

# Commercial registry law still flawed

Legislative bodies indirectly achieved a very different goal when implementing the new regulations that came into force July 1 last year aimed at accelerating and simplifying procedures at Czech registration courts: the facilitation and encouragement of foreign investment.

The Czech business community had long been pushing for a more efficient registration procedure. Supporters of the amendment to the original law had expected that the introduction of mandatory maximum periods for the completion of sections of the process would greatly speed up the process in commercial registries.

Today, a commercial court must respond to an application within 10 days. The courts have successfully followed the mandatory time frames in practice. If a court fails to respond before the expiration of the period, registration is deemed approved. As of July 1, 2006, the period will be reduced to five working days.

However, this doesn't mean that an applicant can simply apply and expect to receive approval from the respective court in 10 (and soon five) days. In many cases, the court issues an official written decision regarding the application. In such a case, a period of 10 days is only for the court to make a decision, while the written execution and subsequent delivery to the applicant may take another 15 days. Finally, an additional 15 days may pass before the decision of the court has entered into full force, unless the applicant waives the right to appeal.

To sum up, the applicant shouldn't expect to have a new, updated

extract from the commercial registry earlier than one month after applying. Nevertheless, compared to the situation before the law was amended, the improvement is substantial.

## Registration for laypeople?

Another intended effect of the amended law is that everyone, even people without any legal knowledge or prior experience with the registration courts, should be able to file an application, using the application forms for registration with commercial registers, which include a list of the necessary annexes. In reality,

Despite the mandatory 10-day response time, applicants shouldn't expect an updated extract from the commercial registry in less than 30 days

however, lawmakers' expectations for an improved registration process haven't been met. Data from several courts shows that more than 50 percent of all submitted applications have been rejected. In the first few months after the amendment came into force, an incredible 80 percent of applications were rejected.

The amendments to the original law on registration should have described in detail which documents must be submitted for a correct application, but the changes were poorly drafted and often very unclear on specifics. Furthermore, in many cases they were not in compliance with existing law, or merely state that the applications should include other

documentation required by law; the legislation, therefore, still fails to offer reliable guidance to the public.

Moreover, under the new legislation, the courts aren't obliged to inform the applicant about what part of the application was incorrect and what must be changed. Instead, a court may reject or dismiss an application as a whole. Any error appearing in an application won't be overlooked. Applicants don't receive a second chance to correct mistakes and are forced to file an entirely new application. Sources from the Ministry of Justice say that work has

started on a new bill to remedy this situation, but it's not yet known when the new bill will go into effect.

## Unintended complications

The new law should also have assisted the courts in that various legal statements, which are an integral part of the application, have to be substantiated in the form of a public notary record. If so, the courts no longer need to examine the material accuracy of the statements, as the documents should already have been verified through the issued notary record. In reality, however, courts don't entirely trust notaries and often feel obliged to review still



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much room for improvement in this respect.

Under the previous law, court decisions and other documents had to be delivered to various people, such as shareholders or members of the board of directors or supervisory board, who might be subject to the applied changes as participants in registration proceedings. This stipulation meant a loss of time during the delivery of those decisions and the period in which those individuals could appeal. Under the new law, however, it's sufficient for the affected person to declare his or her consent with the change by including a certified signature with the initial application.

We can conclude that the new law means an indispensable acceleration in the registration procedure. However, some problems remain unresolved. In particular, the requirements for which documents must be attached to the application as its annexes must be clarified. Without that clarification, applicants still require support and advice from attorneys — a state of affairs that was neither the intention of lawmakers nor the expectation of the business community. ■

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## letter to the editor

### Nokia: misleading conclusions

The last issue of the *Czech Business Weekly* published an article questioning the methods used by Nokia as part of its tender for a new PR agency. According to the article, the tender was non-transparent and unprofessional in terms of the way it was handled. These statements are incorrect. Nokia had announced a tender that was transparent and open to anyone who wanted to participate. This is in line with Nokia's global strategy. That is why it was announced in industry-specialized media.

Contrary to the claims made in the article, the tender contained a clearly defined description of tasks, requirements, rating criteria and timelines. This is also confirmed by

non-anonymous statements in the article, which say that the assignment of the tender was detailed and not unusual. The claims made by the author's "unnamed sources," alleging that the tender was unprofessionally handled, are not based on facts, but rather on the feelings and emotions of the supposed participants and "close sources."

In all tenders, one candidate ends up being chosen and the others, unfortunately, are not. That is the way things work. In summary: Nokia announced and organized a transparent tender that conformed to its global standards. We ended up selecting the PR agency that we considered to be the best. Please be aware that the Nokia teams here in the Czech Republic, as well as in Finland, are

very disappointed with the article and feel as if we are being punished for running a fair and open tender. Articles like this will make companies think twice in the future about running open tenders.

*Victor Saeijs  
Managing Director  
Nokia Czech Republic*

### Author's reply

CBW carried out extensive research and conducted numerous interviews ahead of writing the article "*Nokia doesn't connect on PR tender*," published Feb. 20, 2006. Quoting sources who don't wish to be named (while revealing their identities in confidence to the publication's editors,

who may then assess the value of the information) is a legitimate journalistic practice, protected by media legislation in most democratic countries.

For several weeks, CBW sought comment from Nokia representatives based in the Czech Republic, Finland and Hungary in response to the criticism of PR agencies that had participated in the tender and from other insiders. In the end, the company only provided a very general statement about the tender, part of which was published in the article. Nokia's limited response to the criticisms was likewise included. Nokia was given every opportunity to make its case.

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