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# Enforcement of Judgments 2023

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## **Czech Republic: Law & Practice**

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# CZECH REPUBLIC



## Law and Practice

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PRK Partners s.r.o. attorneys at law is a leading full-service law firm with over 100 legal and tax professionals and a presence in both the Czech Republic and Slovakia. In its 30 years of outstanding service, PRK has worked on many of the region's largest and most complex transactions, combining local law expertise with an international perspective. PRK also has a team of lawyers specialising in litigation and dispute resolution who co-operate closely with the firm's other attorneys and tax advisers. This

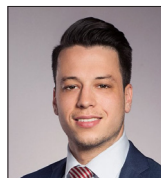
teamwork, combined with an interdisciplinary approach, enables PRK to represent clients in a wide range of matters and proceedings. PRK currently represents clients in more than 70 pending claims, worth more than CZK40 billion. The firm also has a team specialised in collective administration and enforcement of receivables and its own system of standard procedures. PRK currently manages more than CZK2 billion in client receivables.

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# CZECH REPUBLIC LAW AND PRACTICE

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## 1. Identifying Assets in the Jurisdiction

### 1.1 Options to Identify Another Party's Asset Position

In the Czech Republic, there are various options for identifying another party's asset position; however, their availability may depend on whether such information is sought before or after a relevant enforceable decision has been issued against such other party. Generally, the options to identify another party's assets are more limited when no enforceable decision has been issued.

#### Asset Identification Prior to a Court Dispute

The Czech Commercial Register contains diverse information about ownership structures and ownership interests in companies. The extent of such information sometimes depends on the type of the legal entity – shareholders are always listed for limited liability companies, whereas that may not always be the case for joint stock companies. The Commercial Register also generally contains a company's financial statements and minutes from corporate bodies' meetings which may provide additional information pertaining to a party's asset position (for more information see <https://or.justice.cz/ias/ui/rejstrik>).

In 2021, the Register of Ultimate Beneficial Owners was introduced in the Czech Republic. The Register should contain information concerning ultimate beneficial owners of all companies (for more information see <https://esm.justice.cz/ias/issm/rejstrik>).

Information about ownership and other rights to real estate property can be found in the Real Estate Register (Cadastre of Real Estate) with free basic access; extended features and infor-

mation are available upon payment of a fee (for more information see <https://nahlizenidokn.cuzk.cz/>).

The Insolvency Register provides detailed information about all ongoing and past (up to five years back) insolvency proceedings. It can be used, inter alia, to verify whether a party has been declared bankrupt, to register one's receivable in the corresponding insolvency proceedings and to assess a bankrupt debtor's situation (for more information see <https://isir.justice.cz/isir/common/index.do>).

The Central Evidence of Executions contains information on whether any enforcement orders have been issued against a party, and this is accessible for a small administrative fee (for more information see [www.ekcr.cz/1/centralni-evidence-exekuci/22-centralni-evidence-exekuci?w=](http://www.ekcr.cz/1/centralni-evidence-exekuci/22-centralni-evidence-exekuci?w=)).

#### Asset Identification After an Enforceable Decision Is Issued

Once an enforceable decision is issued against a party in the Czech Republic, the party seeking enforcement of such decision may request the appointment of an executor who has extensive means of identifying and seizing assets of judgment debtors. We look at this in more detail in the following sections.

#### Preliminary Injunctions

It is possible to temporarily freeze assets before a final and enforceable decision is issued, or even before a claim is filed, by way of a preliminary injunction. A court may, for example, prohibit a party from managing or disposing of certain assets (through the sale, pledge, etc thereof) or freeze a party's bank account on the basis of a preliminary injunction. However, a preliminary injunction may only be issued if the

applicant proves that (i) it is necessary to temporarily adjust the relations between the parties or (ii) there is a legitimate concern that enforcement of the final decision could be jeopardised if the preliminary injunction were not issued. The party seeking the injunction must identify the specific assets which are to be affected by the injunction, ie, a preliminary injunction will, for example, not be awarded if a party seeks the freezing of “all assets” of the counterparty unless such assets are sufficiently specified.

## 2. Domestic Judgments

### 2.1 Types of Domestic Judgments

In general, final judgments may result in a payment obligation, an obligation to perform or refrain from certain actions (specific performance), or a declaration that a certain disputed right or relationship exists or does not exist.

Apart from a regular judgment, which is normally issued upon the conclusion of regular proceedings, final judgments can also have the following forms.

