

Israel

The only road to enforcement: patent infringement lawsuits

In Israel, there is only one possible avenue for patentees seeking to enforce their rights against infringers: a lawsuit for patent infringement. Under the Patent Law, the district courts have exclusive jurisdiction over patent infringement cases. However, in 1998 the Supreme Court of Israel held that in cases where an invention has not been registered as a patent, there may be circumstances in which a remedy can be granted under the Unjust Enrichment Act.

Where infringing goods are imported, temporary seizure by the Customs Authority may be helpful to some extent. However, this administrative measure does not replace the need to take court action.

Trial format and timing

Most patent infringement cases commence with a motion for a preliminary injunction seeking to stop the allegedly infringing action. Together with the motion, the patentee files its main infringement claim for a permanent injunction, monetary damages and the provision of accounts (according to which the monetary damages shall be calculated).

Under Israeli common practice, patent infringement trials commence not with validity questions, but rather with the issue of infringement. If the court decides that infringement has occurred, it will proceed to examine issues of validity to the extent that the defendant has raised such issues as a part of its defence (eg, questions relating to novelty and non-obviousness).

The parties rely on testimony given by witnesses in the form of affidavits and documents submitted to the court by the witnesses. During the oral hearings each party has the right to cross-examine the other party's witnesses.

The parties are not required to provide testimony from expert witnesses. However, it is common to have expert witnesses in patent cases. Usually the parties retain the experts, who submit their opinions in the form of affidavits. The court can also appoint an expert on its own behalf, in which case that expert's opinion

will normally carry greater weight than those of the parties' experts. Any expert may be cross-examined on behalf of the other party (a court-appointed expert may be cross-examined by both parties). In addition, under the Patent Law the court is authorised to retain a scientific adviser to advise and assist the court in hearing the case. The adviser shall not take part in deciding the case on its merits and the parties are not entitled to cross-examine him or her.

The average length of a patent trial, from filing of the action until a final decision, may be several years. This includes pre-trial hearings, hearings regarding preliminary injunctions and hearings on the main subject matter of the action.

An accused infringer (or any other person) may file a petition with the district court requesting a declaratory judgment of non-infringement. In the case of invalidity, an accused infringer may file a request with the registrar of patents for revocation of the patent on that ground.

Infringement

Inducement/contributory infringement

The concept of induced or contributory infringement does not appear in the Patent Law. However, in a 2001 case involving an Israeli patent for a system for locking a car's gearstick, the Supreme Court adopted the doctrine of contributory infringement in light of the criteria set out by the US Patent Act and the UK Patents Act – namely, that the sale of a component of a patented machine or process constitutes contributory infringement if:

- the component sold is a substantial component of the protected invention;
- the seller knows or should know that the component is specially made or specially adapted for use in the infringement of such a patent; and
- the component is not a staple article or commodity of commerce suitable for substantial non-infringing use.

Infringement by foreign activities

Although the Patent Law is basically territorial (and accordingly its rules are applicable to actions carried out in Israel), under the law a patented process also extends to any product directly manufactured by the process, whether the manufacture took place inside or outside Israel.

Infringement by equivalents

The Patent Law also provides explicit protection against infringement through use of most of the claimed subject matter. This protection is usually applied according to the doctrine of equivalents under US and UK law.

Non-infringing acts

Under the Patent Law, certain actions in a protected invention do not constitute infringement, including:

- use of the invention on a non-commercial scale and in a non-commercial way;
- experimental use in order to obtain a regulatory licence in Israel (or in any country in which experimental action on a patented invention is permitted for the purpose of obtaining such licence). Any product manufactured under this exception must not be used at any time for any purpose other than obtaining a regulatory licence;
- experimental use in connection with an invention, with the objective of improving the invention or developing another invention; and
- fair use of an invention which pre-dates the filing of the patent application.

Discovery of evidence

Each party has the right to inspect and copy the documents held in the possession of the other party in respect of the case, subject to their relevance and to confidentiality provisions. Discovery is made by producing, in the form of an affidavit, a list of all relevant documents in the party's possession, as well as specific documents which were previously in its possession. In case of a dispute, the court may grant an order for discovery.

Injunctions

The court grants preliminary injunctions as a form of temporary relief. In Israel, it is common to apply for temporary relief in any proceeding involving IP rights. However, temporary relief is classified as an equitable remedy and as such is subject to the court's discretion. If granted, preliminary injunctions remain in force until the court issues a final ruling or decides to set aside the preliminary injunction. The most common temporary

relief sought in infringement proceedings is a preliminary injunction prohibiting the defendant from continuing the allegedly infringing activity.

In general, the Israeli courts tend to be pro-patentee and are more willing to grant preliminary injunctions.

Monetary remedies

The Israeli courts seldom calculate compensation in patent cases because most patent proceedings are settled at (or soon after) the preliminary injunction stage. In the few proceedings that continue beyond that stage, the courts award damages to the prevailing party by taking into account the infringing acts and the plaintiff's situation as a result of these acts. In considering the plaintiff's situation, the courts will take into account the direct damage caused to the plaintiff, the extent of the infringement and the profits derived by the infringer. The court may also consider the reasonable royalties that the infringer should have paid in normal commercial circumstances had the infringement not occurred.

Punitive damages are available if the court concludes that the infringement continued after the infringer received notice of infringement. The maximum amount of punitive damages in patent cases is the same as the amount of the award for actual damages.

Damages start to accrue from the date of publication of approval of the patent application.

Litigation timetable

A preliminary injunction may be obtained within one to two months of filing a motion for such an injunction. In urgent cases and where there is solid evidence of infringement, an *ex parte* preliminary injunction may be granted.

