



# **OVERVIEW OF CZECH BUSINESS LAW**

**PAVLA TLOUŠŤOVÁ**

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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.