



**CHAMBERS**  
Global Practice Guides

# Patent Litigation

Israel

Contributed by Gilat, Bareket & Co.

Reinhold Cohn Group

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# ISRAEL

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## **LAW & PRACTICE:**

**p.3**

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The 'Law & Practice' sections provide easily accessible information on navigating the legal system when conducting business in the jurisdiction. Leading lawyers explain local law and practice at key transactional stages and for crucial aspects of doing business.

# Law & Practice

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**Reinhold Cohn Group Gilat, Bareket & Co.** is the leading intellectual property firm in Israel. As the largest and earliest established IP firm, Reinhold Cohn Group offers premier expertise in filing, prosecution, renewals, protection, oppositions, opinions, due diligence, freedom to operate, enforcement, litigation, licensing, commercialization and evaluation, portfolio management and strategic counseling in all areas of intellectual property such as patents, trademarks, designs, copyrights, open source, plant breeders' rights etc. The Group includes the patent attorneys firm Reinhold Cohn & Partners and the law firm Gilat, Bareket & Co. The law firm of Gilat, Bareket & Co. is one of the leading intellectual property firms in Israel, specializing in litigation and legal protection of intellectual property rights in patents, technologies, brands, designs, creative works and inventions. Gilat, Bareket & Co. includes 23 attorneys at law, several of whom also hold academic degrees in sciences. Extensive legal knowledge and experience, as well as the technological and scientific insight, enables Gilat, Bareket & Co. to offer an effective and optimal legal protection strategy which considers each client's intellectual property assets in light of its business strategy in general.

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## 1. Types of Intellectual Property Rights & Granting Procedure

### 1.1 Types of Intellectual Property Rights

The Israeli legal system provides protection for invention by way of Patents, Trade Secrets and Layout-Design (topography) of Integrated Circuits. There may also be protection for Unjust Enrichment (Unfair Competition).

Unlike some countries, there is no protection for Utility Models. Other forms of intellectual property exist, such as copyright, trademarks, industrial designs and plant breeders' rights.

Since the Israeli legal system is a common law system, intellectual property law is primarily governed by legislation and regulations therein, and by case law laid down by the courts.

### 1.2 Grant Procedure

Patent applications are filed with the Israeli Patent Office (ILPTO). The requirements of patentability are set forth in the Patents Act and clarified in judgments of the courts and in the Practice Guidelines for Patent Examination published by the ILPTO.

After filing the patent application, it is usually a few years until examination commences. There is no need to request examination. Under certain circumstances, the applicant may request an expedited examination (eg in cases of elderly inventors, "green applications," or if a third party began exploiting the invention).

In Israel there is also a possibility of a modified examination in which a patent is granted based on a corresponding foreign patent, without undergoing substantive examination in Israel, as well as patent prosecution highway (PPH) examination.

Shortly after a local application is filed, the Registrar of Patents will publish the name of the applicant, the application date and information regarding priority (if claimed).

The patent application remains confidential for 18 months from the date of filing or, if priority is claimed, for 18 months from the date of the earliest priority document. Shortly after that 18 months, the fact that the application is laid open for inspection is published again by the Registrar of Patents. Until 2012, patent applications would have remained con-

fidential until the acceptance of the application (see below) by the ILPTO.

PCT applications are also published under the same principles, but since these applications are usually filed shortly before the 30-month deadline for filing a national phase application expires, they become available to the general public shortly after filing.

After the examination is concluded and the application is accepted by the patent examiner, the acceptance of the application is published on the Internet. For three months following such publication, third parties may lodge a pre-grant opposition to the grant of the patent. If no opposition is filed during this period, the patent is granted and a patent certificate will be issued.

### **1.3 Timeline for Grant Procedure**

Representation during examination is not mandatory, but is highly recommended.

#### **Duration**

The period varies significantly between different fields. The period also changes over time (in recent years the duration of examination was shortened due to an increase in the number of patent examinations).

The duration periods during the last years are (on average):

- Life science: 5 years;
- Technology: 1.5-2 years;
- Hi-tech: 3 years;
- Physics: 2 years.

#### **Average costs**

For the national phase in Israel, from filing to grant including professional fees and official fees (this also varies between fields and the amount of work required from the local patent attorney), the average costs are:

- Life science: USD7,000-8,500;
- Technology: USD7,000-7,300;
- Hi-tech: USD6,100-7,000;
- Physics: USD5,500-7,000

Please note that the duration and the average costs relate only to the examination period. Opposition proceedings can significantly increase the cost and the duration until the patent is granted.

### **1.4 Term of Each Intellectual Property Right**

Patents are granted for a period of 20 years from the date of the application.

It is possible to receive a "Patent Term Extension" (PTE) for up to five years for applications dealing with medicines, medical devices and veterinary products registered with the Ministry of Health. PTE is not available for agrochemical inventions.

### **1.5 Rights and Obligations of Owner of Intellectual Property Right**

A successful patentee that prevailed in an infringement action is entitled to the remedies prescribed in the Patents Law, namely injunction and damages. When ruling on damages, the court will take into consideration the acts of the infringer, the scale and magnitude of the infringing acts, profits made by the infringer, and reasonable royalties that the infringer had to pay, if he was given a licence to exploit the patent.