- A judgment on the basis of fiction of acceptance is issued in the event that the defendant fails to provide a statement of defence within the deadline of at least 30 days provided by the court. Similarly to the above, the grounds for appeal against a judgment on the basis of fiction of acceptance are limited in comparison to regular judgments.
  - A payment order is issued in expedited proceedings following the claimant’s application. The payment order is then served on the defendant, who can either pay the claimed amount or file an objection within 15 days of service (and supplement such objection within an additional period of 30 days). If an objection against the payment order is filed (and supplemented) within the deadline, the dispute continues in standard proceedings. However, if the defendant fails to file (and supplement) an objection or pay the claimed amount, the payment order becomes enforceable after the expiry of the aforementioned deadlines.
  - An electronic payment order is issued in expedited proceedings following a claimant’s application filed using a standardised form. Applications for electronic payment orders may only be filed with respect to claims of up to CZK1 million; the procedure is otherwise the same as for payment orders (above). The court fee for an electronic payment order application is slightly lower than for a standard claim.
  - A European payment order is issued in expedited proceedings in cross-border matters following the claimant’s application under Regulation (EC) No 1896/2006 of the European Parliament and of the Council of 12 December 2006 creating a European order for payment procedure. This allows creditors to recover their uncontested civil and commercial claims using a uniform procedure that
- A default judgment is issued in the event that the defendant, who was duly summoned, fails to appear at the first hearing in the proceedings without an excuse. Provided that the facts and evidence presented by the claimant confirm the validity of the claim, the judgment is issued in the claimant’s favour. The grounds for appeal against a default judgment are limited in comparison to regular judgments. The defendant may essentially only appeal such a judgment on the basis of the fact that the conditions for issuing such judgment were not met or that the basic procedural requirements were not fulfilled.

operates on the basis of standard forms. The limit for European payment order applications in the Czech Republic is CZK1 million.

Interim judgments may be issued during the course of ongoing proceedings; the court may, for example, determine that the claim has merit before appointing an expert to determine the exact amount to be awarded in the final judgment.

Partial judgments may be issued to finally decide on a specific and separate part of a dispute while the remaining part, which may, for example, require the provision of further evidence, is resolved at a later stage in the final judgment in the proceedings.

## 2.2 Enforcement of Domestic Judgments

There are essentially two options available for enforcing domestic judgments in the Czech Republic. Initially, the only available enforcement option was judicial enforcement, ie, enforcement performed by a court and its employees. Over the course of the years, this option has proven to be very ineffective in terms of both the time it takes and the amounts enforced. In 2001 a new law was adopted, introducing the use of semi-private bailiffs, known as court executors (*soudní exekutor*) in the Czech Republic, which resulted in more efficient enforcement. Since then the vast majority of parties have chosen enforcement through execution proceedings, and judicial enforcement has become almost obsolete as an option for enforcement of domestic judgments.

Enforcement may be carried out with respect to almost any assets owned or possessed by a debtor, including attachment of earnings. There are certain exceptions for assets which cannot be seized in enforcement, such as those which

the debtor needs to satisfy their or their family's basic material needs, or objects required for the performance of work. The law also provides a monthly minimum financial amount which cannot be seized through enforcement proceedings. In 2023 this amount is CZK13,638 (approximately EUR570) plus one quarter of the above amount for any person in the debtor's care.

### Executor Enforcement

To commence executor enforcement, a creditor files a motion to an executor of the creditor's choice. The executor then forwards the motion to a competent enforcement court which, provided all formal requirements have been met, appoints the executor to carry out the enforcement of the judgment in question. Executors act as public officials during enforcement proceedings and associated actions.

Upon being authorised by the enforcement court, the executor identifies the debtor's assets and issues enforcement orders for the purpose of seizing such assets.

The executor has the authority to seize almost any assets that the executor is able to identify. For the purpose of asset identification, banks and other institutions are obliged to provide the executor with information about the debtor's accounts and any assets managed by such institution. The executor may also issue an order for attachment of the debtor's monthly earnings from their employer.

Before seizing any of the debtor's assets, the executor must provide the debtor with a 30-day period for voluntary payment.

Any seized assets that are not of a financial nature are then sold by the executor (usually in



a public auction) and the proceeds are paid to the creditor.

The main reason why executor enforcement is significantly more effective than judicial enforcement is that executors are financially motivated, as their remuneration depends on the amounts enforced. There are also certain attributes of judicial enforcement (set out below) which make it inefficient.

