Questionnaire 2

HCCH Judgments Project

National/Regional Group: ISRAEL
Contributors name(s): Tal Band, Yair Ziv
E-Mail contact: yairz@s-horowitz.com

Questions

(1) With respect to Question no. 1 (Relating to Article 2(1)(m) of the November 2017 Draft Convention:

(a) Should any intellectual property rights be included in the scope of the Convention?

(b) Should intellectual property rights be included in the scope of the Convention, what should be included within the concept of “intellectual property”? For example, should the concept of "intellectual property" be limited to the "traditional" intellectual property rights, e.g. patents, designs, trademarks, copyright? Alternatively, should the concept of "intellectual property" also include related rights, such as rights relating to trade secrets, rights arising from licences, unfair competition, etc.? Please explain and specify why or why not certain types of "intellectual property" should be included or excluded.

We reiterate our principled position that intellectual property rights (and, particularly, patents), should be excluded from the ambit of the Draft Convention.

As mentioned in our previous response to the HCCH questionnaire, dated 19 November, 2017 ("Questionnaire 1"), the main difficulties arising from implementation of the Draft Convention in relation to IP rights (and, particularly, patents), by means of the recognition and enforcement of foreign judgments involving IP issues, is that this would explicitly undermine the basic principles of the territoriality of IP rights, and the sovereignty of the state in which the relevant IP right was granted.

Undermining the territoriality principle may pose various difficulties from several perspectives. In the absence of a uniform IP legal regime, applicable to all member states that are party to the Draft Convention (“member states”), countries (including the member states) adopt and apply their own particular IP standards and policies, based on the underlying legal system and principles inherent in each particular jurisdiction. The recognition and enforcement of foreign judgments involving IP rights (which judgments

1
were rendered based upon, or stemming from, the judicial review of complex issues, such as validity and scope and/or the infringement of such rights, during the course of the proceedings in each country), might therefore result in undesirable consequences.

The uniqueness of the IP standards and policies embraced by the different countries is also apparent from the aspects of both the substantive law and the procedural law.

The recognition of foreign judgments – which are based upon and/or stem from legal proceedings whose legal principles and criteria vary considerably between the member states – undermines the sovereignty of the Israeli court system and could lead to inconsistent and even contradictory decisions being rendered by the Israeli courts.

Thus, a dispute that would have resulted in judgment being rendered according to the Israeli substantial and procedural law, could have a completely different result if decided according to another law and principles. In addition, similar cases might lead to different outcomes where one is decided according to the Israeli substantial and procedural law, while the other according to another law and principles. Important rights which are bestowed on litigants in Israel might also be compromised.

In light of the above, we argued that if the Draft Convention will allow for the recognition and enforcement of foreign judgments in Israel, essential mechanisms relied upon for implementation of the principles of territoriality and sovereignty will certainly be undermined.

We therefore believe that, at most, the Draft Convention should allow for the enforcement of a foreign judgment granting monetary remedies, even where the subject of such judgment concerns IP issues, provided only that: (1) no determinations are made in such judgment regarding the validity of an IP right which is not registered in the state in which the judgment was rendered; and (2) no reference is made in the judgment to any presumed infringement having occurred in respect of such IP right outside that state. The purpose of the proposed provisions is to apply the territoriality and sovereignty principles as described above.

(c) Do you think the wording “... and analogous matters” is clear enough? Please explain why or why not.

(d) Please provide any proposals regarding the refinement of the wording of Article 2(1)(m) of the Draft Convention.

We hold the view that the term "analogous matters" is not sufficiently clear, and therefore recommend including and clarifying such term in the Definitions section (Article 3). In particular, we believe it is necessary to clarify that the term "analogous matters" shall encompass a non-exhaustive list of excluded litigation concerning IP matters. The importance of the inclusion of a definite exclusion, from our point of view, is that not all IP rights are universally recognized (e.g., traditional knowledge, genetic resources, traditional cultural expressions, etc.). A non-exhaustive list would, therefore, prevent the unwanted outcome in which a member state would be required to recognize an "IP right" that is not recognized under its domestic law.
(2) With respect to Question no. 2 (Relating to Article 5(3)(a) of the November 2017 Draft Convention:

(a) Should a judgment that ruled on the infringement of an intellectual property right required to be granted or registered only be eligible for recognition and enforcement if given by a court of the contracting state in which the intellectual property right in question was granted or is registered? Please explain why or why not.