The court may also rule for punitive damages for an amount that does not exceed the damages ruled if the infringement was committed after the patentee or the exclusive licence owner warned the infringer prior to the infringing act. In some circumstances it is advisable to send warning letters to the alleged infringer prior to filing a suit.

As to the obligations of the patentee, s/he has to pay renewal fees only after the patent is granted. The fees payable and the periods of renewal are as follows:

- First Term (six years): USD206;
- Second Term (four years): USD412;
- Third Term (four years): USD618;
- Fourth Term (four years): USD1,031;
- Fifth Term (two years): USD1,443.

There is also a possibility of paying the renewal fees in advance for the entire 20-year period with a slightly cumulative discount (USD3,094).

Note: All official fees are charged in new Israeli Shekels (ILS). USD rates appearing in this review are approximate and calculated based on an exchange rate of approximately ILS3.85 to USD1. Thus, adjustments may need to be made to reflect currency fluctuations. In addition, these fees are linked to the Consumer Price Index.

### **1.6 Further Protection After Lapse of Maximum Term**

As noted above, it is possible to receive a "Patent Term Extension" (PTE, Section 64D to the Patents Law) for up to five years for applications dealing with medicines and medical devices. There is no PTE for agrochemical inventions. The PTE Order must be granted before the basic patent lapses.

## 1.7 Third-Party Rights to Participate in Grant Proceedings

Third parties have the right to participate during grant proceedings with the following procedures:

### Opposition

After the examination procedure has been concluded, the application is published in the Official Monthly Gazette (available online). Any third party can oppose the grant of the patent and has three months from the date of publication to do so.

There are grounds for filing an opposition if there is a reason for which the Patent Registrar was authorised not to accept the application, or if the application does not withstand the requirement set forth in Section 4(2) of the Patents Act (ie novelty by public use, which the Patent Office is not required to examine), or if the opponent is the true owner of the invention rather than the applicant.

The patentee may apply for an amendment during revocation proceedings only for the purpose of clarifying, removing an error in the specification, or restricting the claims. The Registrar will permit the amendment if he is convinced that the amendment will not broaden the scope of the claims and will not add anything to the specification not already included from the start.

### Post-grant revocation procedures (cancellation)

Any person may file an application to revoke a granted patent, without need to show standing right therefor. An application for revocation may be filed at any time and the statute of limitation does not apply. The grounds for filing a revocation application are identical to the grounds for filing a pre-grant opposition. The Registrar may accept the application (and revoke the patent), deny the application, or accept the application partially (for example, by deleting/narrowing some of the claims).

### Third-party observations

According to the statutory provisions of the Patents Act, during the course of examination any third party is entitled to submit copies of relevant prior art publications to the ILPTO, and the examiner may use them during the examination as long as they were sent within two months of the due date for the applicant's response to the request under section 18 (demand to send any cited publications and other pertinent prior art publications known to the applicant).

### Third-party request to initiate examination

In addition, third parties are allowed to file an application, supported by an affidavit, for immediate examination, for one of the following reasons: there is reason to believe that examination based on the order in which the applications were filed will cause the applicant (of the request for im-

mediate examination) to postpone the development/manufacture of the process/product that is claimed in the patent application; the amount of time that has passed from the date the application was filed is unreasonably long and is significantly longer than any other application of the same kind; public interest or any other special circumstances.

Lastly, it is also possible to challenge the validity of the patent as a defence during an infringement trial.

## 1.8 Remedies Against Refusal to Grant Intellectual Property Right

Patent examiner decisions, including a decision not to grant a patent, are subject to an administrative appeal before the Registrar of Patents. The applicant may appeal the Registrar's final decision to the District Court. The judgment of the District Court sitting as a court of appeal may be appealed to the Supreme Court only with leave.

## 1.9 Consequences of Failure to Pay Annual Fees

There is a six-month grace period for the payment of renewal fees. The fee is approximately USD50 for each month the patent renewal fee was not paid (plus the regular renewal fee as detailed above). If all fees are paid during the grace period, the patent is deemed to have never lapsed.

After this grace period, it is still possible to restore the patent, but it would require filing an appropriate application, supported by an affidavit (and payment of additional fees of approximately USD180), and it is at the Patent Registrar's discretion whether to allow the revival of the application.

In order to succeed with the application for restoration, the Registrar must be convinced that the renewal fee was not paid due to reasonable cause, and that the patentee did not wish for the patent to lapse and asked for the reinstatement of the patent as soon as possible after he (or the one responsible on his behalf) learned that the renewal fees had not been paid on time.

If the Registrar of Patents accepts the application for restoration, it will be published for a three-month pre-grant opposition period. Anyone may oppose the application for restoration within three months of the application being published, on the grounds that the Registrar had no basis for allowing the restoration of the application.

If no opposition is filed (or if the opposition filed was dismissed), the Registrar will order restoration, but it may make the restoration subject to conditions.

### Prior user rights

Anyone who began exploiting the invention after publication of expiry of the patent due to non-payment (namely, after the six-month grace period) shall be entitled to continue

to exploit the invention only for the sake of his own business, even after the patent is restored. This right cannot be transferred, except together with the business in which that invention was used.