### Judicial Enforcement

Judicial enforcement is commenced following the creditor's application to the court. In the application, the creditor has to choose a particular method of enforcement and specifically identify the debtor's assets which should be seized by judicial enforcement. This is one of the largest disadvantages of judicial enforcement as opposed to executor enforcement because, unlike executors, creditors often do not have any way of identifying certain assets owned by the debtor, in particular bank accounts.

Provided that all formal conditions are met, the court will order enforcement in the manner specified by the creditor. The debtor may appeal this decision, with such appeal having a suspensive effect; consequently, enforcement cannot begin until the appeal is resolved. Provided that the debtor did not file an appeal or did not succeed with their appeal, enforcement is then carried out by the court's employees.

### Insolvency Proceedings

If a debtor has two or more creditors as well as outstanding debts which are more than 30 days overdue and which the debtor is unable to pay, insolvency proceedings may be initiated.

If a debtor is declared insolvent by the court, the proceedings may result in:

- bankruptcy, which leads to the liquidation of all of the debtor's assets and the proportional distribution of the proceeds thereof among all registered creditors whose receivables were not rejected by the court;
- reorganisation (only for businesses/entrepreneurs – both companies and individuals), under which the business continues to operate and a part of the registered receivables is gradually repaid in accordance with a reorganisation plan approved by the creditors' committee and the insolvency court; or
- debt elimination (only for individuals not operating a business), under which at least 30% of a debtor's registered receivables is repaid over the course of five years, or at least 60% of a debtor's registered receivables is repaid over the course of three years.

## 2.3 Costs and Time Taken to Enforce Domestic Judgments

### Execution Proceedings

The costs of execution proceedings are, in most cases, borne by the debtor or deducted from any enforced amount. The executor's fee is calculated on the basis of Decree of the Ministry of Justice No 330/2001 (the Executor Tariff) and ranges from 1% to 15% of the amount being enforced.

If the debtor does not object to the enforcement before a court, the duration of executor enforcement can be approximately six months. However, if the debtor objects, the process can last years. The time it takes to enforce a judgment will depend on multiple factors, such as the executor's effectiveness or the nature and traceability of the judgment debtor's assets.

### Judicial Enforcement

Judicial enforcement requires the payment of a court fee in the amount of 5% of the enforced



amount prior to the commencement of enforcement.

The expected length of judicial enforcement varies greatly depending on the chosen method of enforcement. In some cases, provided the debtor does not raise objections, enforcement can take less than six months (eg, if the debtor's receivable is to be assigned to the creditor). However, other methods of enforcement generally require the involvement of the court bailiff, which can extend the duration of the proceedings to several years, even if no objections are raised on the part of the debtor. On the other hand, if the debtor objects to the enforcement, the process can take at least several years regardless of the chosen method of enforcement.

## 2.4 Post-judgment Procedures for Determining Defendants' Assets

As indicated above, executors have extensive powers vis-à-vis banks, other financial institutions, administrative bodies (eg, the Labour Office, Land Register, Vehicles Register, etc) and employers, all of which are obliged to provide the executor with information pertaining to the debtor's assets maintained or managed by them or about the debtor's employment. They, furthermore, have to comply with any execution orders directed at the debtor's assets or earnings.

## 2.5 Challenging Enforcement of Domestic Judgments

The debtor may file a motion to terminate enforcement either within an initial 30-day period provided by the executor for voluntary payment of the debt owed or within 15 days after the debtor learns of reasons warranting termination of enforcement. A challenge of enforcement within the initial period automatically has a suspensive effect, while in the latter case the debtor

must also request the suspension of execution proceedings in the filed motion.

The grounds on which enforcement may be challenged by a debtor are identical for both judicial and executor enforcement and include the following.

- Enforcement was ordered although the judgment has not yet become enforceable.
- The judgment upon which enforcement is based has been reversed or has become ineffective after enforcement was ordered.
- Enforcement of a judgment affects items that are excluded from enforcement by law or property from which the receivable to be enforced may not be satisfied.
- It appears that the proceeds obtainable through enforcement will not be sufficient to cover the costs thereof.
- Enforcement affects property to which a person other than the debtor has a right, which prevents enforcement of the judgment.
- After a judgment had been issued, a right conferred by such judgment has expired. This objection cannot be used if enforcement has already been carried out.
- Enforcement is not admissible because of another reason for which the judgment cannot be enforced. (This last basis is very general and therefore allows the debtor to present the court with any reason which may be relevant in order for enforcement to be suspended or terminated.)