In complicated cases the court may decide to hold the preliminary injunction and main hearings at the same time. In such cases, or after the motion for a preliminary injunction has been decided, it may take between three and 12 months before the hearing on the main issues begins.

The average length of a full patent trial, from filing the action until a final decision on liability, may be several years. The average length of an appeal process, from closure of the trial at first instance until the appellate court decision, is approximately two to three years.

Alternative dispute resolution

In recent years alternative dispute resolution techniques (ie, arbitration and mediation) have become increasingly popular in Israel. The arbitrator's decision is final,

although parties may agree that the arbitrator's decision may be appealed. Any decision granted under the agreed arbitration mechanism becomes binding once that decision is approved by the court (as it usually is). Mediation is often recommended by the courts, but unlike arbitration, mediation is not binding on the parties. If mediation fails, the dispute returns to the court and the mediation process and its content remain strictly confidential.

Patents

Ownership

Under the Patent Law, an invention made by an employee as a result of his or her employment and in the course of employment belongs to the employer, unless the parties have agreed otherwise. In the case of an independent contractor, the invention belongs to the contractor unless a written agreement states otherwise.

The Patent Law recognises the concept of joint ownership. Each joint owner may transfer his or her share or otherwise exploit the invention.

The ownership of patents is officially recorded at the Patent Office. The transfer of rights in a patent may be executed in writing and must be recorded in order to be enforceable against third parties.

Invalidity

A patent may be invalidated in two ways. First, the patent registrar may revoke a patent at the request of any person based on one of the following grounds for opposition:

- There was a valid reason for rejecting the patent application itself (eg, lack of novelty or obviousness);
- There is evidence of prior use; and/or
- The opponent is the true owner of the invention.

Second, a district court may invalidate a patent based on any grounds for opposition. This path is often used in the course of an infringement claim in which the infringer's defence is based on the invalidity of the allegedly infringed patent.

An application seeking to revoke or invalidate a patent is not subject to the statute of limitations.

Unenforceability

The Patent Law imposes a duty on the applicant to disclose any prior art relevant to the subject matter of the invention. In the event that the applicant provided misleading information or knowingly withheld relevant information, the registrar or a court may:

- revoke a patent or reject an application;
- grant a licence under the patent to any third party

- and set the terms of such a licence; or
- shorten the term of the patent.

Voluntary licensing

The Patent Law provides no particular restrictions on the contractual terms of patent licences, with the exception of restrictions imposed under the general law of contract. However, under the law an exclusive licence must be registered with the Patent Office.

Compulsory licensing

If the registrar is convinced that a patent holder has abused its monopoly, it may grant a non-exclusive compulsory licence to exploit the patented invention to anyone applying for such a licence. An application for a compulsory licence may be submitted only after three years from the date of grant or four years from the filing date of the patent application, whichever is later. A compulsory licence will normally be granted if the patentee does not meet local demand for the patented product on reasonable terms. Furthermore, the registrar may revoke a patent for which it has granted a compulsory licence if it is convinced that the compulsory licence did not suffice to prevent abuse of the monopoly. The terms of a compulsory licence are determined by the registrar by considering what is reasonable in view of the particular circumstances of the case and the legitimate interests of the patentee.

Oppositions

Upon approval of the application, the entire application and prosecution file will be laid open for public inspection. An opposition against grant of the application may be filed within three months of the publication date. Grounds for opposition include the following:

- There is a reason why the registrar was entitled to reject the application (eg, lack of novelty or obviousness);
- There is evidence of prior use; or
- The opponent is the true owner of the invention.

In Israel, an opposition will be dealt with before the granting of a patent; therefore, the applicant may not file an infringement lawsuit as long as the opposition is pending. However, after grant of the patent the patentee may file a lawsuit for monetary damages. Such damages will be calculated from the publication date of the patent application.

Priority of invention

Israel is a first-to-file country. Accordingly, priority

disputes between applicants for the same invention are determined according to the filing date and not according to the invention date. The mechanisms of opposition and patent revocation may also be used in case of a priority dispute.

Section 17(c)

Under Section 17(c) of the Patent Law, it is possible to request the acceptance of an Israeli patent application based merely on the grant of a corresponding patent in one of the following jurisdictions:

- Austria;
- Australia;
- Canada;
- Denmark;
- Europe (under the European Patent Office);
- Germany;
- Japan;
- Norway;
- Russia;
- Sweden;
- the United Kingdom; and
- the United States.

In order to take full advantage of this section, the claims in the Israeli application should be identical to, or a subset of, the claims granted in the corresponding foreign patent. In such case the invention specified in the application will be deemed to comply with the legal requirements of industrial application, novelty and inventive step.

The grant of an Israeli patent based on Section 17(c) is not automatic and the examiner has discretion to decide whether to allow the patent application based

on its counterpart. In practice, examiners rarely reject such applications.

Extension of patent term

The Patent Law provides an option to extend the term of a patent where the owner was unable to enjoy the exclusivity provided by the patent protection due to the need to obtain regulatory licensing prior to the marketing of the invention. This amendment is especially significant in the pharmaceutical field, where the development period for drugs is protracted due to the need to perform extensive clinical trials and obtain a regulatory licence (processes which take approximately five to seven years) prior to marketing of the product.

The owner of a patent or an exclusive licensee may apply for an extension of the patent term. However, the registrar of patents will grant an extension order only if all the following conditions are met:

- The patent at issue is a patent that protects:
 - a material;
 - a process for the production of a material or use of a material;
 - a medical preparation that incorporates a material; or
 - medical equipment that requires a licence in Israel;
- The patent at issue is still in effect; and
- No extension order has previously been granted in respect of the patent at issue or the material it protects.

An application for an extension order should be filed in writing and be supported by an affidavit stating that all the requirements have been met.

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