## 2. Initiating a Lawsuit

### 2.1 Actions Available Against Infringement

Patent infringement cases are heard before the District Court. The judgment can be appealed to the Supreme Court by right.

### 2.2 Third-Party Remedies to Remove Effect of Intellectual Property Right

Third parties that wish to remove the effects of patents may:

- use cancellation procedures (see **1.7 Third-Party Rights to Participate in Grant Proceedings**);
- ask for declaration of non-infringement (see **1.7 Third-Party Rights to Participate in Grant Proceedings**); or
- in theory, file an application for compulsory licence (see **2.12 Restrictions on Assertion of Intellectual Property Right**). Notably, an application for compulsory licence provides remedy to the applicant and does not result in revocation or narrowing of the patent. In practice, this procedure has not been used since the early 1990s.

### 2.3 Courts with Jurisdiction

The Israeli judicial system consists of three levels: Magistrate's Courts, District Courts and the Supreme Court. Patent infringement cases are heard exclusively before the District Courts as first instance, and final judgments thereof may be appealed to the Supreme Court.

Each of the six District Courts has local jurisdiction within its district. Local jurisdiction (venue) among the six District Courts is determined based on the general principles of the choice of venue applicable to all civil litigation; of particular relevance to IP cases are the rules based on the defendant's residence or place of business or the place of infringing activity.

A claim against a foreign entity that has no place of business in Israel may be brought before the District Court of Jerusalem, which has residual authority.

A leave of court is required in order to affect service out of jurisdiction. If the defendant is unable to challenge the leave, the court will acquire international jurisdiction over the defendant.

Judgments handed down by the district courts may be appealed to the Supreme Court without requiring leave. Other decisions, such as decisions in interim relief proceedings, may be appealed only with leave.

### 2.4 Prerequisites to Filing a Lawsuit

There are no prerequisites (such as warning letters or engaging in mediation) to filing a lawsuit. Only the patentee and an exclusive licensee may file an infringement lawsuit. All co-patentees (and the exclusive licensee, if they exist) must be joined as parties to an infringement action in order to have a standing to sue. There is no requirement of standing right in an invalidation procedure.

The filing of a lawsuit requires payment of a court fee that is in general a nominal amount of 2.5% of the amount of the claim up to approximately USD6.24 million and 1% of the remainder of the amount of the claim, with no cap.

Thus, in large-scale cases the court fees may reach significant amounts. The usual practice is to indicate merely a nominal amount for court fees; however, at the damages phase of the trial, the court fee for the full amount of the damages sought must be paid. One half of the court fees is paid as a condition to filing the lawsuit. The second half is payable before the trial date.

### Security for costs

At the request of the defendant, the court may require the plaintiff to provide security for costs. Where the plaintiff is a limited liability company, the burden is on the plaintiff to prove that it is able to bear the costs if awarded against it. Without such showing, the court will be inclined to order a security for costs; however, the court may refuse to require a security if it deems it appropriate to do so, having regard, inter alia, to the strength of the plaintiff's case. Where the plaintiff is an individual, and although formal power to require security for costs exists, the court will usually refrain from making such an order. However, where the individual plaintiff is a foreign resident lacking assets within the jurisdiction, the court will be inclined to issue such an order (unless the plaintiff is a resident of a country that is party to a treaty with the State of Israel in which the State of Israel agreed to waive the requirement of security for costs for residents of the other contracting country).

### 2.5 Legal Representation

Representation before Courts and the Registrar is not mandatory, and one can represent oneself in the proceedings. Nevertheless, representation is highly recommended.

Representation before courts is done solely by attorneys-at-law licensed by the Israeli Bar Association. Patent attorneys may, by leave of court, argue in court on non-legal matters related to an invention or a patent, provided that the party's attorney-at-law is present.

In proceedings before the Registrar of Patents, the party may be represented by a licensed patent attorney.

Following a recent amendment to the Bar Association Law, foreign lawyers may represent clients in Israel in a limited capacity - namely, by counseling on the laws of the foreign jurisdiction where the foreign lawyer is certified, and drafting documents to which the law of such foreign jurisdiction applies. Accordingly, foreign lawyers are not permitted to represent or counsel clients regarding patent infringement litigation in Israel.

Foreign lawyers licensed to represent a party or interrogate witnesses on behalf of a party in a foreign jurisdiction may actively take part in proceedings before an Israeli court for the taking of evidence pursuant to a foreign state's letter of request in accordance with the Mutual Legal Assistance Between Countries Law, 1998.

## 2.6 Interim Injunctions

Preliminary remedies are available in the Israeli legal system, including preliminary injunctions, Anton Piller-type search-and-seizure orders, receivership orders, attachment (lien) orders, and other interim reliefs. In addition, the court has the power to grant any appropriate remedy under the circumstances of the case.

Preliminary relief is typically requested simultaneously or shortly after the filing of the Statement of Claims; the court may grant preliminary relief prior to the filing of the Statement of Claims if it was found that such measure is justified in the circumstances, in which case the claim must be filed within seven days or as is prescribed by the court.

In order to receive preliminary relief, the applicant must show that the immediate intervention of the court is needed to preserve the status quo and to prevent irreparable harm. In addition, the applicant must petition for interim relief in good faith and in a timely manner, to avoid the petition being barred by the doctrine of "unclean hands" or by laches, respectively. The court will consider whether the interim relief is just and appropriate in the circumstances.

