiteľa, vychádzajúce ako z práva ES, tak i zo strany samotných legislatívco, na ktoré si dovoľíme týmto upozorniť. Výraznou súčasťou zákona sú právne normy prijaté na základe prevzatia smernice o všeobecnej bezpečnosti výrobkov, upravujúce povinnosti predávajúcich a práva spotrebiteľov, ktorých ďalšie podrobnosti o požiadavkách na bezpečnosť výrobkov stanoví zvláštny právny predpis. Zo zákona vyplýva snaha legislatívco definovať určité zásady/ zakázané konania, ako princíp zákazu šikanovania, či zastrasovania spotrebiteľa a definovanie tzv. agresívnej obchodnej praktiky alebo zákaz hier pyramidového typu.

Z pohľadu povinností predávajúcich je potreba upozorniť hlavne na princíp zákazu nekalých obchodných praktík ako súhrn právnych noriem vytvorený prevzatím smernice o nekalých obchodných praktíkách. Za nekalú obchodnú praktiku sa všeobecne považuje obchodná praktika v rozpore s požiadavkami odbornej starostlivosti, alebo podstatne narušujúca, alebo ktorá môže podstatne narušiť ekonomické správanie priemerného spotrebiteľa vo vzťahu k výrobku, ku ktorému sa dostane alebo ktorému je adresovaná (alebo správanie priemerného člena skupiny, ak je obchodná praktika orientovaná na určitú skupinu spotrebiteľov). Táto všeobecná definícia dáva orgánom štátneho dozoru široké možnosti výkonu ich právomoci a posudzovania spôsobu predaja výrobkov, prístup správnych orgánov k veci sa však ukáže až v praxi. Zákon okrem toho rozsiahle demonštratívne definuje hlavné príklady nekalých obchodných praktík, a to klamlivé konanie a klamlivé opomenutie konania a agresívnu obchodnú praktiku. Nadto zákon v prílohe stanovuje zoznam 23 klamlivých a 8 agresívnych obchodných praktík, ktoré sa za každých okolností považujú za nekalé, prevzatý zo smernice. Obecne možno povedať, že cieľom zákonodarca je obmedzenie akýchkoľvek obchodných praktík, ktoré by boli vo vzťahu k spotrebiteľovi zavádzajúce, využívali by jeho nepozornosť či neskúsenosť, resp. by pôsobili voči nemu nátlakovo; a to aj v prípade, ak informácie samé o sebe sú pravdivé a vecne správne.

Z pohľadu priemyselných práv a pravidiel hospodárskej súťaže možno spomenúť osobitne aj to, že za klamavú praktiku sa považuje aj tá, ktorá zahŕňa marketing výrobku vrátane porovnávacej reklamy, ktorý spôsobuje nebezpečenstvo zámeny s akýmkoľvek iným výrobkom, ochrannou známkou, obchodným menom alebo iným rozlišujúcim znakom účastníka hospodárskej súťaže. Ďalej si dovoľíme zo zoznamu nekalých a agresívnych obchodných praktík, ktoré sa za každých okolností považujú za nekalé, upozorniť napr. na tzv. vábivú reklamu. Tou sa rozumie výzva na kúpu výrobkov za stanovenú cenu bez toho, že by predávajúci zverejnil akékoľvek rozumné dôvody, pre ktoré môže predpokladať, že nebude schopný dodať (alebo zariadiť dodávku iným predávajúcim) tieto výrobky alebo rovnocenné výrobky za túto cenu, v čase alebo v množstve, ktoré sú rozumné vzhľadom na výrobok, rozsah reklamy výrobku a ponúknutú cenu. V oblasti povinností predávajúceho si dovoľujeme upozorniť na novú právnu normu v podobe zákazu konania v rozpore s dobrými mravmi, kde zákon demonštratívne stanovuje takéto druhy konania. Takýmto konaním sa rozumie najmä konanie, ktoré je v rozpore so vžitými tradíciami a ktoré vykazuje zjavné znaky

diskriminácie alebo vybočenia z pravidiel morálky uznávanej pri predaji výrobku, alebo môže privodiť ujmu spotrebiteľovi pri nedodržaní dobromyselnosti, čestnosti, zvyklosti a praxe, využíva najmä omyl, lesť, vyhrážku, výraznú nerovnosť zmluvných strán a porušovanie zmluvnej slobody. Podmienky predaja sú ďalej viazané napr. zákazom ukladať spotrebiteľovi povinnosť bez právneho dôvodu a zákazom viazať predaj výrobku na predaj iného výrobku.