As noted in our answer to question (1) above, as well as in our previous response to Questionnaire 1, we are of the opinion that IP rights should be excluded from the ambit of the Draft Convention. Without derogating from our aforesaid statement, it is essential that the recognition and enforcement of a foreign judgment that deals with the infringement of an IP right, be subject to the condition that it was rendered by a court of the contracting state in which the intellectual property right in question was granted or is registered. Absent the inclusion of said condition, the difficulties outlined above concerning both the sovereignty and territoriality principles will most certainly exacerbate. In cases where a multi-state litigation concerning IP rights occurs, (for example, enforcement or recognition of a judgement rendered in Germany with respect to an infringement of a Israeli patent, is requested in France) some further complex questions may arise, *inter alia*, with respect to the existence and the content of these rights; the foreign law applicable, *etc*. Insofar as third member-states would be required to recognize and/or enforce judgements relating to IP rights, this would clearly undermine the territoriality of these rights and further expand the negative impact it has on the sovereignty of the state that originally granted said rights.

However, even if the said condition is met, the recognition and enforcement of judgments involving non-monetary relief under the Draft Convention would still be problematic, as it does not take into account the territoriality and sovereignty difficulties outlined above.

Said difficulties may arise particularly when *enforcement* of a foreign judgment is sought in a specific state. In this context, our main concern stems from a res *judicata* rule, whereby parties would be prevented from re-litigating a matter that has been adjudicated by a competent court, even though said court applies legal principles which differ substantially from those entrenched in the requested state.

Recognition of the judgment in question in such cases (particularly in the absence of uniform IP laws and a harmonised judicial interpretation of such law) would not only constitute a manifest breach of the territoriality and sovereignty principles but also raises concerns relating to the protection of fairness afforded to foreign defendants or their due process rights.

(b) Should there be an exclusion in the case were the defendant has not acted in that State or their activity cannot reasonably be seen as having been targeted at that State? Please explain why or why not.

The wording of the last sentence included in both sub-sections 5(3)(a) and (b), which provides that "*unless the defendant has not acted in that state to initiate or further the
infringement, or their activity cannot reasonably be seen as having been **targeted at that state** appears to be ambiguous. It is unclear to which state the term "that state" is intended to refer.

Moreover, it is not clear what the term "targeted at that state" is intended to mean. We in any event wish to reiterate that, in our view, activity that takes place within the borders of a member state should be governed solely by it and according to its domestic law.

Hence, assuming that a potential defendant is engaging in infringing activity that may be deemed as "targeted" at a potential plaintiff in a different state, then to the extent said activity stays within the borders of the state of the defendant, the applicable law shall be that prevailing in the defendant's state. As aforesaid, the recognition or enforcement of judgments which ruled on acts of presumed infringement having occurred outside the state of origin, contradicts the territoriality and sovereignty principles.

(c) Should there be an exclusion in the case of purely inter partes judgments? Please explain why or why not.

In Israel, one of the basic and fundamental requirements that must be fulfilled in order for the recognition and enforcement to be applicable is that the defendant was given the right of due process as instilled in law, including *inter alia*, having the opportunity to raise all of his arguments before the court, in inter partes proceedings. Therefore, in "ex parte" proceedings, the exclusion should, in any event, be applied.

(3) With respect to question no. 3 Relating to Article 5(3)(b) of the November 2017 Draft Convention:

(a) Should a judgment that ruled on the infringement of a copyright or related rights, an unregistered trademark or unregistered industrial design, only be eligible for recognition and enforcement if given by a court in the State for which protection is claimed? Please explain why or why not.

(b) Should there be an exclusion in the case were the defendant has not acted in that State or their activity cannot reasonably be seen as having been targeted at that State? Please explain why or why not.

Both our answers to questions 2(a) and 2(b) above shall apply to questions 3(a) and 3(b), *mutatis mutandis*.

(c) Should there be a requirement that the infringement in question is actionable in both the State in which the judgment was issued, and in the State in which the judgment is sought to be enforced? Please explain why or why not.

As mentioned above (e.g., with respect to our comment on the meaning of the term "analogous matters") we believe it essential to prevent a situation in which a member state
would be forced to recognize an IP right or an infringement thereof which is not recognized under its domestic law. Therefore, without derogating from our aforesaid position that IP rights should be excluded from the ambit of the Convention, we find such requirement necessary.