To obtain preliminary relief, the applicant must establish, through prima facie evidence, that:

- it has a prima facie case and reasonable chances of proving its case;
- the balance of convenience is in favour of the applicant; and
- the relief was applied for in good faith, without delay, with clean hands, and that the grant of the requested relief is just and appropriate in the circumstances and does not cause unnecessary injury.

Interim relief proceedings are normally conducted inter partes. Ex parte relief may be available if the applicant persuades the court, with prima facie evidence, that deferring

the relief until an inter partes hearing may defeat the purpose of the order or cause the applicant severe damage.

Applications for search-and-seizure orders, attachment orders, and orders restricting use of an asset (Mareva-like orders) are the exception to the general rule and are normally heard ex parte unless the court is satisfied that an inter partes hearing would not frustrate the purpose of the requested order. An ex parte order other than an attachment must be followed by an inter partes hearing within 14 days. When hearing an application for an ex parte order, the court will exercise greater caution than in inter partes proceedings.

Applications for interim relief are made as a written application. The respondent then has 20 days to respond to the application, and the applicant may in its option reply to the respondent's response. All factual contentions in the application, response and reply must be supported by an affidavit. As a general rule, the parties have a right to cross-examine the affiants during the hearing of the application. The judge may issue the decision at the conclusion of the hearing or may defer the decision, for the purpose of either taking the matter under advisement or allowing the parties to sum up in writing. Applications for interim relief may take days, weeks or sometimes several months to be resolved.

The President of the District Court or a judge to whom such powers were delegated may order the main case to be expedited in lieu of hearing an application of interim relief. Judges may be inclined to follow this route when the issues are complex.

In general, for interim relief to be issued, the case should be relatively clear and strong. In recent years, there has been a decrease in the tendency of trial courts to issue interim reliefs.

Security for the defendant's damages resulting from an expired temporary remedy order: as a precondition for interim relief to become effective, the applicant is required to provide a personal undertaking not limited by any amount and, in addition, a third-party guarantee (typically, a bank guarantee) at an amount set by the court to indemnify the defendant for its damages if the claim terminates or if the order expires. The court may exempt the applicant from the requirement of providing a guarantee out of considerations of justice and for special reasons, but the requirement of providing a personal undertaking not limited by any amount is a mandatory requirement. In addition, the court may require the applicant to post a bond if the court deemed it just to do so, and the court as a general rule will require a bond in respect of ex parte orders unless the court deemed it just to exempt the applicant from such requirement.

On termination or expiration of a temporary remedy order, the defendant (respondent) may, within six months, file an application to order the plaintiff to compensate the defendant for damages it suffered from the order, and the court will rule thereon. In this context, regard must be paid to the decision of the District Court in the matter of *Unipharm v. Sanofi*, where the court ordered that a generic company that opposed a patent application that was withdrawn by the patent applicant may be entitled to disgorge part of the patent applicant's profits where it was found that the patent application was prosecuted improperly in an attempt to extend the patent protection for a pharmaceutical about to become off-patent.

### 2.7 Protection for Potential Opponents

Declaration of non-infringement: a third party can ask the court for a declaration that his exploitation of the invention disclosed in the patent does not constitute an infringement. The patentee and the exclusive right owner are the respondent in this application. The applicant must give the patentee full details of the product or process he wishes to use. It shall be noted that, in these proceedings, the applicant cannot argue that the patent is invalid. Furthermore, the grant of or the refusal to grant the declaration of non-infringement shall not be decisive on the question of the patent's validity.

### 2.8 Special Limitation Provisions

There are no special statutory limitation provisions regarding intellectual property matters, and these matters are subject to the general seven-year limitation period prescribed by law.

The seven-year limitation period on infringement actions commences on the date when the cause of action accrued. There are two notable tolling provisions:

- instances in which the cause of action involves the defendant's fraud or deception, in which case the limitation period runs from when the plaintiff had knowledge of such fraud or deception; and
- instances in which the plaintiff, for reasons over which he or she did not have control and which he or she could not prevent, had no knowledge of the cause of action, in which case the limitation period runs from when the plaintiff had or should have had knowledge of the cause of action.

Case law shows an accepted position that in patent infringement each act of infringement gives rise to a new claim; thus, a claim seeking injunction is not time-barred by the Statute of Limitation even when infringement commenced more than seven years before the claim was brought. However, damages cannot be recovered for a period in excess of the seven-year limitation period.

### 2.9 Mechanisms to Obtain Evidence and Information

Generally speaking, discovery, inspection and written interrogatory proceedings are available in Israel, albeit in a less extensive manner than in the United States. There are no depositions. In addition, in Israel there is no pre-complaint discovery.

Interim orders such as Anton Piller-type search-and-seizure orders and receivership orders may also assist a party in the collection and preservation of evidence.

Discovery is not available against non-parties. However, a third party may be summoned to produce particular documents under subpoena duces tecum issued by the court on a party's application. Disclosure from non-parties must be limited to specific documents.