Enforcement of a pledge may be challenged in the event that the pledge has ceased to exist.

If a debtor challenges enforcement proceedings on the basis of the above grounds, the court will either terminate the enforcement proceedings

or dismiss the debtor's motion. Such a decision may be appealed.

## 2.6 Unenforceable Domestic Judgments

Under Czech law, it is not possible to enforce judgments that do not impose a specific obligation on any of the parties, ie, declaratory judgments which only confirm whether a certain right exists (eg, a judgment which confirms that a claimant is the rightful owner of certain assets).

## 2.7 Register of Domestic Judgments

There is no central register of judgments in the Czech Republic. There is a register of selected court decisions (with access subject to a fee), which mostly includes decisions of the Supreme Court and Constitutional Court as well as certain decisions of lower instance courts. However, the decisions contained therein are anonymised and the register is used mostly by lawyers for the purposes of case law research.

## 3. Foreign Judgments

### 3.1 Legal Issues Concerning Enforcement of Foreign Judgments

Recognition and enforcement proceedings under Czech national law are, especially in relation to property matters, simple—no formal recognition is needed, and there is no exequatur procedure in property matters. Property matters in this context are to be understood as any matters the result of which may impact the property of parties, ie, not only claims regarding ownership rights to property but also any claims for payment. Judgments in other than property matters (eg, personal status or family matters) require a separate decision on recognition, unless such requirement is ruled out by international treaties or conventions.

The Czech Republic is a member of the EU and a signatory to many multilateral and bilateral international treaties and conventions concerning easier recognition and enforcement of foreign judgments. The laws of the EU and provisions of international treaties take precedence over Czech national laws.

The most significant piece of EU law concerning enforcement of foreign judgments is Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the “Recast Brussels I Regulation”).

In the absence of any international laws or treaties applicable to a particular case, recognition and enforcement of foreign judgments is governed by Act No 91/2012 Coll., on international private law (the “International Private Law Act”).

### Recognition and Enforcement of EU Member State Decisions Under the Recast Brussels I Regulation

A foreign judgment from an EU member state is recognised in the Czech Republic without any special procedure being required. A judgment issued in an EU member state which is enforceable in that member state will be directly enforceable in the Czech Republic without any declaration of enforceability being required.

For the purposes of enforcing a judgment issued in another EU member state, the applicant seeking enforcement must provide the competent enforcement authority with the documents set out in Article 42 et seq of the Recast Brussels I Regulation.

Under Article 52 of the Recast Brussels I Regulation a foreign judgment may not be reviewed in

the member state where enforcement is sought as to its substance under any circumstances.

### Recognition and Enforcement of Foreign Judgments from Non-EU Countries

Under Section 14 of the International Private Law Act, foreign judgments are enforceable in the Czech Republic if they are final according to a confirmation by the corresponding foreign authority and if they have been recognised by Czech authorities.

As no special resolution is issued by a Czech court on the recognition of a foreign judgment in property matters, the defendant may raise any available defence either in an appeal against the court's decision ordering enforcement or at a later stage in a motion to terminate enforcement proceedings.

### Judicial Versus Executor Enforcement of Foreign Judgments

The process of enforcing foreign judgments by way of judicial or executor enforcement may now be initiated without the need for prior separate proceedings concerning the recognition of the foreign judgment, the enforcement of which is being sought.

Until the end of 2021, pursuant to previously applicable law, enforcement of foreign judgments issued outside of the EU could have been carried out by executors only if such decision had been recognised by a special decision under Section 16 of the International Private Law Act, and such decision had been issued prior to the motion for commencement of execution being filed. An amendment to Act No 120/2001 Coll, on court executors and execution activity, which came into effect on 1 January 2022, has, however, significantly simplified and streamlined executor enforcement of foreign judgments issued in

non-EU countries. The amendment has allowed judgment creditors to initiate execution proceedings without first having to obtain a court decision on recognition. Under currently applicable law, the judgment creditor may request recognition of the judgment when filing the motion for commencement of execution.

### 3.2 Variations in Approach to Enforcement of Foreign Judgments

While foreign judgments in property matters may be recognised and enforced without a special court decision on recognition, judgments in certain non-property matters either require a special decision on recognition before they can be enforced, or cannot be enforced at all.

Apart from the above, the approach to enforcement of foreign judgments varies only on the basis of their state of origin rather than the type of judgment.