Zákonodarca tiež nepriamo ukladá povinnosti v oblasti reklamy v médiách. Zákaz skrytej reklamy ako nekalej obchodnej praktiky spočíva v zákaze využívania priestoru v médiách, za podmienky, že predávajúci zaplatil za podporu predaja, bez toho, že by to bolo vysvetlené v obsahu alebo obrazom, alebo zvukom jasne identifikovateľné pre spotrebiteľa. Za porušenie tejto povinnosti môže byť osoba inej ako predávajúcemu, výrobcovi, dovozcovi, dodávateľovi uložená pokuta za spáchanie priestupku do výšky 10.000,- Sk, predávajúci je viazaný všeobecnými sankčnými ustanoveniami zákona.

Dovoľujeme si upozorniť na požiadavky na informovanie spotrebiteľa o cene, prevzaté z pôvodného zákona, a to, že informácia o cene nemôže vzbudzovať dojem, že v cene služby je zahrnutá dodávka výrobku, výkonu, práce alebo služby, za ktoré sa v skutočnosti platí osobitne; cena nesmie vzbudiť dojem, že je (alebo môže byť) zvýšená, znížená alebo nezmenená, aj keď to tak nie je.

Zákon stanovuje nový prostriedok priamej ochrany spotrebiteľa prostredníctvom právomoci orgánu dozoru predbežným opatrením zakázať uvádzanie výrobku, ktorý nie je bezpečný, na trh, zakázať nekalú obchodnú praktiku, resp. v prípade iných vážnych kontrolných zistení. S ohľadom na vyššie uvedenú veľkorysú definíciu nekalej obchodnej praktiky možno ťažko predpokladať budúci rozsah používania predbežného opatrenia zo strany orgánov kontroly. Proti tomuto rozhodnutiu je možné podať námietky bez odkladného účinku, ktoré je orgán dozoru povinný vybaviť do piatich dní. Obecne je možné za porušenie povinností podľa zákona uložiť zodpovednému subjektu pokutu do výšky 2 miliónov korún, v prípade opakovania porušenia v rámci 12 mesiacov sa horná hranica zvyšuje na 5 miliónov. V prípade výrobku, vada ktorého spôsobila ujmu na živote alebo na zdraví horná hranica činí 10 miliónov Sk. Upozorňujeme tiež na subjektívnu lehotu pre uloženie pokuty zo strany správneho orgánu, ktorá činí 1 rok od zistenia porušenia povinností, objektívna lehota je 3 roky.

Na základe smernice o nekalých obchodných praktíkách zákon tiež stanovuje možnosť samokontroly predávajúcich, ktorí sa zaviazu dodržiavať zvláštny kódex správania upravujúci správanie vo vzťahu k obchodnej praktike alebo určitému obchodnému odvetviu nad rámec zákonných povinností, vytvorený bližšie neurčeným subjektom vrátane samotného predávajúceho alebo skupiny predávajúcich. Zákon dáva možnosť vnútornej kontroly dodržiavania kódexu správania jeho tvorcom mimo súdneho a správneho konania, ich vzájomný vzťah ďalej neupravuje.

Všeobecne možno zákon ohodnotiť ako veľmi veľkorysý vo vzťahu k spotrebiteľom s tým, že jeho aplikácia v praxi priniesie nemalo problémov s jeho výkladom a použitím a to hlavne v správnom konaní iniciovanom orgánmi dozoru. S ohľadom na rozsiahlosť a komplikovanosť tejto problematiky Vám v prípade záujmu radi poskytneme ďalšie informácie.