### 2.10 Initial Pleading Standards

A lawsuit is initiated by filing a Statement of Claims, which starts the exchange of pleadings. The Statement of Claims must set forth the facts that, if subsequently proven, establish the plaintiff's cause of action, and therefore requires substantially more detail than a complaint filed in the United States.

Nevertheless, the plaintiff need not prove any evidence at the stage of filing the Statement of Claims but will typically undertake private fact-finding and gathering of evidence before bringing a legal action, because the Statement of Claims must set forth in some detail the facts that support the plaintiff's cause of action.

The defendant must respond with a Statement of Defence within 30 days of being served with the Statement of Claims. The Statement of Defence must set forth all the material facts underlying the defences raised by the defendant. The plaintiff is entitled, but not obligated, to respond to the Statement of Defence with a Statement of Response within 30 days.

The case then proceeds to pre-trial hearing, which is intended for delineating issues in dispute between the parties, and in which the parties are encouraged to resolve discovery and interrogatory controversies. If not settled, the case proceeds to trial. The judge prescribes the schedule for the submission of evidence, usually by way of written affidavits and expert opinions.

There may be another oral hearing before the judge to ensure that all the evidence has been submitted. Thereafter, a trial hearing is held where the witnesses and experts are cross-examined. Afterwards, the parties exchange Summations (usually in writing), and the judge later hands down the judgment.

### 2.11 Representative or Collective Action

There are no collective actions (such as class actions) for intellectual property proceedings. Nevertheless, as a general rule, if a rights owner filed suit against more than one defendant regarding infringement of the same rights and more or less the same factual background, the suits will be unified (and if a few plaintiffs file suits against the same rights owner).

### 2.12 Restrictions on Assertion of Intellectual Property Right

#### Compulsory licences

The provisions of the Israeli Patents Act were amended in accordance with the TRIPs Agreement regarding compulsory licence. Nevertheless, these provisions have little significance in practice and have not been in use since the early 1990s.

These provisions held that if the patentee or the exclusive licence owner is misusing its “monopoly power,” the Registrar may grant a compulsory licence to exploit the patent to third parties who petitioned for a compulsory licence, provided that the motion was filed three years after the grant of the patent or four years from the application date, whichever is later.

Examples of misusing monopoly power are as follows:

- when all the demand for the product is not satisfied in Israel on reasonable terms;
- when the conditions attached by the patent holder to the supply of the product or to the grant of a licence are not fair under the circumstances, do not take account of the public interest and arise essentially out of the existence of the patent;
- when exploitation of the invention by way of production in Israel is impossible or restricted by the importation of the product;
- when a patentee refuses to grant a licence for a local producer on reasonable terms.

Upon request, the Registrar may also grant a compulsory licence for medical purposes for a patented product that can be used as a medicament or a patented process for the production of a medicament.

#### Compulsory licence to exploit earlier patent

If the patented invention cannot later be exploited without infringing an earlier patent, then the Registrar may grant a licence to exploit the earlier invention to the extent necessary and under the condition that the later invention serves a different industrial purpose and that it shows a considerable advance over the earlier invention.

### Antitrust Law and Patents Act

The Patents Act expressly determines that the grant of the patent does not allow the patentee to unlawfully exploit the invention in a manner that breaches any other enactment. As such, even though there are no special provisions in the Patents Act regarding the incidence of the Antitrust Law, one must keep in mind that there might be liability in accordance with the Antitrust Law regarding a misuse of rights.

In particular, in a recent decision issued by the District Court in the case of Unipharm v. Sanofi, the court held that the patent applicant, Sanofi, misled the ILPTO and breached its duty of disclosure since it filed a PCT application which claimed priority from an application with erroneous example and continued to claim priority even though it knew about the error and did not include sufficient details concerning the reason for the error and circumstances.

This judgment creates, by way of judicial legislation, a new cause of action under the doctrine of Unjust Enrichment. It allows a private competitor to bring suit against an innovative pharmaceutical company (that was found to have improperly prosecuted a patent application), seeking accounting and disgorgement of its profits, as a punitive measure, without regard to any damage to the private competitor.

The Court further held that it was irrelevant whether or not the error would have been easily overcome, as argued by Sanofi. In effect, the Court held that because of Sanofi's perceived omission, it is not entitled to raise this argument and it was not decided on the merits.

These findings, if not overturned, entail that every error in a priority application known to the patent applicant must be rectified prior to filing the national applications. This monumental burden applies also to errors that a person skilled in the art may easily overcome.

In addition, patent applicants are now subject to the highly broad duty of disclosure, the boundaries of which are unclear. This may in turn lead to an increase of inequitable conduct litigation in the future, an indication of which can already be found in recent case law by the ILPTO.

In its suit, Unipharm further claimed that Sanofi's abandoned patent application was a “weak application” that was filed merely to block legitimate competition and, having reached this unacceptable objective, was therefore abandoned. The judge did not accept this argument.

It therefore left open the question of “whether, and under what conditions, the filing of a patent application, whose chances are slim, by an ethical company with the purpose of delaying the entrance of generic [products] into the market establishes cause for action for the generic company delayed

[from entering into market] following the patent application”.

In addition to the findings regarding improper prosecution and breach of disclosure duty, the Court found that Sanofi's actions amounted to abuse of a dominant position under Israeli Antitrust Law, and did so without discussing the relevant conditions stipulated by law in order for a company to be considered a monopoly.

