



**OVERVIEW  
OF CZECH  
BUSINESS LAW**

**PAVLA TLOUŠŤOVÁ**

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**FACULTY OF LAW  
UNIVERSITY OF WEST BOHEMIA  
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## **OVERVIEW OF CZECH BUSINESS LAW**

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# PREFACE

This book has been written to give an overview of Czech business law valid as at August 2025 to foreign investors, foreign citizens, high school and university students, as well as the public.

Generally, the aim of this book is to provide a solid overview of the legal theory of Czech commercial law combined with a practical approach to help its readers understand all the important legal aspects of doing business in the Czech Republic. At the beginning, the book includes a description of big legal systems with a position of Czech law in it and a history, principles, and a scope of Czech commercial law. The book further focuses on providing an explanation of basic legal terms used in business and on describing a basic legal framework for doing business in the Czech Republic. The following chapters cover competition law aspects, unfair competition practices, business contracts that are typically entered into by business entities in practice, dispute resolution choices in case parties of a business contract come to a serious disagreement over any issue, and intellectual property, which is an essential asset of business entities in the current global and digital economy. As there is likely no successful business company without having satisfied employees, another chapter is dedicated to employment law. Final chapters describe stages of a business entity's operation shutdown – either under a liquidation process or through a transformation or due to its insolvency.

May I wish this book would be helpful to its readers!

Pilsen, August 2025  
Pavla Tloušťová

# 1 BIG LEGAL SYSTEMS

Currently, there exist two major legal systems in the world – **the continental and the Anglo-American legal system**. In some countries, especially in Arab countries, these two systems are mingled with **the Islamic legal system**.<sup>1</sup>

## 1.1 The continental legal system

Historically, the continental legal system follows the ancient Roman law. The growth of towns and trade in the **13<sup>th</sup> century** was an impulse for **an expansion of the continental legal system**. In countries with the continental legal system, a law is divided into two groups: **public and private law**. Such division is based on the presence (typically for a public law) or the absence (typically for a private law) of state interference. **The main source of law is legislation, whether it is a written law**, with lawyers seeking a solution for their legal cases in texts adopted by a legislative authority. Legal politics stands for a codification resulting in unifying all legal norms into a single extensive law.<sup>23</sup> Court decisions do not constitute law in the continental legal system, as the judge's role is to determine, but not make the law up. Therefore, the court decisions bind only participants of the respective proceeding, with no creation of a common binding rule, as is under English law. Using a legal custom is allowed only if it is explicitly referred to by law.

In the continental legal system, we distinguish several sub-systems: Roman German, Scandinavian, Eastern European, and a system of former colonies. **Czech law is part of the continental legal system**.

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<sup>1</sup> Knapp V.: Teorie práva, 1. vydání, Praha, C. H. Beck 1995, page 92.

<sup>2</sup> Kubů L., Hungr P., Osina P.: Teorie práva, Praha, Linde Praha, a.s. 2007, page 186.

<sup>3</sup> For example, in France Code civil (1804), in Austria ABGB (1811), in Germany BGB (1896).

## 1.2 The Anglo-American legal system

This system has been **established in England** and is originally called the **common law**. By way of colonization, this legal system has been spread to the entire former British Empire.<sup>4</sup> To this date, it is present in the United Kingdom, Canada, Australia, New Zealand, and the USA.

Common law is the law that began to develop in the 12th century in England, replacing existing particular laws. It was applied by royal courts. A citizen did not have an axiomatic right to refer to a court, as it was a privilege provided by a chancellor (so-called a Writ). A gradually more complicated and economic life brought more disputes, thus a competing legal system of equity evolved based on a royal authorization of Lords as high chancellors. Equity followed the common law.

The most important **source of English and American law is a court precedent**.<sup>5</sup> Decisions of a higher court become binding for the future in cases with a similar factual basis. Next to court precedents, there is statute law considered as a basis for the judge's law setting.

## 1.3 The Islamic legal system

Historically, the Islamic legal system is the youngest of the big legal systems. Nevertheless, it is the most difficult adapting system to a modern society's evolution due to its **tight clasp with the Islamic religion** and a connection of Islamic legal rules with religious and ethical rules. The only lawmaker in the Islamic concept is God, and the only Islamic God's law is **šaría**.

The Islamic law includes Sunnite and Shiite law. **Formal sources of the prevailing Sunnite law are the Koran, Sunnah, Ijma, and Qiyas**.<sup>6</sup>

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<sup>4</sup> Kubů L., Hungr P., Osina P.: *Teorie práva*, Praha, Linde Praha, a.s. 2007, page 188.

<sup>5</sup> Kubů L., Hungr P., Osina P.: *Teorie práva*, Praha, Linde Praha, a.s. 2007, page 190.

<sup>6</sup> Knapp V.: *Teorie práva*, 1. vydání, Praha, C. H. Beck 1995, page 101, 103.

# 2 HISTORY AND SCOPE OF CZECH COMMERCIAL LAW

## 2.1 History of Czech commercial law

Czech commercial law, as a part of the continental legal system, began to develop as customary law at the beginning of the 19th century after the legislative approval of the Austrian General Civil Code (ABGB) in 1811. The customary law was codified in 1862 in the Austrian Commercial Code (AHGB) with legal effectiveness from 1<sup>st</sup> January 1863. The Austrian Commercial Code adopted the General German Commercial Code. After founding the Czechoslovak Republic in 1918, both the Austrian General Civil Code and the Austrian General Commercial Code remained effective until the end of 1950, although there were some governmental legislative attempts for the Czechoslovak Civil Code in 1937.