### 3.3 Categories of Foreign Judgments Not Enforced

Section 15 of the International Private Law Act sets out obstacles to recognition and enforcement of a foreign judgment. A foreign judgment cannot be recognised or enforced in the Czech Republic if:

- its recognition is hindered by the exclusive jurisdiction of Czech courts or the proceedings could not be conducted by an authority of a foreign state, should the provisions concerning the competence of the Czech courts be applied to the determination of the jurisdiction of the foreign authority; for example, Czech courts have exclusive jurisdiction in proceedings concerning real estate property located in the Czech Republic;
- there are pending proceedings in the same legal matter before a Czech court and such

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proceedings commenced earlier than the foreign proceedings, which led to the decision the recognition of which is being sought (lis pendens obstacle);

- a Czech court has issued a final decision in the same legal matter, or a final decision in the same matter has been issued by an authority of a foreign state and recognised in the Czech Republic (res judicata obstacle);
- through its procedure, the foreign authority deprived the party against whom the decision is to be recognised of due process, ie, the possibility to duly participate in the proceedings, particularly if the party had not been personally served with a summons or a motion to initiate the proceedings;
- the recognition is contrary to the Czech Republic's public policy (public order); or
- reciprocity is not guaranteed – in the absence of bilateral or multilateral treaties, only judgments from countries which also recognise Czech judgments will be recognised in the Czech Republic. Reciprocity is not required if the foreign judgment is not directed against a citizen of the Czech Republic or a Czech legal entity. The Ministry of Justice may issue a declaration of reciprocity with respect to a certain state, following which Czech courts will recognise and enforce judgments from that state. In the absence of such a declaration, a Czech court may confirm with the authorities of the state concerned whether they can guarantee reciprocity.

Since Czech law requires that a foreign judgment is final in order to be recognised and enforced in the Czech Republic, the enforcement of interim injunctions or interim judgments that may be subject to future changes is excluded. Recognition and enforcement of such judgments depends largely on the approach of both the particular judge as well as the foreign court to

the issue of the legal force of interim injunctions. On the other hand, interim judgments that only deal with a part of the matter in dispute, though they deal with it in a final form, may be enforced.

In the absence of an international law or treaty governing the particular matter, foreign decisions in certain non-property matters (eg, decisions on child custody) cannot be enforced in the Czech Republic on the basis of provisions of national law.

### 3.4 Process of Enforcing Foreign Judgments

If a judgment originates from outside the EU, the party seeking judicial enforcement files a motion for enforcement with the competent court (generally the district court where the obliged party has its residence/registered office or, in the absence of such place, the district court where the obliged party's assets are located). The court then reviews whether the foreign judgment meets the general conditions for recognition and enforcement and, if so, the court proceeds with ordering judicial enforcement without issuing a separate decision on recognition of the judgment.

If the party seeking enforcement intends to proceed with executor enforcement originating from outside the EU, they will need to have the relevant judgment recognised by a Czech court. The application for the recognition of the judgment may now be filed together with the motion to commence enforcement. The court will then consider whether the general conditions for recognition have been satisfied and, if so, the court will simultaneously issue two decisions—a decision recognising the foreign judgment and a decision authorising the executor to enforce the foreign judgment.

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Once a foreign judgment has been recognised (either automatically on the basis of the Recast Brussels I Regulation or by a special court decision), enforcement of such foreign judgment is conducted as if a domestic judgment were being enforced.

### 3.5 Costs and Time Taken to Enforce Foreign Judgments

The costs of foreign judgment enforcement do not substantially differ from the costs of domestic judgment enforcement. Other costs may include lawyers' fees and translation costs (as Czech courts generally require a translation of the relevant foreign judgment). It may take substantially longer to enforce a foreign judgment if the decision on recognition of the foreign judgment is challenged by the judgment debtor. In such a case, upon the judgment debtor's request, execution proceedings may be suspended until the courts have decided on the debtor's challenge of the recognition decision. It may also be the case that the first instance enforcement court will find obstacles to recognition and dismiss the application for recognition; in such a case, the judgment creditor will need to appeal this decision.

As recognition proceedings are quite rare in the Czech Republic, it is difficult to provide any estimates of the duration of such proceedings. However, as these are in effect regular proceedings with (potentially) three instances, each instance may take anywhere from less than six months to 18 months. Depending on the procedural activity of the parties involved and any appeals filed, challenging judgment recognition may delay the enforcement of a foreign judgment by no more than six months in simple cases but also possibly by four years or more in complicated cases.