(4) With respect to question no. 4 Relating to Article 5(3)(c) of the November 2017 Draft Convention:

(a) Should a judgment that ruled on the validity, subsistence or ownership of a copyright or related right, an unregistered trademark or unregistered industrial design only be eligible for recognition and enforcement if given by a court in the State for which protection is claimed? Please explain why or why not.

See our answer to question 2(a) above.

(b) Should there be a requirement that the validity, subsistence or ownership referred to in Article 5(3)(c) is actionable in both the State in which the judgment was issued, and in the State in which the judgment is sought to be enforced? Please explain why or why not.

See our answer to question 3(c) above.

(5) With respect to question no. 5, relation to Article 6(a) of the November 2017 Draft Convention; and also Article 8(3) of the November 2017 Draft Convention:

(a) Should a judgment that ruled on the validity of an intellectual property right only be eligible for recognition and enforcement if given by a court of a contracting State in which grant or registration has taken place? Please explain why or why not.

See our answer to question 2(a) above. Note, that the concerns expressed with respect to infringement, are further exacerbated in so far as the validity of IP rights is concerned, as the recognition of a judgment that ruled on the validity (or invalidity) of such rights – where there are fundamental differences between the various legal systems among the member states – deeply undermines the principle of sovereignty. Needless to say, any such determination on issues of validity will have considerable significance as, in many cases, it may directly affect litigation involving infringement arguments relating to that right and, thus, affect substantial valuable rights.

(b) In your jurisdiction, does the word “validity” subsume “registration”? If not, are they related, and if so, how?

With respect to patents, the term “validity” is presumed to include “registration”, in the sense that if a patent is deemed valid, it must necessarily be registered. It should nonetheless be noted that this presumption does not apply vice-versa: i.e., the fact that a
A patent is registered does not necessarily render it as being valid (see e.g., section 37 of the Israeli Patents Law substantiating this rule).

With respect to trademarks, the term “validity” does not necessarily include “registration”. For example, Israeli law provides that a well-known trademark need not be necessarily registered in order for it to be deemed valid.

(c) Should there be an exception in the case of purely inter partes validity judgments? For example, if validity is subsidiary to infringement and a finding regarding validity is only effective as between the parties in the infringement case, or if the validity judgment only acquires in rem effect once it has been fully appealed and becomes final. Please explain why or why not.

The exceptions contemplated in the question are irrelevant because the enforcement and recognition of foreign judgments should, in any event, be possible only in inter partes proceedings and only after the judgment has been fully appealed and became final. In this context, according to Israeli law, the recognition and enforcement of foreign judgments in cases where the foreign judgment is not final, is not permitted. The rationale underlying this stipulation is that the recognition and enforcement of foreign judgments can be extremely problematic (to say the least) in cases where the foreign judgment is capable of being overturned at any future time. In the case of IP rights, not only could such rights embody considerable sums of money, but they may also have a direct impact on third parties and the public. Thus, in our view, omitting a threshold requirement in terms of which the foreign judgment must be final, binding and non-appealable is clearly unreasonable.

Therefore, and without derogating from our principal position opposing implementation of the recognition and enforcement provisions of the Draft Convention on IP rights, it is essential that such threshold requirement be included in the scope of the Draft Convention.

(6) With respect to question no. 6., Should a decision from a body other than a court, such as a branch of government or an Intellectual Property Office, in relation to an intellectual property right required to be granted or registered have the same status under Articles 5(3), 6(a) and 8(3) of the Draft Convention as decisions of a court (particularly in view of the fact that it is not just courts that can revoke intellectual property rights, but e.g. also national and regional offices)? Please explain why or why not.

As mentioned in our response to question no. 7 of this questionnaire, we are of the opinion that the concerns and difficulties outlined above will exacerbate should the Draft Convention apply not only to court decisions, but also to decisions rendered by any other competent authority, e.g. an Intellectual Property Office.

In this context, in addition to the fact that IP rights are highly complex, and that legal determinations made in respect of IP rights are based on legal principles and doctrines that differ among various jurisdictions worldwide, it is clear that broadening the application of the Draft Convention so as to encompass decisions from other competent authorities (other than the courts) would extremely complicate the possibility of implementing the recognition and enforcement provisions of the Draft Convention. Therefore, we oppose
application of the Draft Convention so as to include decisions rendered by such other competent authorities, (other than the courts).