Czech Supreme Court Rules on Criminal Liability for Trademark Infringement

In a recent decision, the Czech Supreme Court decided on the conditions for criminal liability in a trademark infringement situation where the customs authorities discovered almost three thousand pairs of counterfeit shoes of a well-known brand during a random check on the motorway. The driver of the vehicle concerned was subsequently prosecuted and fined by the criminal court. Following an extraordinary appeal by the accused, the case went to the Supreme Court, which overturned all previous judgments on the basis that (a) it was necessary to establish the accused's knowledge of the counterfeit nature of the goods, and (b) the question of whether trademark infringement had occurred, including the assessment of the similarity or identity of the marks involved, was one of law and not of fact (and thus, might not be the subject of expert opinions) and the courts might only refer to such

expert opinions to establish whether in the concrete circumstances of the case, the counterfeit nature of the goods could have been clearly established (even by a layman).

It remains to be seen how the courts will deal with situations where it is necessary to call upon an expert to establish whether goods are counterfeit, particularly since the level of sophistication of counterfeiters and the quality of pirated goods are steadily rising. The approach taken by the Supreme Court indicates, however, that the fastest and most effective way to combat the counterfeiting of goods is to cooperate with customs authorities on prevention measures. Criminal law enforcement should only be pursued only in cases of obvious, deliberate, and wilful infringements of intellectual property rights.

Court Clarifies Uncertain Wording of Customs Procedures Act

Until recently, it was unclear whether the phrase "holder of the goods" under Section 14 para 1 letter a) of the Customs Procedures Act referred only to the legal owner of those goods, or it extended to anyone who in fact exercised control over the goods, including transport companies, such as forwarding agents, carriers, and shipping companies.

This uncertainty has now been clarified, however, following a recent judgment of the Municipal Court of Prague. According to this judgment, the queried phrase should cover any person who actually disposes of the goods, including forwarding agents, carriers, and shipping companies.

As a result, any companies which import goods for a third party and then store or transport them will now be treated as holders of those goods. Customs authorities may order these companies to

destroy the goods at their own cost if they prove to be counterfeit or pirated. In such cases, the legal relationship between those bound to destroy the goods and the person for whom they were imported will remain governed by private law. This relationship will have no effect on the duty to destroy the goods.

This Municipal Court decision has significant practical consequences for future court proceedings regarding the detainment of counterfeit goods by customs. As well as expanding the class of persons who can be sued, it entitles plaintiffs to recover the costs of proceedings from established transport and forwarding companies as well as the legal owner of the imported goods. This option will be particularly important in the numerous cases where the legal owner of imported goods lacks sufficient funds or cannot be identified.

Pioneering IP litigation

In autumn 2007, our offices took part in two cases on preliminary injunctions in which Slovak and Czech courts showed innovative approaches to intellectual property litigation. In the first, a Slovak county court issued a preliminary injunction based on a registered Community design, and the infringing products were directly depicted in its verdict. In

the second, a Czech regional court granted a preliminary injunction in order to protect our client from attacks from a registered trademark holder.

We believe these recent proceedings reveal the considerable expertise of national courts in the area of intellectual property litigation.

Effective Trademark Rights Enforcement



Poor cost-effectiveness is one of the main problems facing the current Czech system of trademark and other IP right enforcement. In customs detainment cases, for example, state enforcement bodies are now ready to apply relevant administrative procedures according to Council Regulation (EC) No. 1383/2003 of July 22, 2003 (on customs actions against goods infringing, or suspected of infringing, certain IP rights) as well as the corresponding national laws (including Czech Customs Detention Act No. 191/1999 Coll., and Consumer Protection Act No. 634/1992 Coll.). Given, however, that the quantities of detained goods vary from one item to tens of thousands of counterfeit goods, we believe

that the costs of any actions by right-holders should be weighed against the effectiveness of those actions.

Our offices are experienced in developing strategies that ensure the efficiency, speed, and cost-effectiveness for our clients of any enforcement steps or dealings with state enforcement bodies. Our recent assignments have included the development of complex administrative strategies to enforce the trademark rights of Horsefeathers, the first clothing industry brand originating in Central Europe to be subject to counterfeiting. For further information regarding our expertise and services in this area, please do not hesitate to contact us.