If the court issues a decision on recognition and that decision is not appealed by the judgment

debtor, the time taken to enforce a foreign judgment will not differ significantly from enforcement of domestic judgments.

### 3.6 Challenging Enforcement of Foreign Judgments

As the process of enforcement of foreign judgments is governed by domestic legal regulations, there are not many differences between challenging the enforcement of foreign judgments and challenging the enforcement of domestic judgments (which has been addressed above).

The only notable difference is that when seeking enforcement of a foreign judgment, enforcement may also be challenged on the grounds of obstacles to recognition of the foreign judgment under Section 15 of the International Private Law Act (see 3.3 **Categories of Foreign Judgments Not Enforced** of this chapter for more information).

## 4. Arbitral Awards

### 4.1 Legal Issues Concerning Enforcement of Arbitral Awards

In general, the enforcement of domestic arbitral awards in the Czech Republic is subject to the same procedure as the enforcement of court judgments.

Enforcement of foreign arbitral awards is governed by the New York Convention of 10 June 1958 on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"), which has been ratified by 165 contracting states, including the Czech Republic. Contracting states are required to give effect to private agreements to arbitrate and to recognise and enforce arbitration awards issued in other contracting states.

## 4.2 Variations in Approach to Enforcement of Arbitral Awards

The approach to enforcement of arbitral awards can vary depending on whether the arbitral award is domestic or foreign, as this may impact the available means of enforcement.

While the enforcement of domestic arbitral awards may be enforced both by courts as well as executors without any restrictions, foreign arbitral awards, regardless of the state of origin, need to be recognised by a special decision of a Czech court before enforcement may be conducted by an executor. Without such a ruling on recognition, only courts are authorised to enforce foreign decisions. Similarly, as in the case of judgments originating outside the EU, the application for recognition of a foreign arbitral award may be filed together with the motion to commence execution proceedings.

## 4.3 Categories of Arbitral Awards Not Enforced

Apart from awards which are not enforced following the defendant's successful challenge, Czech courts or executors will not enforce arbitral awards issued in disputes between a business and a consumer, because the conclusion of arbitration agreements between businesses and consumers is prohibited under Czech law.

## 4.4 Process of Enforcing Arbitral Awards

The process of enforcing arbitral awards in the Czech Republic does not differ from the process of enforcing court judgments, which has already been set out in this chapter.

## 4.5 Costs and Time Taken to Enforce Arbitral Awards

The costs and time taken to enforce domestic arbitral awards do not generally differ from those

associated with the enforcement of court judgments.

The costs and time taken associated with the enforcement of foreign arbitral awards will correspond to the enforcement of foreign judgments from outside the EU in cases where executor enforcement is sought – the process may be delayed due to the requirement to have the arbitral award recognised by a Czech court which, as described above, may lead to a separate dispute concerning recognition during which enforcement cannot be carried out.

## 4.6 Challenging Enforcement of Arbitral Awards

The enforcement of arbitral awards may be challenged on the same grounds as the enforcement of court judgments.

Recently, arbitral awards issued on the basis of arbitration clauses in contracts between businesses and consumers have been widely (and successfully) challenged as such clauses were prohibited by law with effect from November 2016. The legislation responded to the wide use of arbitration clauses (predominantly) in consumer credit agreements establishing jurisdiction of ad hoc arbitral institutions.

This practice was considered to be disadvantageous for consumers, and such ad hoc arbitration clauses were therefore invalidated by law; subsequently, all arbitration clauses (including even those establishing jurisdiction of a renowned arbitration court) were excluded from consumer contracts entirely. The enforcement of numerous arbitral awards was then successfully challenged on the grounds that the arbitration clause was invalid and that, consequently, the tribunal lacked jurisdiction to decide the dispute.



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The above restriction on enforceability may apply not only to domestic arbitral awards but also to foreign arbitral awards because, under Article V(2) of the New York Convention, recognition and enforcement of a foreign arbitral award may be refused if the Czech court finds that the subject matter of the dispute is not capable of settlement by arbitration under domestic law.

Enforcement of foreign arbitral awards may also be challenged on the grounds set out in Article V of the New York Convention under which recognition and enforcement may be refused in a number of cases, which essentially correspond to the general obstacles prohibiting enforcement of foreign judgments in the Czech Republic; these include, for example, the invalidity of the arbitration agreement, breach of the defendant's procedural rights, absence of a binding award, breach of public policy, etc.



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