



Legal update

May 2025

Weinhold Legal

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The information contained in this bulletin is presented to the best of our knowledge and belief at the time of going to press. However, specific information related to the topics listed in this bulletin should be consulted before any decisions are made.

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News in legislation

Amendment to the Consumer Protection Act and the Civil Code

The Ministry of Industry and Trade of the Czech Republic is preparing an amendment to the Consumer Protection Act and the Civil Code, which responds to the requirements of Directive (EU) 2024/825 of the European Parliament and of the Council, the aim of which is to strengthen the position of consumers in the transition to a green economy and at the same time to increase the transparency and truthfulness of environmental claims about products and services.

The new legislation aims to curb "greenwashing", i.e. misleading marketing that gives the impression that a product is environmentally friendly without objective evidence. Generic environmental claims such as "climate neutral" or "environmentally friendly" will be banned unless they can be demonstrated through a so-called recognised excellent environmental profile (e.g. the EU Ecolabel). The law will furthermore prohibit the use of so-called sustainability labels that are not based on a certification scheme or have not been approved by a state body.

Another novelty is the extension of the so-called "black list" of unfair commercial practices (unfair, i.e. prohibited, practices in all circumstances). The new prohibited practices will include, for example, concealing the effect of software updates on the functionality of equipment, artificially reducing the lifetime of products (e.g. by using built-in "cartridges"), misrepresenting irrelevant benefits (e.g. that water is gluten-free) or misleading information about the reparability of products. The law also aims to raise consumer awareness - sellers will now be obliged to provide detailed information on product lifetime, reparability, availability of spare parts and software updates before concluding a contract. This information will be provided in the form of harmonised labels and notices, the design and content of which will be determined by the European Commission. The aim is to enable consumers to make better choices based on comprehensible and uniform information.

Another important change is the promotion of product repair instead of replacement. If a consumer chooses repair of a defective product as a remedy, he will now have an extended period for exercising (any further) rights under the defective performance for a further 12 months, i.e. a total of 3 years. The seller will also be obliged to inform the consumer of this benefit in advance. This is to encourage the consumer to opt for repair instead of replacement, thereby reducing the amount of unnecessary disposal of products and encouraging sustainable consumer behaviour.

The forthcoming amendment also takes into account Regulation (EU) 2024/3228 abolishing the European platform for out-of-court settlement of consumer disputes (ODR platform). The Czech legal order will adapt to this change by removing all provisions related to this platform, including the relevant provisions on offences and supervisory authorities. The end of the ODR platform is due to take place on 20 July 2025.

Case law updates

Dismissal of an (otherwise well-founded) claim under section 2(3) of the Civil Code (principle of the prohibition of cruelty and wantonness)

(Judgment of the Supreme Court of the Czech Republic, Case No. 27 Cdo 2293/2024 of 25 March 2025)

The Supreme Court ruled on a dispute concerning the liability of a former managing director of a limited liability company (the defendant) for the company's obligations to the plaintiff. The plaintiff sought



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a decision on the defendant's liability and payment of CZK 4,000,000 on the basis of alleged breach of duties in the performance of her duties as managing director under section 68 of the Business Corporations Act (the "B.C. Act").

The Regional Court in Hradec Králové dismissed the claim, despite finding that the prerequisites for liability under section 68 of the Civil Code were met. The court took into account the fact that the applicant had already received more than the principal of the debt from the inheritance proceedings of the defendant's former husband, that the defendant was caring for three minor children with serious disabilities and that her financial circumstances were limited. The High Court of Appeal in Prague confirmed this approach and agreed with the opinion of the Court of First Instance, even though the prerequisites for the defendant's liability under Section 68 of the Civil Code were fulfilled.

The plaintiff appealed against the judgment of the Court of Appeal to the Supreme Court, arguing that the lower courts had wrongly assessed the formal performance of the function of managing director as a breach of due care and that they were not entitled to refuse to apply statutory liability solely on the basis of the defendant's personal situation.

The Supreme Court dismissed the appeal in part as inadmissible and in part as admissible, since the question of whether the application of section 68 of the Civil Code can be restricted in the light of section 2(3) of the Civil Code (the principle of the prohibition of cruelty and recklessness) has not yet been resolved in case law.

In its judgment, the Supreme Court stated that the explanatory memorandum to section 2(3) of the Civil Code emphasises that the true meaning of the law must be observed not only in its interpretation but also in its application, the most important criterion being the aspect of justice. Legal constructions are to be acceptable to ordinary human sensibilities and must be applied with due regard to the public's sense of justice. The Supreme Court's decision-making practice is based on the fact that section 2(3) of the Civil Code is a legal norm with a relatively abstract hypothesis, where the court must take into account a wide range of circumstances at its discretion in each particular case. In doing so, however, it must not take into account only the personal and financial circumstances of one party, which is also relevant in the case of the defendant, who is financially secure, inter alia, by owning two properties.