### 3. Infringement

#### 3.1 Necessary Parties to an Action for Infringement

The necessary parties to an action for infringement are the patentee and exclusive licensee, who are the only ones that can file an action for infringement. Therefore, non-exclusive licence owners cannot file an action for infringement. In cases of a jointly owned patent, each partner is entitled to bring action for infringement.

Co-patentees and exclusive licensees that chose not to join the action for infringement with the plaintiff must be joined by the plaintiff as defendants. A person that was joined as a defendant but did not take part in the proceedings will not be required to participate in the payment of litigation costs.

#### 3.2 Direct and Indirect Infringement

Direct infringement is expressly defined in the Patents Act as the right of the patentee to prevent any other person from exploiting the invention, either as defined by the claims or in a similar manner which involves the essence of the invention.

In addition, Israeli courts recognise infringement by joint tortfeasors (such as aiding or inducing infringement) who are then jointly and severally liable. Liability as joint tortfeasors is based on the provisions of the general Torts Ordinance concerning joint tortfeasors.

Furthermore, the courts have recognised a court-made doctrine of contributory infringement. Contributory liability does not require a showing of concerted action between the direct infringer and the contributory infringer. The concept of contributory infringement has been applied under the following accumulated conditions:

- the defendant supplied some, but not all, of the components of the patented invention and these components form a substantial part of the invention;
- the defendant knew or should have known that the components would be used for infringing;
- the defendant does not have a staple commercial product with a substantial non-infringing use.

In such instances of liability, it has not been definitively ruled whether a specific instance of a direct infringement must be shown, and it remains an open issue regarding whether the direct infringer must be joined.

Remedies for indirect infringement are the same as for direct infringement.

#### 3.3 Scope of Protection for an Intellectual Property Right

The Patents Act defines infringement as exploitation of the invention in the manner defined by the claims or in a similar manner that, in light of the claims, involves the essence of the invention.

Thus, in addition to protection against literal infringement, the Patents Act also confers protection against infringement of the “essence of the invention” (gist), sometimes also referred to as the “doctrine of equivalents.”

In addition, the Supreme Court emphasised the principle of reading the patent document as a whole. As such, the specification cannot be used to broaden the scope of the claims and cannot be used selectively, and it is the rule that interpretation of the claims should be purposive. It has been ruled that claim construction aims at ascertaining the inventor's intention expressed in the patent document as understood by a person having an ordinary skill in the art in the relevant field given the knowledge existing on the determining date.

A patentee is expected to formulate the patent claims with a reasonable degree of clarity. The Supreme Court enunciated several criteria to assist in determining whether the reasonable degree of clarity was achieved:

- the complexity of the field of the invention and the difficulty of describing the invention clearly;
- the ability of the language to describe the invention in a better way;
- unwarranted ambiguity operates against the author toward a narrower reading of the claims, whereas the invention's greater contribution to the field allows for a more liberal construction of the exclusive right afforded by the claims.

In case the proper interpretation of the patent document is unclear, the Israeli and foreign file wrappers may aid in the interpretation. It should be noted, though, that the Supreme Court left undecided the question of whether the doctrine of file wrapper estoppel is applicable in Israel.

Claim construction is an issue of law.

#### 3.4 Defences Against Infringement

The available defences against infringement are (not an exhaustive list):

- non-infringement, where the claims do not cover the accused product or method;
- non-infringement, with exceptions to the definition of “Exploitation of an invention”; these include statutory “Experimental Use” and “Bolar-like” exceptions;
- invalidity;
- lack of standing to bring suit;
- prior use rights (see **1.9 Consequences of Failure to Pay Annual Fees**);
- statute of limitation and laches - laches is a strong defence in interim relief proceedings. However, it will only be considered a defence in the main action in rare and exceptional circumstances;
- equitable estoppel - as a general principle, a plaintiff may be estopped from bringing an action if his or her conduct through action or inaction was such that the defendant reasonably inferred that the plaintiff would not enforce the patent against him or her, and the defendant relied on such conduct and materially changed his or her situation based on such reliance. Acquiescence will not be easily inferred;
- patent exhaustion - the Patents Act does not expressly deal with this matter. However, in the case of Bristol-Myers Squibb Company v. The Minister of Health the question of whether parallel importation of patented medicine to Israel is allowed was examined and although the issue arose obiter dicta (such that no decision was made on the merits), the judge expressed his opinion in favour of the international exhaustion of rights;
- compulsory licence and compulsory licence to exploit earlier patent - compulsory licences are theoretically available (see **2.12 Restrictions on Assertion of Intellectual Property Right**). However, allegation to entitlement to a compulsory licence (not actually granted) is not a defence.

### 3.5 Role of Experts

#### Experts engaged by the parties

Experts are frequently engaged by the parties, both in Patent Office litigation and in infringement litigation before the District Courts. Foreign experts may file their opinions in English. During trial, the experts will be cross-examined on their opinions.

#### Court-appointed experts

In proceedings before the Patent Office, no experts are appointed by the registrar. If necessary, the Registrar is aided by one of the examiners.