Both the Austrian General Civil Code and the Austrian General Commercial Code were abolished by the Czech Civil Code adopted in 1950 (Act no. 141/1950 Coll.) during times when the existence of private law was politically rejected, and public law was preferred over it. For commercial purposes, there was Act no. 99/1950 Coll., on economic contracts and economic arbitration, followed by Act no. 69/1958 Coll., on economic relationships between socialist organizations. Later on, during a deep socialistic political system in Czechoslovakia, three individual legal codes were approved reflecting principles of centralized planned economics with state directive management methods: (i) Civil Code (Act no. 40/1964 Coll.), (ii) Economic Code (Act no. 109/1964 Coll.) and (iii) Code on International Business (Act no. 101/1963 Coll.). Contractual freedom and individual needs of parties were limited in favour of designated society needs and a planned economy.

After a change of the political system in Czechoslovakia in 1989 from a socialist to a democratic one, the right to carry out business activities as well as the protection of ownership rights were incorporated into the Czech Constitution. A new Commercial Code (Act no. 513/1991 Coll.) reflected a national economic

change from a centrally planned to a market economy. The Commercial Code became legally effective on 1<sup>st</sup> January 1992. In the next twenty years, the Commercial Code was subject to many amendments covering ongoing changes in the commercial and social areas. It also included a transposition of the European Union law into Czech law because of the Czech Republic joining the European Union as its member from 1<sup>st</sup> May 2004.

Both the Commercial Code from 1991 and the Civil Code from 1964, as well as over 200 legal acts, were abolished in 2012 when the Czech Parliament approved a new Civil Code (Act no. 89/2012 Coll.) and the **Act on Corporations (Act no. 90/2012 Coll.)**. This adoption of a new law has moved the Czech commercial law into the next stage, with a true continental code having a private law as a law covering both civil and commercial aspects. Both new codes became legally **effective on 1st January 2014**, together with a set of new specialized individual laws. While the Civil Code includes, among others, a part relating to contract law, the Act on Corporations is focused on company law.

## 2.2 Scope of Czech commercial law

The scope of the current Czech commercial law includes the following areas:

### 1. General part:

- legal status of business entrepreneurs/business entities and trade licensing law,
- acting and accounting of business entrepreneurs/business entities,
- business name and a right to an identification,
- commercial registry.

### 2. Special part:

- law of business corporations,
- contract law,
- competition law and law of unfair competition,

- intellectual property law,
- securities law, including the law of bills of exchange,
- law of capital markets,
- resolution of business disputes,
- insolvency law.<sup>7</sup>

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<sup>7</sup> See: Raban, P. a kol. Obchodní právo. 2. vyd. Brno: Václav Klemm, 2024, page 40.

# 3 BASIC BUSINESS LEGAL TERMS

For a better understanding of the following content, it is useful to introduce Czech basic business legal terms used both in this book and in commercial practice as well.

**Doing business** – means doing such a commercial activity by a businessman/businesswoman (i.e., by a business entrepreneur) or by a business legal entity based on an issued trade license certificate or non-trade license certificate, individually, on his/her or its account and liability, continuously, and to achieve a profit. In practice, achieving a profit in business activities might take several years, for instance, if the growth of a legal entity is financed by loans provided by banks or by owners of a legal entity, and such loans are subject to repayment.

**Business entrepreneur** – means a natural person (a man or a woman) having obtained a trade licence certificate or non-trade licence certificate issued by the Czech state authorities who is doing business, i.e., by entering business contracts with suppliers and customers in relation to their own scope of business activities. Generally, an outcome of business activities is typically the production of goods, the further sale of purchased goods, or the provision of services. A business entrepreneur is legally identified through his/her business name, a business seat, and a unique identification number allocated to the entrepreneur by the Czech state authorities.

**Commercial business entity** – means a business legal entity – a company, a corporation – established by its shareholders (a joint-stock company) or participants (a limited liability company, a public-private partnership, or a limited partnership company) or members (a cooperative). It is legally identified through its company business name, a business seat, and a unique identification number allocated by the Czech state authorities.

**State business entity** – means a governmental entity or a business entity owned by the state or by municipalities or by a region, active mainly in the field of public law. It is legally identified

through its business name, a business seat, and a unique identification number allocated by the Czech state authorities.

**Foreign entrepreneur/foreign company** – means a foreign natural person with his/her residence outside the Czech Republic or a foreign business entity with its seat outside the Czech Republic doing business in the Czech Republic through its subsidiary or only through a branch office located in the Czech Republic.

**Business name** – means a name and a legal form under which a legal entity carries out business activities based on its decision and as registered in the Commercial Registry; a business entrepreneur uses only a name in business activities; the business name cannot be misleading or replaceable with another business name.

**Branch office** – means a representative office of a foreign company/foreign entrepreneur located in the Czech Republic for business activities.

**Business seat** – means an official business seat used by a legal entity or by a business entrepreneur for doing business.

**Commercial Registry** – means a publicly available registry of legal entities established in the Czech Republic for doing business; it includes a publicly available information on a business name, identification number, business seat, acting on behalf of a legal entity (typically personal data of members of a statutory body of a legal entity), registered capital, shares issued by a legal entity, names of business owners (shareholders or participants) and their participation in a legal entity and Collection of documents where each legal entity must submit annual financial statements, annual reports, corporate resolutions, signature specimen of members of a statutory body and other legal documents required by Czech law).

**Customer** – means either a natural person (a consumer) or a company (a legal entity).

**Consumer** – means a natural person – a human being – who privately (outside of business) enters a commercial agreement with a business entity (company) or with a businessman; a consumer is always deemed to be in a weaker legal position against a business entity (company) under Czech law.

**Legal entity** – means under Czech law (i) a corporation – a business corporation or an association or a registered institute; (ii) a foundation made by assets or established for a special

Vážení čtenáři, právě jste dočetli ukázkou z knihy ***Overview of Czech Business Law***.  
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