The findings of fact of the courts of both instances show that the defendant accepted the position of managing director knowing that she would only formally perform it as a so-called "white horse", motivated by the promise of security for herself and her children. The Supreme Court emphasised that even if the ordinary person is not familiar with the standard of care of a good manager, the concept of a 'white horse' is sufficiently familiar in the minds of the general public and it must be clear to any reasonable person of average intelligence that such conduct constitutes a breach of the duties of a managing director. Therefore, the defendant breached her duties with at least an indirect intent, knowing that its conduct might be unlawful and with that knowledge.

According to the civil law principle that no one may be denied what is rightfully his, an otherwise well-founded action may be dismissed with reference to Article 2(3) of the Civil Code only in exceptional cases, and the defendant's adverse personal and financial circumstances do not in themselves constitute such an exception. The Supreme Court therefore concluded that where someone deliberately breaches his legal duty and thereby creates a right in another person who has not contributed to the breach, it is neither reckless nor cruel for such a right to be asserted and granted in court. In the present case, therefore, the Court of Appeal erred in failing to take into account all the relevant facts, in particular the manner of the defendant's breach of duty, and dismissed the action solely on the basis of section 2(3) of the Civil Code, which the Supreme Court found to be unreasonable and an error of law.

Business corporations controlled by siblings. Are they close persons?

((Judgment of the Supreme Court of the Czech Republic, Case No. 29 Cdo 39/2024, dated 31. 3. 2025))

The judgment concerns an incidental dispute brought by the insolvency administrator of a joint stock company (the debtor) against a limited liability company (the defendant). The essence of the dispute was a counterclaim under the Insolvency Act, in which the insolvency administrator challenged legal transactions between the two commercial corporations as ineffective against creditors. The insolvency administrator argued that the debtor had not provided adequate consideration and that the transactions were advantageous legal acts made at the time of insolvency or leading to insolvency, which should have fulfilled the conditions for the contestability of those transactions.

The central legal issue addressed by the courts of all instances was whether a close relationship existed between the debtor and the defendant pursuant to Article 22(2) of the Bankruptcy Act, or whether the favourable three-year test for the opposability of legal acts pursuant to Sections 240 and 241 of the Insolvency Act could be applied on the basis of that relationship. The insolvency administrator argued that there was a link between the two companies through natural persons - brothers, one of whom controlled the debtor and the other the defendant. On the basis of that connection, the relationship between those companies should have been qualified as a close relationship.

The insolvency court (court of first instance) dismissed the claim in its entirety, stating that it had not been proven that the parties were close or that they were companies forming a group. The Court of Appeal upheld that conclusion in relation to certain disputed legal transactions (the remainder of the case was referred back to the Court of First Instance). The Court of Appeal also held that there was no relationship of close persons, since the fact that the controlling persons of the two companies were brothers did not in itself establish the status of close persons between those legal entities. The Court of Appeal explained that Section 22(2) of the Civil Code applies, inter alia, to the relationship between a legal person and a person who substantially influences it as a member of its statutory body, a shareholder or by virtue of an agreement or other fact - and that the defendant had not proved that such a situation existed in the present case.

The insolvency administrator filed an appeal against the affirmative judgment of the Court of Appeal. According to the Supreme Court, the relationship between the debtor (a joint-stock company) and the defendant (a limited liability company) was not a relationship between a legal person and a member of its statutory body, nor was it a relationship between a legal person and one who substantially influences the legal person as a member (shareholder). Nor, according to the Supreme Court, could it be a relationship between a 'legal person' (a joint stock company) and 'one' (a legal person which is a limited liability company) who substantially influences the legal person (a joint stock company) on the basis of an 'agreement' or 'other fact' (Section 22(2) of the Civil Code in fine). The existence of an 'agreement' was not even alleged by the appellant in the case in question. Only the sibling relationship of the natural persons who control the business corporation cannot be regarded as an 'other fact' without more.

Therefore, the Supreme Court concluded that the fact that a limited liability company is controlled by a natural person who is a close (sibling) of the natural person who controls the joint stock company does not make the limited liability company the one who substantially influences the joint stock company; the legal transaction between the joint stock company and the limited liability company cannot be regarded as a legal transaction between close persons for that reason alone (Section 22(2) of the Civil Code).



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