A district court trying an infringement action may appoint a court-appointed expert, who may be cross-examined by both parties (plaintiff and defendant). The default rule is that the appointment of a court-appointed expert renders parties' expert opinions inadmissible. Pending final judgment, the parties will typically be ordered to share the costs of the court-appointed expert.

In addition, the district court has power to appoint an Assessor (a scientific adviser) who shall assist the judge in taking evidence and may render advice to the judge, but shall not take part in rendering the judgment. The payment to the scientific adviser appointed by the court is made by the State Treasury.

### 3.6 Procedure for Construing the Terms of the Patent's Claims

In Israel there is no Claim Construction Hearing (“Markman hearing”) in which the judge examines the evidence of the parties in order to understand the appropriate meaning of the key words of the patent claims.

## 4. Revocation/Cancellation

### 4.1 Reasons and Remedies for Revocation/Cancellation

The grounds for filing an application for patent revocation are identical to the grounds for filing an opposition (see **1.7 Third-Party Rights to Participate in Grant Proceedings**).

### 4.2 Partial Revocation/Cancellation

The Registrar has the discretion to partially revoke the patent by narrowing or revoking part of the patent claims.

### 4.3 Amendments in Revocation/Cancellation Proceedings

The patentee may apply for an amendment during revocation proceedings for the purpose of clarification, removing an error in the specification or restricting the claims. The Registrar will permit the amendment if he is convinced that the amendment will not broaden the scope of the claims and will not add anything to the specification not already included from the start.

### 4.4 Revocation/Cancellation and Infringement

As opposed to Germany, infringement and validation are heard before the same court in Israel. In terms of procedure, the issue of damages is bifurcated, where at the first stage the court addresses issues of validity and infringement, with the judgment at this stage addressing the grant of an injunction and usually an order for accounting. The court, however, is not bound by the results of an accounting. At the second stage – the bifurcated damages proceeding – the parties conduct a trial over the accounting and the calculation of damages. Usually the parties settle the dispute during this proceeding and do not conduct it in its entirety.

## 5. Trial & Settlement

### 5.1 Special Procedural Provisions for Intellectual Property Rights

There are no special procedural provisions for intellectual property rights proceedings.

## 5.2 Decision Makers

Infringement cases are heard before professional judges possessing legal background; there are neither technical judges nor juries in Israel. The parties have no influence on the allocation of the presiding judge.

## 5.3 Settling the Case

The parties may resolve the dispute via mediation (which is regulated by law). Mediation is voluntary: even though the judges usually encourage the parties to resolve the dispute using mediation, currently there is no mandatory settlement conference.

## 5.4 Other Court Proceedings

The district court trying an infringement action has power to stay the proceedings before it (judges sometimes may encourage the parties to first resolve the validity issue by instituting a revocation action before the Patent Office).

If the Patent Office revokes the patent, revocations act in rem. If the Patent Office dismisses the revocation action, the District Court is free to invalidate the patent (subject to the general rules of issue preclusion).

# 6. Remedies

## 6.1 Remedies for the Patentee

As set forth in **1.5 Rights and Obligations of Owner of Intellectual Property Right**, the available remedies to a successful plaintiff in an infringement case are injunction, damages and delivery up. The judge has power to fashion any additional remedy as s/he finds appropriate.

As set forth in **6.2 Rights of Prevailing Defendants** below, generally the prevailing party is entitled to reimbursements of court and attorney fees. However, in practice reimbursement is almost always partial.

## 6.2 Rights of Prevailing Defendants

As a general rule, the prevailing party is entitled to reimbursement of its reasonable legal costs. However, in practice reimbursement is almost always partial. The court has the power to award costs also in interim proceedings, but sometimes will defer its decision until after a decision on the merits is made.

The courts also have regard to the parties' conduct, which may result in denying an award of costs to the winning party (in whole or in part) and may even result in the court providing for an award in favour of the losing party or in providing for an award to the state treasury.

As far as attorney fees are concerned, the courts usually award attorney fees (without extensive factual inquiry) that are but a fraction of the attorney fees actually incurred.

The prevailing party is also entitled to a reimbursement of all reasonable out-of-pocket expenses. Court fees are generally viewed as a reasonably incurred cost and are reimbursed by the losing defendant in full, though the court has discretion to refuse such reimbursement, in part, where it finds that the amount initially claimed (and on the basis of which court fees were paid) was unduly high.

Costs appearing in the court docket (such as payments ordered by the court to witnesses for their lost time, which are relatively low) are reimbursed as a matter of right. Reimbursement of other costs, such as expert fees, travel and accommodation costs, translation costs, photocopies, couriers and the like, require submission of an application proving the costs in a detailed manner; the costs are then scrutinised to ensure their reasonableness as a condition for reimbursement.

The practice before the ILPTO in opposition and revocation actions is different. Following judgment, the prevailing party is entitled to submit an application that details, on an itemised basis, not only out-of-pocket costs but also attorney fees paid. All items are scrutinised, and practice shows that the amount of attorney fees reimbursed in proceedings before the ILPTO may be 50% or more, and legal fee awards may be as high as a few hundred thousand US dollars, thus substantially higher than in District Court litigation, where the recovery may be well below 15%.