As noted above, we hold that, at most, the Draft Convention should allow for the enforcement of a foreign judgment granting monetary remedies in infringement proceedings. Such proceedings are, in general, conducted before courts.

(7) An answer to question no. 7 was submitted separately in May this year.

(8) With respect to question no. 8, Should the application of a law other than the internal law of the State of origin of a judgment ruled on an infringement of an intellectual property right be a ground for refusal for recognition or enforcement? Please explain why or why not.

Without derogating from our answer to question no. 1 above, applying a law other than the internal law of the state of origin should indeed serve as an additional ground for refusal of the recognition or enforcement of the foreign judgment. As noted in our response to question no. 1 above, in addition to the fact that IP rights are highly complex, and that legal determinations made in respect of IP rights are based on legal principles and doctrines that differ among various jurisdictions worldwide, it is clear that applying a foreign law in such cases would extremely complicate the possibility of implementing the recognition and enforcement provisions of the Draft Convention. The court in the requested state should therefore be conferred with the power to refuse the recognition or enforcement of judgments in such circumstances.

(9) With respect to question no. 9, relating to Article 7(1)(g) of the November 2017 Draft Convention) and Article 11 of the November 2017 Draft Convention:

(a) Should the Convention only cover judgments ruling on an infringement to the extent that they rule on a monetary remedy in relation to harm suffered in the State of origin (in addition to the enforceability of a cost award, see Article 15 of the Draft Convention)? Please explain why or why not.

Without derogating from that stated in our answer to question no. 1 above, we hold the view that the Draft Convention should allow for the enforcement of a foreign judgment granting monetary remedies in relation to harm suffered in the State of origin, even where the subject of such judgment concerns IP issues, provided that: (1) no determinations are made in such judgment regarding the validity of an IP right, which is not registered in the state in which the judgment was rendered; and (2) no reference is made in the judgment to any presumed infringement having occurred in respect of such IP right outside that state. The purpose of said provisions is to apply the territoriality and sovereignty principles as described above.

In this context, we believe that, contrary to the recognition of foreign judgments regarding non-monetary issues, the enforcement of judgments limited to monetary remedies only, does not give rise to any substantial difficulties vis-à-vis the territoriality and sovereignty
principles described above. Whilst monetary remedies are somewhat easy to enforce, the recognition and enforcement of non-monetary remedies might result in adverse implications on litigation involving IP issues (see our response to question no. 1 above).

(b) Do you agree with the reformulation of Article 11 (previously 12)? Please explain why or why not.

Since the reformulation of Article 11 (previously 12) narrows the exclusion outlined in this article, we believe that its previous wording would be preferable. In any case, we oppose recognition of a judgment of the nature described in said Article.

(c) (see also Article 12 of the February 2017 Draft Convention) If you have answered NO to Question 9)b), how could the wording of Article 11 be refined? Please explain why or why not.

For the reasons outlined above, we are of the opinion that the previous version of Article 11 should be reinstated.

(10) With respect to question no. 10, Should there be a rule, such as res judicata, to prevent the re-litigation of issues which have already been determined by the court of a State? Please explain why or why not.

We strongly oppose the inclusion of a rule such as res judicata within the scope of the Draft Convention. In addition to the concerns raised above with regard to the territoriality of IP rights, and the sovereignty principles, we are also concerned about the negative consequences that may be caused to parties embroiled in litigation due to such rule.

As mentioned above, the different IP standards and policies embraced by the various countries is apparent from the aspects of both the substantive law and the procedural law. For example, in Israel, the cross-examination of witnesses constitutes a fundamental part of the Israeli legal system and is considered the most efficient way for exposing the truth. Thus, following the submission by parties of their respective evidence in opposition, revocation, or infringement proceedings, each party has an inherent right to cross-examine the other party's witnesses. A corresponding right does not necessarily exist in European proceedings.

Should it transpire that an Israeli court will be required to recognize a foreign judgment that was rendered based upon such considerably disparate legal principles, where one party is prevented from re-litigating an issue that has already been determined, the rights to a fair trial, due process and even natural justice, would be severely undermined.