## 6.3 Types of Remedy

According to the Commercial Wrongs Act, a successful plaintiff in a trade secret infringement case may be entitled to injunction and damages, including statutory damages of up to USD25,975 per infringement.

Statutory damages are not available in patent litigation.

## 6.4 Injunctions Pending Appeal

If the patent was found valid and was later infringed at first instance, the common practice is that an injunction is granted and the default rule is that execution is not stayed.

# 7. Appeal

## 7.1 Special Provisions for Intellectual Property Proceedings

There are no special provisions concerning the appellate procedure for intellectual property rights proceedings.

## 7.2 Type of Review

The appeal court typically refrains from interfering with findings of fact and concerns itself mainly with issues of law. The Supreme Court sees decisions on interim relief as discretionary issues and therefore will not easily interfere.

## 8. Costs

### 8.1 Costs Before Filing a Lawsuit

The costs arising before filing a lawsuit relate primarily to the attorney's diligence work required to evaluate the case and prepare the pleadings. There are no protective briefs, hence there are no costs in this regard. It is not obligatory to send a warning letter, but they are typically sent.

### 8.2 Responsibility for Paying Costs of Litigation

Please see 6.2 Rights of Prevailing Defendants.

## 9. Alternative Dispute Resolution

### 9.1 Type of Actions for Intellectual Property

The use of ADR is more widespread in general commercial disputes than in the field of intellectual property. However, the awareness of ADR in patent litigation has significantly increased in recent years and mediation is generally encouraged by the courts.

Due to the workload in the Israeli court system, judges encourage the parties to use mediation (which is regulated by law), but doing so is possible only upon mutual consent of both parties.

Arbitration is also regulated by law and allows the parties to agree upon the possibility to appeal the arbitrator's verdict.

## 10. Assignment & Licensing

### 10.1 Requirements or Restrictions for Assignment of Intellectual Property Rights

There is no legal obligation to record assignment agreements for registered patents or pending applications at the ILPTO. Failure to record such assignments does not influence the validity of the application or the patent granted thereon, nor does it have any bearing on the relationship between the parties to the agreement. Nevertheless, it is recommended that the change is recorded for a number of reasons, including the following:

- recording is required in order to allow the assignee to assert the right against third parties;
- failure to record may cause delay when immediate enforcement actions are required (since the right to file such actions is preserved only for the registered patentee/exclusive licensee).

### 10.2 Procedure for Assigning an Intellectual Property Right

The application for assignment may be filed by the assignee or by his legal representative.

According to an administrative directive issued by the Patents Registrar, the following documents will be required in order to record an assignment agreement at the Israeli Patent Office:

- The original Assignment Agreement or a certified copy thereof. According to the Directive, the assignment agreement must indicate the exact transaction, the date of the transaction, the signature of the assignor and a specific reference to the Israeli Patent or Patent Application involved, identified by its official serial number. If the original agreement was not made in Hebrew, Arabic or English, a certified translation into one of these languages must be provided by an Israeli or foreign notary.

If the agreement is signed by a liquidator or trustee, it is necessary to submit the document evidencing the appointment of said person and his/her authorisation to sign on behalf of the legal entity for which he/she has signed the agreement.

If the agreement indicates that it is executed in accordance with or subject to the provisions of a previous agreement, it will be necessary to file an affidavit on behalf of the party requesting the recordation or their attorney, stating that the previous agreement does not include any provisions which may revoke or restrict the recordation of the requested change.

If the agreement includes confidential information, one may file both an abbreviated version of the agreement and the duly notarised complete unabbreviated version thereof, and request that the Patent Office clerks return the complete unabbreviated version once the agreement is duly recorded, so that the only document to remain on record will be the abbreviated version.

Alternatively, it is possible to file the abbreviated version of the agreement only, as long as the applicant explains to the Patent Office why certain parts were redacted and what the general content of these parts was, and confirms that these parts do not include any provisions which may revoke or restrict the recordation of the requested change.

If the application for assignment is requested following an order of a foreign court or a will (testament), the applicant must present a decision, order or ruling of an Israeli court or the Israeli register of wills in respect of the inheritance in order for the change to be executed.

- A duly signed Power of Attorney in the name of the Assignee, indicating the full name and address of the assignee, and the date of signature. No legalisation or notarisation of the signature is required. Furthermore, it is not necessary to file the original form or a certified copy thereof (a simple copy will suffice).

Costs for recording an assignment: there is an official fee of approximately USD63. Professional fees vary significantly.

### 10.3 Requirements for Restrictions to License an Intellectual Property Right

The Patentee may give an exclusive or non-exclusive written licence to exploit the invention. An exclusive licence confers the exclusive right to act as if he was the patentee, and prohibits the patentee from exploiting the invention in Israel. A non-exclusive licence confers the right to exploit the invention to the extent and on the condition prescribed in the licence. A non-exclusive licensee does not have a right to file action for infringement.

The recordation of licences for registered patents or pending applications is not mandatory under the Patents Law. Moreover, non-recordation of the licence does not affect the validity of the patent (or patent application) involved, nor does it have any bearing on the relationship between the parties to the agreement. Nevertheless, a recordation of an exclusive licence is required in order to assert such licence against third parties. Therefore, a patent licence agreement that was not registered in the Patents Register is generally in effect only for the parties to the agreement.

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